THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Nuclear Energy Technology Corporation Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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)

(I) PROPOSED OPEN OFFER ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY EIGHT (8) EXISTING SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; (III) PROPOSED RE-ELECTION OF DIRECTORS; AND (IV) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

八方金融有限公司
OCTAL Capital Limited

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

普頓資本有限公司
PROTON CAPITAL LIMITED

Underwriter

China He Investment (Hong Kong) Company Limited

中核投資(香港)有限公司

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

A letter from the Board is set out on pages 10 to 33 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 34 to 35 of this circular. A letter from Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 63 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Tuesday, 16 January 2018 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 8 and 9 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Thursday, 18 January 2018 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

29 December 2017

CONTENTS

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

"acting in concert"	has the meaning ascribed to this term under the Takeovers Code
"Announcement"	the announcement of the Company dated 23 November 2017 in relation to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Application Form(s)"	the application form(s) to be used by the Qualifying Shareholders to apply for the Offer Shares
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day on which licensed banks in Hong Kong are open for business other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	China Nuclear Energy Technology Corporation Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company for the time being
"EAF(s)"	the excess application form(s) to be issued to the Qualifying Shareholders, pursuant to which the Qualifying Shareholders may apply for the Offer Shares in excess of such Shareholders' assured entitlements under the Open Offer

"Excluded Shareholders"	those Overseas Shareholders whom the Directors, after making relevant enquiry as required under the Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account of either the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board comprising Mr. Chan Ka Ling Edmond, Mr. Wang Jimin, Mr. Tian Aiping and Mr. Li Dakuan, established to give recommendations to the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Independent Financial Adviser" or "Proton"	Proton Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Independent Shareholder(s)"	the Shareholders other than the Underwriter, any of its associates and persons acting in concert with the Underwriter, and those who are involved in or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Independent Third Party(ies)"	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
"Last Trading Day"	23 November 2017, being the last trading day for the Shares before the date of release of the Announcement

"Latest Practicable Date"	27 December 2017, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 8 February 2018 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
"Latest Time for Termination"	4:00 p.m. on the Friday, 9 February 2018, being the first Business Day after (but excluding) the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer Share(s)"	164,136,774 Shares proposed to be offered to the Qualifying Shareholders under the Open Offer for subscription on the basis of one (1) Offer Share for every eight (8) existing Shares held on the Record Date and payable in full on acceptance pursuant to the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
"Open Offer"	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
"PRC" or "China"	The People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Proposed Re-election of Directors"	the proposed re-election of each of Mr. Liu Genyu and Mr. Tang Jianhua at the SGM, particulars of which are set out in the section headed ''Proposed Re-election of Directors'' in the ''Letter from the Board'' in this circular
"Prospectus"	the prospectus to be issued by the Company to the Shareholders in relation to the Open Offer
"Prospectus Documents"	the Prospectus, the Application Form and EAF in respect of the Offer Shares to be issued by the Company in relation to the Open Offer
"Prospectus Posting Date"	Thursday, 25 January 2018 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholders, whose names appear on the register of members of the Company on the Record Date
"Record Date"	Wednesday, 24 January 2018 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
"Registrar"	Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"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 and held for considering and, if though fit, approving, among others, the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, as well as the Whitewash Waiver
"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

"Subscription Price"	the subscription price of HK$1.36 per Offer Share at which the Offer Shares are proposed to be offered for subscription
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Underwriter"	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, a substantial Shareholder and a company wholly-owned by 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.) (which is in turn wholly owned by 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited) which is a state-owned enterprise established in the PRC)
"Underwriting Agreement"	the underwriting agreement dated 23 November 2017 entered into between the Company and the Underwriter in relation to the Open Offer
"Underwritten Shares"	114,136,774 being the total number of Offer Shares less such number of Offer Shares agreed to be taken up by the Underwriter under its assured entitlement under the Open Offer as a Shareholder
"Whitewash Waiver"	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Underwriter to make a mandatory general offer (for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Underwriter and any parties acting in concert with it) as a result of the Underwriter subscribing for the Shares pursuant to the Underwriting Agreement
"Xuzhou Herun"	徐州核潤光能有限公司 (transliterated as Xuzhou Herun Solar Energy Limited), an indirect wholly-owned subsidiary of the Company incorporated in the PRC
"%"	per cent

EXPECTED TIMETABLE

Set out below is the expected timetable of the Open Offer:

Event	(Hong Kong time)
Despatch date of this circular with notice and form of proxy for the SGM	on or before Friday, 29 December 2017
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 10 January 2018
Closure of register of members of the Company for attending the SGM (both dates inclusive)	Thursday, 11 January 2018 to Tuesday, 16 January 2018
Latest time for lodging forms of proxy for the purpose of the SGM	11:00 a.m. on Sunday, 14 January 2018
Date and time of the SGM	11:00 a.m. on Tuesday, 16 January 2018
Announcement of the poll results of the SGM	Tuesday, 16 January 2018
Last day of dealings in Shares on a cum-entitlement basis	Wednesday, 17 January 2018
First day of dealings in Shares on an ex-entitlement basis	Thursday, 18 January 2018
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer	4:30 p.m. on Friday, 19 January 2018
Register of members of the Company closes (both dates inclusive)	Monday, 22 January 2018 to Wednesday, 24 January 2018
Record Date	Wednesday, 24 January 2018
Register of members of the Company re-opens	Thursday, 25 January 2018
Despatch of the Prospectus Documents	Thursday, 25 January 2018

Event	(Hong Kong time)
Latest time for Acceptance of, and payment of Offer Shares and application for excess Offer Shares	4:00 p.m. on Thursday, 8 February 2018
Latest time for Open Offer to become unconditional	4:00 p.m. on Friday, 9 February 2018
Announcement of the results of the Open Offer and excess application	Wednesday, 14 February 2018
Despatch of share certificates of Offer Shares or/and refund cheques	Thursday, 15 February 2018
Dealings in Offer Shares commence	9:00 a.m. on Tuesday, 20 February 2018

All times and dates stated above refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

Effect of bad weather on the Latest Time for Acceptance and payment for the Offer Shares

The Latest Time for Acceptance will be postponed if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong:

(i) at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or

(ii) at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

Notwithstanding anything contained in the Underwriting Agreement, if at any time prior to the Latest Time for Termination:

(a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:

(i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the financial position of the Group as a whole;

(ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer;

(iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer, or makes it impracticable or inadvisable or inexpedient to proceed therewith;

(iv) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Latest Time for Termination; or

(b) any breach of any of the warranties contained in the Underwriting Agreement in any material respect by the Company comes to the knowledge of the Underwriter;

(c) any event occurs or any matter arises on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriter materially and adversely affect the financial position or business of the Group as a whole;

(d) there is any such material adverse change in the general affairs, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the absolute opinion of the Underwriter is materially adverse to the success of the Open Offer, or

(e) there is any change in the composition of the Board which in the reasonable opinion of the Underwriter may affect the management and general affairs of the Company;

then and in any such case, the Underwriter may terminate the Underwriting Agreement without liability to the Company by giving notice in writing to the Company, served prior to the Latest Time for Termination.

Termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Open Offer will not proceed.

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. Liu Genyu *(Vice Chairman)*
Mr. Bai Xuefei *(Co-chief Executive Officer)*
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Li Jinying
Mr. Li Feng
Mr. Tang Jianhua

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

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

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

29 December 2017

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED OPEN OFFER ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY EIGHT (8) EXISTING SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) PROPOSED RE-ELECTION OF DIRECTORS

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

This circular is to provide you with, among other things, (i) details of the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iv) other information required pursuant to the Listing Rules and the Takeovers Code in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (v) details of the Proposed Re-election of Directors and (vi) a notice of the SGM.

PROPOSED OPEN OFFER

Under the Open Offer, the Company proposed to raise approximately HK$223.2 million before expenses after deduction of the costs and expenses which the Company will incur in the Open Offer, details of which are set out as follows:

Issue statistics

Basis of the Open Offer	:	one (1) Offer Share for every eight (8) existing Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK$1.36 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	1,313,094,192 Shares
Number of Offer Shares	:	164,136,774 Offer Shares (assuming no Shares to be issued or repurchased by the Company from the date of the Announcement up to the Record Date)
Underwriter	:	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, a substantial Shareholder and a company wholly-owned by 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.) (which is in turn wholly owned by 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited) which is a state-owned enterprise established in the PRC)

Total number of Offer Shares underwritten by the Underwriter	:	the Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the Underwritten Shares, being the total number of Offer Shares less the full entitlement of the Underwriter under the Open Offer being 50,000,000 Offer Shares agreed to be taken up by the Underwriter pursuant to the undertaking as stated in the Underwriting Agreement (assuming no Shares to be issued or repurchased by the Company from the date of the Announcement up to the Record Date)
Number of issued shares of the Company upon completion of the Open Offer	:	1,477,230,966 Shares (assuming no Shares to be issued or repurchased by the Company on or before the completion of the Open Offer)
Amount to be raised	:	Approximately HK$223.2 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Offer Shares in excess of their assured entitlements

As at the Latest Practicable Date, the Company has no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

The Offer Shares to be issued pursuant to the terms of the Open Offer represent 12.50% of the existing issued share capital of the Company and approximately 11.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares (assuming there is no change in the issued share capital of the Company).

The Open Offer is conditional upon fulfilment (or waiver, if applicable) of all conditions set out under the sub-section headed "Conditions of the Open Offer" in this letter below. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms thereof. Please see the section headed "Termination of the Underwriting Agreement" in this circular. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors' attention is drawn to the paragraph headed "Warning of the risks of dealings in the Shares" below.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, no Application Form will be sent to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must at the close of business on the Record Date:

(i) be registered as a member of the Company; and

(ii) not be an Excluded Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, any transfer of the Shares (with the relevant Share certificates) must be lodged with the Registrar for registration by 4:30 p.m. on Friday, 19 January 2018. The address of the Registrar, Tricor Tengis Limited, is Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

Closure of register of members of the Company

The register of members of the Company will be closed from Monday, 22 January 2018 to Wednesday, 24 January 2018, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than that in Hong Kong (to the extent required under the applicable law).

Based on the register of members of the Company, as at the Latest Practicable Date, there was no Overseas Shareholders. The Directors will make enquiries as to whether the issue of the Offer Shares to the Overseas Shareholders (if any) may contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules.

If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to the Overseas Shareholders, the Open Offer will not be available to the Overseas Shareholders.

Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only but will not send any Application Forms in respect of the Open Offer to the Excluded Shareholders. The basis of exclusion of the Excluded Shareholders, if any, from the Open Offer will be disclosed in the Prospectus.

Subscription Price

The Subscription Price of the Offer Shares is HK$1.36 per Offer Share, payable in full upon application of the relevant assured allotment of the Offer Shares. The Subscription Price represents:

(i) a premium of approximately 3.03% over the closing price of HK$1.32 per Share as quoted on Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 0.74% over the average of the closing prices of approximately HK$1.35 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days including and up to the Last Trading Day;

(iii) a discount of approximately 0.15% to the average of the closing prices of approximately HK$1.362 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days including and up to the Last Trading Day;

(iv) a premium of approximately 2.72% over the theoretical ex-entitlement price of approximately HK$1.324 per Share calculated based on the closing price of HK$1.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 3.03% to the closing price of HK$1.320 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 256.02% over the audited consolidated equity attributable to owners of the Company per Share of approximately HK$0.382 (based on the latest published audited equity attributable to owners of the Company of HK$501,423,000 as at 31 December 2016 and 1,313,094,192 Shares in issue as at the Latest Practicable Date); and

(vii) a premium of approximately 140.71% over the unaudited consolidated net asset value of the Group per Share of approximately HK$0.565 (based on the latest published unaudited net asset value of the Group of approximately HK$741,255,000 as at 30 June 2017 and 1,313,094,192 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the Group's intention to expand its current solar power generation business; (ii) the potential of solar photovoltaic business in the PRC; and (iii) the then market prices of the Shares under then prevailing market and economic conditions.

The Group has diversified into and shifted its business focus to solar power generation segment since 2012. During the past five reportable years, the profitability of the Group recorded notable improvement whereby the profit for the Group boosted approximately 124.78% from approximately HK$36.7 million for the year ended 31 December 2012 to approximately HK$82.5 million for the year ended 31 December 2016, which was mainly attributable to the surge of revenue generated by its engineering, procurement and construction services for solar photovoltaic business. According to the 可再生能源發展"十三五"規劃實施的指導意見 (transliterated as Advice on the Implementation of the "Thirteenth Five-Year Plan" for Renewable Energy Development) issued by 國家能源局 (transliterated as National Energy Administration Bureau) in July 2017, it is expected that the national in-grid installed capacity for solar photovoltaic generation will increase by approximately 86.5 gigawatts from 2017 to 2020. During the first half of 2017, the national in-grid installed capacity of solar photovoltaic power in the PRC has increased approximately 24.4 gigawatts. Taking into account the above favourable market conditions and the track record of the Group in the past five years, the Directors consider that it is justifiable to the Group's intention to expand its solar photovoltaic installation and power generation businesses.

In consideration of the historical share prices of the Shares, during the period from 24 November 2016 to 23 November 2017, being the date of the Underwriting Agreement (the "**Review Period**"), the closing prices of the Share ranged between HK$1.14 per Share on 5 May 2017 and HK$1.78 per Share on 16 June 2017 and 21 June 2017. During the Review Period, the average price and the median price of the Shares were approximately HK$1.41 per Share and HK$1.39 per Share respectively. Given that the Subscription Price (i) falls within the range of the prices of the Shares in the Review Period; (ii) represents a discount of approximately 3.5% to the average price of approximately HK$1.41 per Share in the Review Period; and (iii) represents a discount of approximately 2.1% to the median price of approximately HK$1.39 per Share in the Review Period, the Directors consider that the basis in determining of the Subscription Price of HK$1.36 is fair and reasonable.

The Directors (including the independent non-executive Directors whose opinion on the matter is set forth in the letter from the Independent Board Committee to this circular) consider that the terms of the Open Offer, including the Subscription Price, allows existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company and maintain their respective pro-rata shareholding through their participation into the Open Offer. It is therefore fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Basis of allotment

The basis of the allotment shall be one (1) Offer Share for every eight (8) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder's allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for. The Directors (excluding the independent non-executive Directors whose view is set out in the "Letter from the Independent Board Committee" in this circular) consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares, when being allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Certificates of the Offer Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer, certificates for the fully-paid Offer Shares are expected to be despatched on or before Thursday, 15 February 2018 to those entitled thereto by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be despatched on or before Thursday, 15 February 2018 by ordinary post at the respective Shareholders' own risk.

Application for excess Offer Shares

Qualifying Shareholders will be entitled to apply for any Offer Shares created by adding together fractions of the Offer Shares, entitlements of the Excluded Shareholders and any Offer Shares which are not taken up by other Qualifying Shareholders in excess of their own entitlements but are not assured of being allocated any Offer Shares in excess of those in their entitlements. The Directors will, upon consultation with the Underwriter, allocate the excess Offer Shares (if any) at their discretion on a fair and equitable basis as far as practicable, according to the principle that any excess Offer Shares will be allocated to the Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Offer Shares applied for by all such Qualifying Shareholders.

No preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Offer Shares should note that there is no guarantee that such odd lots of the Offer Shares will be topped up to create whole board lots pursuant to applications for excess Offer Shares.

In the event that the Board notes unusual patterns of excess Offer Shares applications and has reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Offer Shares may be rejected at the sole discretion of the Board.

Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Fractional entitlements

Entitlement to Offer Shares will be rounded down to the nearest whole number and no fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares will be admitted into CCASS.

Stamp duty

Dealings in the Offer Shares in board lots of 2,000 Shares, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No disqualifying transaction

During the period beginning on the date which is six months prior to the date of the Announcement and up to and including the Latest Practicable Date, the Underwriter and any of its associates or parties acting in concert with it, have not dealt in the relevant securities (as defined under Note 4 to Rule 22 under Takeovers Code) of the Company.

THE UNDERWRITING AGREEMENT

On 23 November 2017 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer.

Details of the Underwriting Agreement are set out as follows:

Date	:	23 November 2017 (after trading hours)
Underwriter	:	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, a substantial Shareholder and a company wholly-owned by 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.) (which is in turn wholly owned by 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited) which is a state-owned enterprise established in the PRC) As at the Latest Practicable Date, the Underwriter, being a substantial Shareholder, is the legal and beneficial owner of 400,000,000 Shares, representing approximately 30.46% of the entire issued share capital of the Company.

Total number of Offer Shares underwritten by the Underwriter	:	The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the Underwritten Shares, being the total number of Offer Shares less the full entitlement of the Underwriter under the Open Offer being 50,000,000 Offer Shares agreed to be taken up by the Underwriter pursuant to the undertaking as stated below (assuming no Shares to be issued or repurchased by the Company from the date of the Announcement up to the Record Date).
Irrevocable undertaking	:	The Underwriter has undertaken to the Company that it shall remain as the legal and beneficial owner of a total of 400,000,000 Shares up to the Latest Time for Acceptance; and it shall subscribe for its full entitlement under the Open Offer being 50,000,000 Offer Shares.
Underwriting commission	:	No underwriting commission shall be paid to the Underwriter. There is no other fee payable by the Company to the Underwriter in respect of the Underwriting Agreement.

Saved as disclose above, as at the Latest Practicable Date, the Company has not received any information from or undertaking by any other substantial Shareholders of their intention to take up the Offer Shares to be offered to them.

Conditions of the Open Offer

The Open Offer is conditional, among other things, on each of the following conditions being fulfilled:

(a) the approval by Shareholders (other than those not permitted to vote on the relevant resolutions by the Listing Rules and/or the Takeovers Code) of the Underwriting Agreement, the transactions contemplated under the Underwriting Agreement and the Whitewash Waiver;

(b) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;

(c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);

(d) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Excluded Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;

(e) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Shares and the Offer Shares, either unconditionally or subject to such conditions which the Underwriter in its opinion accepts and satisfies (if any);

(f) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;

(g) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement;

(h) none of the warranties contained in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any material respect;

(i) there being no event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, occurring prior to the Latest Time for Termination; and

(j) (if necessary) compliance with any other requirements under the applicable laws and regulations of Hong Kong and Bermuda.

In respect of paragraph (j) above, as at the Latest Practicable Date, the Directors are not aware of any other requirements under the applicable laws and regulations of Hong Kong and Bermuda in relation to the Open Offer which shall be complied with.

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions set out above (save for the above conditions under (f) and (h) which can only be waived by the Underwriter, all the other conditions precedent under the Underwriting Agreement are not waivable) and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the terms of the Underwriting Agreement.

If the conditions above are not satisfied on or before the Latest Time for Termination, the Underwriting Agreement shall terminate and no Party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, none of the conditions set out above had been fulfilled.

As at the Latest Practicable Date, the Underwriter had not entered into any sub-underwriting agreement(s) with any sub-underwriter(s).

Termination of the Underwriting Agreement

Notwithstanding anything contained in the Underwriting Agreement, if at any time prior to the Latest Time for Termination:

(a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:

(i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the financial position of the Group as a whole;

(ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer;

(iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer, or makes it impracticable or inadvisable or inexpedient to proceed therewith;

(iv) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Latest Time for Termination; or

(b) any breach of any of the warranties contained in the Underwriting Agreement in any material respect by the Company comes to the knowledge of the Underwriter;

(c) any event occurs or any matter arises on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriter materially and adversely affect the financial position or business of the Group as a whole;

(d) there is any such material adverse change in the general affairs, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the absolute opinion of the Underwriter is materially adverse to the success of the Open Offer, or

(e) there is any change in the composition of the Board which in the reasonable opinion of the Underwriter may affect the management and general affairs of the Company;

then and in any such case, the Underwriter may terminate the Underwriting Agreement without liability to the Company by giving notice in writing to the Company, served prior to the Latest Time for Termination.

Termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional upon the fulfilment of the conditions set out under the sub-section headed "Conditions of the Open Offer" above. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.

Any dealings in the Shares from the date of this circular up to the date on which all the conditions are fulfilled will accordingly bear the risk that the Open Offer may or may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are recommended to consult their own professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Open Offer (assuming there is no other changes in the shareholding structure of the Company between the Latest Practicable Date and completion of the Open Offer):

	(i) As at the Latest Practicable Date		**(ii) Immediately after completion of the Open Offer**			
			(a) Assuming the Offer Shares are fully taken up by all Qualifying Shareholders under the Open Offer		**(b) Assuming none of the Offer Shares are taken up by the Qualifying Shareholders (other than the Underwriter) under the Open Offer**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
The Underwriter *(Note 1)*	400,000,000	30.46	450,000,000	30.46	564,136,774	38.19
Public Shareholders	913,094,192	69.54	1,027,230,966	69.54	913,094,192	61.81
Total	1,313,094,192	100.00	1,477,230,966	100.00	1,477,230,966	100.00

Note:

1. 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited) is deemed to be interested in the 400,000,000 Shares by virtue of its holding 100% interests in 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd), which in turn is deemed to be interested in 400,000,000 Shares held by the Underwriter, which is its wholly-owned subsidiary.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS IMMEDIATELY BEFORE THE LATEST PRACTICABLE DATE

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcements	**Event**	**Approximate net proceeds**	**Intended use of net proceeds as stated in the announcements**	**Actual use of net proceeds/Remarks**
9 June 2017 and 12 June 2017	The placing of 180,000,000 Shares at HK$1.01 per Share	Approximately HK$179.1 million	For repayment of bank loan, supplementing the registered capital of an indirect wholly-owned subsidiary of the Company and general working capita	HK$50.0 million was used for repayment of bank loan; HK$110.0 million was used to supplement the registered capital of an indirect wholly-owned subsidiary; and approximately HK$6.0 million was used for general working capital. The remaining balance of approximately HK$13.1 million shall be used up for the repayment of loan interests and other operating expenses by May 2018

Saved as disclosed above, the Company has not conducted any fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in financing operations; solar power generation operations; design and consulting services, engineering, procurement and construction operations relating to photovoltaic power plant, and corporate management, investment and treasury services.

According to the annual report of the Company for the year ended 31 December 2016, the Group intends to explore other opportunities to expand its current clean energy generation and financial services business and develop new energy and related industrial finance business.

The Directors are of the view the Open Offer will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the potential investment targets of the Group as and when suitable investment opportunities arise as well as expand its current clean energy generation and financial services business and develop new energy and related industrial finance business. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Excluded Shareholders) to participate in the growth of the Company in proportion to their shareholdings.

To further illustrate, the Group has been putting efforts in strengthening its financial position, including but not limited to raising sufficient funding for the business development of the Group. As such, when formulating the structure of the Open Offer, the Directors had taken into account various factors including but not limited to raising sufficient funds to further develop its principal business, while at the same time, to improve the financial strength and position of the Group to capture the opportunity for future expansion should suitable investment opportunities arise.

The Company has considered the following fundraising alternatives in comparison to the Open Offer:

Fundraising alternatives		Reason(s) for not adopting the fundraising alternatives
(i)	Placing of new Shares	The Board is of the view that placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders.
(ii)	Debt financing	The Company considers that favorable terms in relation to debt financing on a timely basis may not be achievable and it will result in additional interest burden, higher gearing ratio of the Group and the Group will be subject to repayment obligations.

(iii) Rights issue — The Company is of the view that rights issue will involve extra administrative work and cost for the trading arrangements in relation to the nil-paid rights sold in rights issue.

After considering the fundraising alternatives mentioned above and taking into account the benefits and cost of each of the alternatives, the Board (excluding the independent non-executive Directors whose views will be provided after taking into consideration of the advice from the independent financial adviser) is of the view that the Open Offer is more cost effective and efficient and beneficial to the Company and the Shareholders as a whole.

In order to obtain the best available terms for the underwriting of the Open Offer, the Company has approached another potential underwriter regarding a proposed open offer for the Company to raise the required funds. The Company has also conducted a research on the Stock Exchange's website on the terms available from other potential underwriters. Taking into consideration, among other factors, (i) the imminent needs of the Group to raise fund to develop its solar photovoltaic business; (ii) it would be a lengthy process to negotiate with other potential underwriters for better terms; and (iii) the Underwriter is willing to act as an underwriter of the Open Offer without charging any underwriting commission as a way to demonstrate its support to the Group's business development, the Board considers that the engagement of the Underwriter is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board considers that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

In the view of the above, the Directors (excluding the independent non-executive Directors whose view will be set out in the "Letter from the Independent Board Committee" in this circular) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

Net proceeds of approximately HK$220 million will be allocated as follows:

(i) approximately 75%, amounting to approximately HK$165 million, to support, develop and expand the Group's existing photovoltaic power generation business in China and the overseas. With our seasoned experience and technical know-how in photovoltaic generation system, the Group extends to capture the distributed photovoltaic power generation market in China this year. Apart from the installation of distributed photovoltaic power system for farmers as disclosed in the announcement of the Company dated 26 October 2017, the Group had pipelined a number of distributed photovoltaic power projects in Jiangsu, China with a planned capacity of about 112 MW, whereby the filing of 19MW and 5MW distributed photovoltaic projects in Suining and Yizheng respectively with the relevant government authorities had been completed. The Group has obtained on-grid connection approval for Suining project from 國網江蘇省電力公司徐州供電公司 (transliterated as National Grid Jiangsu Company Xuzhou Power Supply Company) and on-grid connection approval for Yizheng project from 國網江蘇省電力有限公司楊州供電分公司 (transliterated as National Grid Jiangsu Power Limited Company Yangzhou Power Supply Branch Company) in November 2017 and December 2017 respectively. As the Company's general practice, respective project companies for these pipelined projects are/will be formed with an estimated registered capital of USD28.0 million (equivalent to approximately HK$218.4 million) in aggregate. Moreover, the Company had entered into a memorandum of undertaking with BGR Group London LLP for the development of solar power plant projects in Ukraine as disclosed in the announcement dated 19 September 2017. The Group is currently negotiating with the relevant parties in Ukraine for concrete terms and conditions. Given that the photovoltaic power industry is capital intensive and the construction or installation period of the solar photovoltaic system for power generation is relatively short, which varies from 1 month to 1 year depending on the size of projects, it is imperative for the Group to maintain sufficient cash resources to finance these projects on a timely manner and the application of the net proceeds of the Open Offer on these photovoltaic solar projects would lower the Group's finance cost;

(ii) approximately 15%, amounting to approximately HK$33 million, to develop a manufacture base in Xuzhou to produce parts and components for photovoltaic power generation system as part of the Group's vision to diversify its business horizontally. In 2016, Xuzhou Herun agreed to acquire a piece of land and the structure (including a manufacturing plant) erected thereon in Peixian. Such acquisition was completed in August 2017 and following the completion of the transfer of ownership and obtaining the 不動產權證 (translated as Real Estate Ownership Certificate) for the land, the Group commenced the modification work on the manufacturing plant and the purchase of machinery to set up the production lines in December 2017. It is estimated an additional of USD4.5 million (equivalent to approximately HK$35.1 million) is required to supplement the registered capital of Xuzhou Herun; and

(iii) approximately 10%, amounting to approximately HK$22 million, as general working capital of the Group (including operating expenses such as staff costs, professional fees and interests of bank loans), for maintaining the liquidity of the Group to carry out regular business and compliance activities, and/or for future investment opportunities available for the Group. As at the Latest Practicable Date, the Group had not identified any potential investment target.

Assuming that (i) the business plan detailed above rolls out as planned; (ii) no other investment or business opportunities which require additional funding are identified; and (iii) there is no material changes in the economic environment, government or regulatory policies or market conditions or unexpected circumstances occur in PRC or other countries where the Group operates or intends to operate, the Directors consider that the net proceeds from Open Offer, business income and internal financial resources of the Group can satisfy the expected funding needs for the next 12 months of the Group. As at the Latest Practicable Date, the Group has no concrete plan on any other investment or business opportunities.

As at the Latest Practicable Date, save as disclosed above, the Company does not have any concrete or initial intention or plan, or have entered into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether expressed or implied), and negotiation (whether concluded or not) on any other corporate actions and/or equity fund raising activities and/or issue(s) of equity securities in the next 12 months that may affect the trading of the Shares. In addition, the Company and its Directors did not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any potential corporate action in the forthcoming 12 months. However, in the event the business plan does not roll out as planned resulting in a need for further capital for the Group's photovoltaic business or when other investment opportunities arise, the Company may in the circumstances have the need to call for further fund-raising exercise to cater for the increased working capital or capital expenditure requirements. The Directors will ensure that all future fund raising activities, if any, will be conducted on terms that are justifiable taking into account the then circumstances, in the best interests of the Company and the Shareholders as a whole, and in compliance with the applicable Listing Rules.

INFORMATION ON THE UNDERWRITER

The Underwriter is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holdings. As at the Latest Practicable Date, the Underwriter, being a substantial Shareholder, is the legal and beneficial owner of 400,000,000 Shares, representing approximately 30.46% of the entire issued share capital of the Company. The Underwriter is wholly owned by中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.), a company established in the PRC which is in turn wholly owned by 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited), which is a state-owned enterprise established in the PRC, being ultimately held by the State-owned Assets Supervision and Administration Commission ("**SASAC**"), the ultimate controlling shareholder of the Underwriter. As at the Latest Practicable Date, (i) the directors of the Underwriter were Mr.Bai Xuefei and Mr. Li Feng; (ii) the directors of 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.) are Mr. Sun Jie (孫傑先生), Mr. Tian

Guohong (田國宏先生), Mr. Jiang Dekuan (蔣德寬先生), Mr. Nie Hongshuang (聶洪霜先生) and Mr. Ai Yilun; and (iii) the directors of 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited) were Mr. Wang Shoujun (王壽君先生), Mr. Gu Jun (顧軍先生), Mr. Xiang Yongzhong (向永忠先生), Mr. Liu Xinquan (劉新權先生), Mr. Zhang Jixiang (張冀湘先生), Mr. Xu Lipeng (徐立鵬先生) and Mr. Gao Jinzhu (高金柱先生).

Save for the transactions contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company which may be material to the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver.

INTENTION OF THE UNDERWRITER

The Underwriter intends to continue the existing businesses of the Group following completion of the Open Offer.

The Underwriter considered that the Open Offer is favourable to the Group as the Group will be able to obtain capital for development and expansion of the Group's business. For further details, please refer to the section headed ''Reasons for the Open Offer and use of proceeds'' in this letter. The Underwriter and the Group have no intention to introduce any material change to the existing businesses of the Group and the continued employment of the Group's employees and have no intention to re-deploy the fixed assets of the Group other than in its ordinary course of business.

Nevertheless, the Underwriter and the Group will conduct review on the business operations of the Group from time to time following the Open Offer and consider all possible options with a view to improving the performance of the Group. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate.

LISTING RULES IMPLICATIONS

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date, the Open Offer is not subject to Shareholders' approval under the Listing Rules.

The Underwriter, being a substantial Shareholder, is a connected person of the Company and the entering into of the Underwriting Agreement by the Company and the Underwriter constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the Company has made arrangement for application of the Offer Shares by the Qualifying Shareholders in excess of their assured entitlements under the Open Offer as referred to in Rule 7.26A(1) of the Listing Rules, the allotment and issue of the Offer Shares to the Underwriter (as an underwriter) pursuant to the Underwriting Agreement is fully exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.92(2) of the Listing Rules.

THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter, being a substantial Shareholder, is the legal and beneficial owner of 400,000,000 Shares, representing approximately 30.46% of the entire issued share capital of the Company.

Assuming (i) no further Shares will be issued or repurchased by the Company prior to the close of the Open Offer; and (ii) none of the Qualifying Shareholders other than the Underwriter (in its capacity as a Shareholder and the Underwriter) has taken up its entitlements under the Open Offer and the Underwriter has to discharge its underwriting obligation in full, the interests in the Company held by the Underwriter and the parties acting in concert with it upon the close of the Open Offer will increase from approximately 30.46% to approximately 38.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. The Underwriter and the parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. The Underwriter has applied to the Executive for the Whitewash Waiver, which shall be subject to, among others, the approval by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE WHITEWASH WAIVER

An application has been made by the Underwriter to the Executive for the Whitewash Waiver in connection with the underwriting of the Open Offer by the Underwriter. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll.

It is two of the conditions of the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll, which both conditions are not waivable. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed. None of the Underwriter and the parties acting in concert with it has dealt in the relevant securities (as defined under Note 4 to Rule 22 under Takeovers Code) of the Company in the six months prior to the date of the Announcement and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not believe that the proposed Open Offer and the Underwriting Agreement give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavor to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of this circular. The Company notes that the Executive may not grant the Whitewash Waiver if the proposed Open Offer and the Underwriting Agreement do not comply with other applicable rules and regulations.

DEALINGS AND INTEREST OF THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, none of the Underwriter and/or any parties acting in concert with it and/or the associate of the Underwriter:

(a) save for the Shares held by the Underwriter as set out in the section headed "Shareholding structure of the Company" above, owned, controlled or had direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(b) had received an irrevocable commitment to vote for or against the Open Offer, the Underwriting Agreement and the Whitewash Waiver;

(c) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(d) save for the Underwriting Agreement, had any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Underwriter and of the Company with any persons;

(e) save for the Underwriting Agreement, had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(f) save for the Underwriting Agreement, had any agreement or arrangement to which any of them is a party which relates to the circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer (other than those listed under the section headed "Conditions of the Open Offer" in this letter), the Underwriting Agreement and the Whitewash Waiver; or

(g) had dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the Underwriting Agreement and the period thereafter up to and including the Latest Practicable Date.

PROPOSED RE-ELECTION OF DIRECTORS

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

In accordance with Bye-law 83(2), Mr. Liu Genyu and Mr. Tang Jianhua, who were appointed on 30 June 2017 shall be subject to re-election by the Shareholders at the SGM, and, being eligible, have offered themselves for re-election at the SGM.

At the SGM, the ordinary resolution number 3 will be proposed to re-elect each of Mr. Liu Genyu and Mr. Tang Jianhua as executive Directors.

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

SGM

The register of members of the Company will be closed from Thursday, 11 January 2018 to Tuesday, 16 January 2018 (both dates inclusive) for determining the entitlements to attend the SGM. No transfer of Shares will be registered during this period.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Open Offer; (ii) the Underwriting Agreement; and (iii) the Whitewash Waiver; and (iv) the Proposed Re-election of Directors. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Open Offer, Underwriting Agreement and the Whitewash Waiver at the SGM.

The form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form appointing a proxy shall be deemed to be revoked.

Subject to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver being approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Open Offer will be despatched to the Shareholders as soon as practicable.

In accordance with the Listing Rules and the Takeovers Code, (i) the Underwriter and its associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (including all executive Directors but excluding members of the Independent Board Committee) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in, or interested in, the Open Offer, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the transactions contemplated under the Open Offer, the Underwriting Agreement and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Proton Capital Limited is appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

The SGM will be held to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, the Whitewash Waiver as well as the Proposed Re-election of Directors. The Underwriter and any of its associates or parties acting in concert with it and those who are involved in and/or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver will abstain from voting at the SGM. As at the Latest Practicable Date, the Underwriter, being a substantial Shareholder, is the legal and beneficial owner of 400,000,000 Shares, representing approximately 30.46% of the entire issued share capital of the Company.

Subject to, among others, the Open Offer, the Underwriting Agreement and the Whitewash Waiver being approved at the SGM, the Prospectus Documents or the Prospectus, whichever is appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Excluded Shareholders in due course.

The Prospectus Documents setting out details of the proposed Open Offer are expected to be despatched to the Qualifying Shareholders on or about Thursday, 25 January 2018. The Company will send the Prospectus to the Excluded Shareholders for information only.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) are of the opinion that the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of all resolution(s) to be proposed at the SGM.

Your attention is drawn to the "Letter from the Independent Board Committee" containing its recommendations to the Independent Shareholders set out on pages 34 to 35 of this circular and the "Letter from the Independent Financial Adviser" containing its advice to the Independent Shareholders and the Independent Board Committee and the principal factors which it has considered in arriving at its advice with regard to the Open Offer, the Underwriting Agreement and the Whitewash Waiver as set out on pages 36 to 63 of this circular.

Shareholders are advised to read carefully the "Letter from the Independent Board Committee" regarding the Open Offer, the Underwriting Agreement and the Whitewash Waiver on page 34 to 35 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 36 to 63 of this circular, considers that the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

The following is the text of the letter form the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

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)

29 December 2017

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED OPEN OFFER ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY EIGHT (8) EXISTING SHARES HELD ON THE RECORD DATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company to the Shareholders dated 29 December 2017 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to provide recommendations to the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Wavier. Details of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Wavier are set out in the "Letter from the Board" contained in the Circular.

Proton Capital Limited has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Wavier are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the "Letter from the Independent Financial Adviser" contained in the Circular.

Your attention is also drawn to the "Letter from the Board" set out on pages 10 to 33 of the Circular.

Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in the "Letter from the Independent Financial Adviser" in the Circular, we are of the opinion that the terms of the Open Offer and the transactions contemplated thereunder, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Chan Ka Ling Edmond	**Mr. Wang Jimin**	**Mr. Tian Aiping**	**Mr. Li Dakuan**

Independent non-executive Directors

普頓資本有限公司
PROTON CAPITAL LIMITED

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

29 December 2017

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

Dear Sirs,

(I) PROPOSED OPEN OFFER ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY EIGHT (8) EXISTING SHARES HELD ON THE RECORD DATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee ("**IBC**") and the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board's Letter**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 29 December 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 23 November 2017, the Company announced to carry out the Open Offer on the basis of one (1) Offer Share for every eight (8) existing Shares held on the Record Date. The Open Offer involves the allotment and issue of 164,136,774 Offer Shares at a price of HK$1.36 per Offer Share. The Open Offer is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK$220 million.

On 23 November 2017 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and certain other arrangements in relation to the Open Offer. As at the Latest Practicable Date, the Underwriter, being a substantial Shareholder, is the legal and beneficial owner of 400,000,000 Shares, representing approximately 30.46% of the entire issued share capital of the Company.

The Underwriter has undertaken in the Underwriting Agreement that it shall remain as the legal and beneficial owner of a total of 400,000,000 Shares up to the Latest Time for Acceptance; and it shall subscribe for its full entitlement under the Open Offer being 50,000,000 Offer Shares.

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this announcement, the Open Offer is not subject to Shareholders' approval under the Listing Rules.

The Underwriter, being a substantial Shareholder, is a connected person of the Company and the entering into of the Underwriting Agreement by the Company and the Underwriter constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Company has made arrangement for application of the Offer Shares by the Qualifying Shareholders in excess of their assured entitlements under the Open Offer as referred to in Rule 7.26A(1) of the Listing Rules, the allotment and issue of the Offer Shares to the Underwriter (as an underwriter) pursuant to the Underwriting Agreement is fully exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.92(2) of the Listing Rules.

Assuming (i) no further Shares will be issued or repurchased by the Company prior to the close of the Open Offer; and (ii) none of the Qualifying Shareholders other than the Underwriter (in its capacity as a Shareholder and the Underwriter) has taken up its entitlements under the Open Offer and the Underwriter has to discharge its underwriting obligation in full, the interests in the Company held by the Underwriter and the parties acting in concert with it upon the close of the Open Offer will increase from approximately 30.46% to approximately 38.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. The Underwriter and the parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code.

The Underwriter has applied to the Executive for the Whitewash Waiver, which shall be subject to, among others, the approval by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

It is two of the conditions of the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll, which both conditions are not waivable. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

The IBC comprising all the independent non-executive Directors, being Mr. Chan Ka Ling Edmond, Mr. Wang Jimin, Mr. Tian Aiping and Mr. Li Dakuan, has been established to provide recommendations to the Independent Shareholders in connection with the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to the IBC and the Independent Shareholders in this regard. Our appointment as the independent financial adviser has been approved by the IBC.

Proton Capital is not connected with the directors, chief executive and substantial shareholders of the Company or the Underwriter or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, 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 and therefore is considered suitable to give independent advice to the IBC and the Independent Shareholders.

During the last two years, (i) we were engaged as independent financial adviser to the then independent non-executive directors of the Company (the "**Then INEDs**") at late 2015 and mid 2016 in respect of the Company's connected transactions, which were not required to be disclosed by the Company pursuant to the Listing Rules, and we issued two advisory letters for the Then INEDs' internal use; and (ii) we also acted as independent financial adviser to the then independent board committees of the Company for the continuing connected transactions as detailed in the Company's circular dated 2 December 2015 and the discloseable and connected transaction as detailed in the Company's circular dated 5 December 2016, respectively (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.

We are not in the same group as the financial or other professional adviser (including a stockbroker) to:

(i) the Group;

(ii) the Company, any party acting, or presumed to be acting, in concert with the Company; or any company controlled by the Company (collectively, the "**Offeree Group**");

(iii) the Underwriter, 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd., 中國核工業建設集團公司 (transliterated as China Nuclear Engineering & Construction Corporation), State-funded Assets Supervision and Administration Commission, any party acting, or presumed to be acting, in concert with any of the above; or any company controlled by any of them (collectively, the "**Offeror Group**").

We do not have and did not have, a significant connection, financial or otherwise, with the Group, the Offeree Group or the Offeror Group, or the controlling shareholder(s) of any of them, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice as referred to in Rule 2.6 of the Takeovers Code. Accordingly, our company is independent and suitable to give independent advice to the IBC and the Independent Shareholders.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained or referred to in the Circular and provided to us by the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that such statements, information and representations are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of such statements, information and representations.

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

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

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group or any of their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Industry landscape and prospect

Solar photovoltaic power, hydro power, wind power and biomass power are the major types of renewable energy for electricity generation in the PRC. "Thirteenth Five-Year Plan" (2016-2020) for Renewable Energy Development issued by the National Development and Reform Commission of the PRC (the "**Thirteenth Five-Year Plan**") on 15 January 2017 states that renewable energy development and utilisation can reduce the consumption of fossil fuels, reduce the emission of greenhouse gas and pollutants and create new job opportunities, thus plays an important and positive role to the environment and society.

According to the Thirteenth Five-Year Plan, in term of electricity generation, solar photovoltaic power has experienced an impressive growth in the PRC from 2010 to 2015 with an average growth rate of 122% per annum, which out-weight the average annual growth rate of hydro power (8.1%), wind power (33.0%) and biomass power (13.4%). Compared with 2010, the scale of solar photovoltaic power for electricity generation in 2015 of 43,180 MW was more than double of the planned target under the "Twelfth Five-Year Plan" (2011-2015) for Renewable Energy Development issued by the National Development and Reform Commission of the PRC (the "**Twelfth Five-Year Plan**") of 21,000 MW.

Major targets for renewable energy at the end of the "Twelve Five-Year Plan"

	Year 2010	**Planned target under the "Twelfth Five-Year Plan"**	**Year 2015**	**Average growth rate per annum (%)**
Electricity generation				
1. Hydro power (MW)	216,060	290,000	319,540	8.1%
2. Wind power (MW)	31,000	100,000	129,000	33.0%
3. Solar photovoltaic power (MW)	800	21,000	43,180	122.0%
4. Biomass power (MW)	5,500	13,000	10,300	13.4%

Source: the Thirteenth Five-Year Plan

In order to encourage the use of renewable energy, increase the substitution of fossil fuels and to achieve the strategic target of non-fossil fuels usage shall represent 15% and 20% of the total energy consumption of the PRC by 2020 and 2030, respectively, the Thirteenth Five-Year Plan sets out that:

- by 2020, 27% of the total electricity generation in the PRC should be from renewable energy; and

- major targets for the use of renewable energy for electricity generation by 2020 are as follows:

Major targets for the use of renewable energy by 2020

	Scale of use		**Annual production rate**	
	Quantity	*Unit*	*Quantity*	*Unit*
Electricity generation (Total)	675,000	MW	1,904,500	GWh
1. Hydro power (excluding pumped storage)	340,000	MW	1,250,000	GWh
2. Wind power connected with grid	210,000	MW	420,000	GWh
3. Solar photovoltaic power	105,000	MW	124,500	GWh
4. Concentrated solar power	5,000	MW	20,000	GWh
5. Biomass power	15,000	MW	90,000	GWh

Source: the Thirteenth Five-Year Plan

Compared with traditional solar photovoltaic power generation plants which are normally large in scale, the Thirteenth Five-Year Plan promotes the development of 分散式光伏電站 distributed solar photovoltaic power generation stations* ("**Distributed Photovoltaic Station(s)**") with the goal to build 光伏小鎮 photovoltaic towns* and 光伏新村 photovoltaic villages*. Distributed Photovoltaic Stations are much smaller in scale, space-saving and can be built at the roof top of buildings/houses.

In view of the targets under the Thirteenth Five-Year Plan and the PRC government's promotion on the setting up of solar photovoltaic power generation plants, there will be market demand for design, engineering, construction, procurement and consultancy services, which is the main revenue driver of the Group, in the setting up as well as operation of solar photovoltaic power generation plants. As such, the solar photovoltaic power generation industry has rooms for expansion for its players including the Group.

2. Information on the Group

The Group is principally engaged in financing operations ("**Financing**"); solar power generation operations ("**Solar Power Generation**"); design and consulting services, engineering, procurement and construction operations relating to solar photovoltaic power plant ("**EPC and Consultancy**"), and corporate management, investment and treasury services.

Provision of EPC and Consultancy services is the main revenue driver of the Group. Every year the PRC central government will release installing photovoltaic capacity for different regions, then local governments will approve applications for photovoltaic projects from photovoltaic power plant operators based on the released target. The Group will then bid for EPC and Consultancy services that are required by photovoltaic power plant operators during their construction and installation process of photovoltaic power plant.

Set out below are certain financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, as extracted from the relevant annual reports and interim report of the Company respectively:

(a) Financial information on the Group

	For the year ended 31 December			For the six months ended 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Revenue				
– EPC and Consultancy	86,501	1,503,742	2,010,939	341,015
– Solar Power Generation	N/A	N/A	24,926	21,225
– Financing	N/A	N/A	5,678	9,482
– Restaurant, property and hotel *(Note 1)*	236,022	172,588	173,762	N/A
	322,523	1,676,330	2,215,305	371,722
(Loss)/profit for the year/period based on business segments				
– EPC and Consultancy	(34,236)	65,844	114,976	32,620
– Solar Power Generation	N/A	N/A	14,786	12,709
– Financing	N/A	N/A	(971)	(1,548)
– Restaurant, property and hotel *(Note 1)*	(8,780)	(18,209)	(18,154)	N/A
(Loss)/profit for the year/period	(57,195)	9,998	82,539	26,824

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
Cash and cash equivalents (excluding pledged bank deposits)	252,882	310,851	472,711	524,938
Gearing ratio *(Note 2)*	0.08	0.76	1.40	1.42
Total equity	397,474	474,941	508,789	741,255

Notes:

1. The Group discontinued this business segment (the "**Discontinued Business**") at late 2016.

2. Gearing ratio is defined as the total of bank borrowings, convertible bonds (if any), obligations under finance leases and loans included in other payables and accruals over total equity.

As advised by the Management, the Group has diversified into and shifted its business to focus on solar photovoltaic power related business since 2012 and has commenced the provision of design and consulting services, engineering, procurement and construction services for solar photovoltaic power plants (i.e. the EPC and Consultancy segment) since 2013. In 2016, leveraging on the Group's expertise in design and construction of solar photovoltaic power plants and in order to have a stable source of revenue, the Group expanded into building and operation of its own solar photovoltaic power plants (i.e. the Solar Power Generation segment). The Group also expanded to the Financing segment in 2016 which involves provision of finance lease to solar photovoltaic power plant owners and operators.

As illustrated in the above table, the Group's consolidated revenue has substantially increased from approximately HK$322,523,000 in the year ended 31 December 2014 ("**YE2014**") to approximately HK$1,676,330,000 in the year ended 31 December 2015 ("**YE2015**") and further increased to approximately HK$2,215,305,000 in the year ended 31 December 2016 ("**YE2016**").

Revenue from the EPC and Consultancy segment had materially increased from approximately HK$86,501,000 in YE2014 to approximately HK$1,503,742,000 in YE2015. Although the EPC and Consultancy segment recorded a segment loss of approximately HK$34,236,000 in YE2014, this business segment turned around and successfully achieved segment profit of approximately HK$65,844,000 in YE2015. In YE2016, revenue of the EPC and Consultancy segment increased by 33.73% to approximately HK$2,010,939,000 whereas the segment profit increased by 74.62% to approximately HK$114,976,000. Revenue and profit of this segment for the six months ended 30 June 2017 were approximately HK$341,015,000 and approximately HK$32,620,000, respectively.

During YE2016, the Company solely developed and completed two solar photovoltaic power stations at Jiangsu Taizhou, the PRC. The Solar Power Generation segment recorded revenue and profit of approximately HK$24,926,000 and approximately HK$14,786,000, respectively in YE2016. Revenue and profit of this segment for the six months ended 30 June 2017 were approximately HK$21,225,000 and approximately HK$12,709,000, respectively.

We understand from the Management that the Financing segment is still at an initial development stage and therefore, the Company recorded segment revenue and segment loss of approximately HK$5,678,000 and approximately HK$971,000, respectively for the FY2016. Revenue and loss of this segment for the six months ended 30 June 2017 were approximately HK$9,482,000 and approximately HK$1,548,000, respectively.

Compared with a net loss of approximately HK$57,195,000 in YE2014, the Group turned around to have a net profit of approximately HK$9,998,000 in YE2015. As explained by the Directors, this significant improvement was mainly due to the positive impact contributed from increase in projects revenue in the EPC and Consultancy segment as the Group put more resources in this segment and successfully bided for more EPC and Consultancy contracts in YE2015.

Net profit of the Group for YE2016 amounted to approximately HK$82,539,000, representing an increase of 725% over the net profit for YE2015 of approximately HK$9,998,000. We understand from the Management that, the aforesaid increase was mainly due to the combined effects of (i) increase in projects revenue in the EPC and Consultancy segment resulting from the Group's extensive market development and new business growth plan in this segment which involved putting more resources and to co-operate with other service providers/operators in solar photovoltaic power industry so that the Group was able to secure more projects of larger scale in different cities in the PRC; and (ii) the net effect of an one-off gain of approximately HK$21,959,000 from the disposal of interests in subsidiaries engaging in the Discontinued Business in late 2016 and sharing of the loss of the Discontinued Business of approximately HK$16,410,000 in YE2016 before completion of the disposal (the "**Net Effect of the Disposal**"). If the Net Effect of the Disposal, which amounted to net profit of approximately HK$5,549,000, was excluded, the Company would have recorded a consolidated profit of approximately HK$76,990,000 in YE2016, representing an increase of 670% over the net profit for YE2015 of approximately HK$9,998,000.

According to the report of the Company for the six months ended 30 June 2017, revenue of the Company for this period has been affected by (i) fewer reserved projects brought forward from previous years; (ii) the PRC central government used to release the targeted installing photovoltaic capacity at the beginning of a year then local governments will approve photovoltaic projects based on the target. In 2017, the PRC central government only released the targeted installing photovoltaic capacity in July which resulted in delay in local governments' approval for photovoltaic projects. This delay adversely affected the market demand for the Group's EPC and Consultancy services in the first half of 2017; (iii) slowdown of engineering, procurement and construction work progress due to under estimation of the complexity of site conditions and late deliveries of parts and components from suppliers which resulted in delay in work progress and completion of contracts for the Group's EPC and Consultancy business. As such, revenue of the EPC and Consultant segment decreased to approximately HK$341,015,000 in this period (six months ended 30 June 2015: approximately HK$814,057,000). However, notwithstanding the aforesaid decrease in revenue of the Group, through the restructuring of indebtedness of the Group and disposal of the loss making Discontinued Business, the Group recorded a profit of approximately HK$26,824,000 compared with a loss of approximately HK$1,141,000 for the same period of last year.

In line with the profitability of the Group in these few years, total equity of the Group increased from approximately HK$397,474,000 as at 31 December 2014 to approximately HK$474,941,000 as at 31 December 2015 and further to approximately HK$508,789,000 as at 31 December 2015. As at 30 June 2017, total equity of the Group was approximately HK$741,255,000, which has already included the net proceeds of approximately HK$179.1 million from the Placing (as defined below) completed at late June 2017 ("**Placing Net Proceeds**").

The cash and cash equivalent (excluding pledged bank deposits) maintained by the Group also increased from approximately HK$252,882,000 as at 31 December 2014 to approximately HK$524,938,000 as at 30 June 2017. As confirmed with the Management, the aforesaid approximately HK$524,938,000 as at 30 June 2017 has included the Placing Net Proceeds of approximately HK$179.1 million and as at the Latest Practicable Date, approximately HK$166 million of the Placing Net Proceeds had already been utilised as intended. The remaining balance of the Placing Net Proceeds of approximately HK$13.1 million shall be fully utilised for the repayment of loan interests and other operating expenses by May 2018.

Upon our enquiry with the Management, the Management explained that the solar photovoltaic power industry is capital intensive as solar photovoltaic power plants involve the use of numerous parts, components and equipment and the construction or installation process for setting up solar photovoltaic power plants is relatively short vary from 1 month to 1 year depending on the size of projects. After securing construction or installation contracts, the Group is required to purchase various parts, components and equipment immediately but customers' payments to the Group's EPC and Consultancy services are by instalments. Also, 5% to 10% of the contract sum would be hold up by customers as retention money which will be released to the Group after expiry of warranty period of 1 year after completion of the construction or installation of solar photovoltaic power plants. As such, capital requirements of the Group increase when the Group expands its scale of operation and it is imperative for the Group to maintain sufficient cash resources.

For the past few years, the Group has relied on borrowings in support of its business expansion and working capital requirements. Bank borrowings of the Group had materially increased by approximately 32.07% from approximately HK$682,724,000 as at 31 December 2016 to approximately HK$901,681,000 as at 30 June 2017. Out of the total bank borrowings of the Group as at as at 30 June 2017, approximately HK$712,605,000 (approximately 79.03%) are short term in nature and repayable within 12 months.

3. Background of and Reasons for the Open Offer

(a) Reasons for the Open Offer and use of proceeds

The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK$220 million, which, according to the Directors, will be allocated as follows:

(i) approximately 75%, amounting to approximately HK$165 million, to support, develop and expand the Group's existing photovoltaic power generation business in China and the overseas. With the Company's seasoned experience and technical know-how in photovoltaic generation system, the Group extend to capture the distributed photovoltaic power generation market in China this year. Apart from the installation of distributed photovoltaic power system for farmers as disclosed in the announcement of the Company dated 26 October 2017, the Group had pipelined a number of distributed photovoltaic power projects in Jiangsu, China with a planned capacity of about 112MW, whereby the filing of 19MW and 5MW distributed photovoltaic projects in Suining and Yizheng respectively with the relevant government authorities had been completed *(Note)*. As the Company's general practice, respective project companies for these pipelined projects are/will be formed with an estimated registered capital of USD28.0 million (equivalent to approximately HK$218.4 million) in aggregate. Moreover, the Company had entered into a memorandum of undertaking with BGR Group London LLP for the development of solar power plant projects in Ukraine as disclosed in the announcement dated 19 September 2017. The Group is currently negotiating with the relevant parties in Ukraine for concrete terms and conditions. Given that the photovoltaic power industry is capital intensive and the construction or installation cycle is relatively short, it is imperative for the Group to maintain sufficient cash resources to finance these projects on a timely manner and the application of the net proceeds of the Open Offer on these photovoltaic solar projects would lower the Group's finance cost;

Note : Regarding the Suining project, the Management advised that the Group has already obtained the relevant approval from 國網江蘇省電力公司徐州供電公司 National Grid Jiangsu Power Company Xuzhou Power Supply Company* and the Suining project is expected to be completed by March 2018.

Regarding the Yizheng project, the Management advised that the Group has already obtained they relevant approval from 國網江蘇省電力有限公司楊州供電分公司 National Grid Jiangsu Power Limited Company Yangzhou Power Supply Branch Company* and Yizheng project is expected to be completed by March 2018.

Therefore, the Group is required to pay up the registered capital of Suining project and the Yizheng project soon.

(ii) approximately 15%, amounting to approximately HK$33 million, to develop a manufacture base in Xuzhou to produce parts and components for solar photovoltaic power generation system as part of the Group's vision to diversify its business horizontally. In 2016, Xuzhou Herun agreed to acquire a piece of land and the structure (including a manufacturing plant) erected thereon in Peixian. Such acquisition was completed in August 2017 and following the transfer of ownership and obtaining the 不動產權證 (translated as Real Estate Ownership Certificate) for the land, the Group commenced the modification work on the manufacturing plant and the purchase of machinery to set up the production lines in December 2017. It is estimated an additional of USD4.5 million (equivalent to approximately HK$35.1 million) is required to supplement the registered capital of Xuzhou Herun; and

(iii) approximately 10%, amounting to approximately HK$22 million, as general working capital of the Group (including operating expenses such as staff costs, professional fees and interests of bank loans), for maintaining the liquidity of the Group to carry out regular business and compliance activities, and/or for future investment opportunities available for the Group. As at the Latest Practicable Date, the Group had not identified any potential investment target.

According to the Letter from the Board, assuming that (i) the business plan detailed above rolls out as planned; (ii) no other investment or business opportunities which require additional funding are identified; and (iii) there is no material changes in the economic environment, government or regulatory policies or market conditions or unexpected circumstances occur in PRC or other countries where the Group operates or intends to operate, the Directors consider that the net proceeds from Open Offer, business income and internal financial resources of the Group can satisfy the expected funding needs for the next 12 months of the Group. As at the Latest Practicable Date, the Group has no concrete plan on any other investment or business opportunities.

As at the Latest Practicable Date, save as disclosed above, the Company does not have any concrete or initial intention or plan, or have entered into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether expressed or implied), and negotiation (whether concluded or not) on any other corporate actions and/or equity fund raising activities and/or issue(s) of equity securities in the next 12 months that may affect the trading of the Shares. In addition, the Company and its Directors did not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any potential corporate action in the forthcoming 12 months. However, in the event the business plan does not roll out as planned resulting in a need for further capital for the Group's photovoltaic business or when other investment opportunities arise, the Company may in the circumstances have the need to call for further fund-raising exercise to cater for the increased working capital or capital expenditure requirements. The Directors will ensure that all future fund raising activities, if any, will be conducted on terms that are justifiable taking into account the then circumstances, in the best interests of the Company and the Shareholders as a whole, and in compliance with the applicable Listing Rules.

Based on the information obtained by us from and as advised by the Management, breakdown of the expected capital required to be funded by the Group for the project companies as stated in item (i) above is as follows, installation works for the projects have commenced as at the Latest Practicable Date and the Company expected that most of the projects shall be completed in 2018 :

Project name	**Expected capital required to be funded by the Group**	
	USD	*HKD equivalent*
睢寧19MW#分布式光伏電站 Suining 19MW Distributed Photovoltaic Station*	4,500,000	35,100,000
儀徵汽車工業園40MW#分布式光伏電站 Yizheng Vehicle Industrial Park 40MW Distributed Photovoltaic Station*	15,000,000	117,000,000
淮安經濟開發區13MW#分布式光伏電站 Huaian Economic Development Zone 13MW Distributed Photovoltaic Station*	3,000,000	23,400,000
泰興農業園30MW#分布式光伏電站 Taixing 10MW Agricultural Farm Distributed Photovoltaic Station*	5,500,000	42,900,000
	28,000,000	218,400,000

\# The final MW capacity may or may not be attained depends on the Group's solicitation with end users in relevant area.

Regarding the Group's negotiation with BGR Group for the development of solar power plant projects in Ukraine, we were advised by the Management that negotiation is still on-going and the timetable could not be ascertained with certainty as at the Latest Practicable Date.

In relation to the Group's development of a manufacture base in Xuzhou, we were advised by the Company that its EPC and Consultancy segment and the Solar Power Generation segment have strong demand for parts and components for solar photovoltaic power generation system in the work process and the Group has been relying on third parties for these materials in the past few years. In view of the increase in the Group's business and in order to have better cost and quality control, the Company believes that it will be more economical and cost-effective to set up its own factory for the production of parts and components for solar photovoltaic power generation system.

Based on the reasons for the Open Offer and use of proceeds as stated in this section and the use of the net proceeds of the Open Offer is mainly for further development of the Group's existing business in which the Group has track record of profitability for the past few years (as discussed in the section headed "Information on the Group" in this letter, (i) the Group turned around from net loss of approximately HK$57,195,000 in YE2014 to net profit of approximately HK$9,998,000 in YE2015 as the Group had undertaken more EPC and Consultancy contracts in YE2015; and (ii) if the Net Effect of the Disposal, which amounted to net profit of approximately HK$5,549,000, was excluded, the Company would have recorded consolidated profit of approximately HK$76,990,000 in YE2016, representing an increase of 670% over the net profit for YE2015 of approximately HK$9,998,000) mainly due to increase in projects revenue in the EPC and Consultancy segment resulting from the Group's extensive market development and new business growth plan in this segment which involved putting more resources and to co-operate with other service providers/operators in solar photovoltaic power industry so that the Group was able to secure more projects of larger scale in different cities in the PRC, we are of the view and concur with the view of the Directors (excluding members of the IBC) that the conduct of the Open Offer is in the interests of the Company and the Shareholders as a whole.

(b) Fund raising alternatives

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcements	Event	Approximate net proceeds	Intended use of net proceeds as stated in the announcements	Actual use of net proceeds/Remarks
9 June 2017 and 12 June 2017	The placing of 180,000,000 Shares at HK$1.01 per Share (the "**Placing**")	Approximately HK$179.1 million	For repayment of bank loan, supplementing the registered capital of 核建融資租賃（深圳）有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co., Ltd.) ("**CNEC Financial Leasing**"), an indirect wholly-owned subsidiary of the Company and general working capital	HK$50.0 million was used for repayment of bank loan; HK$110.0 million was used to supplement the registered capital of CNEC Financial Leasing; and approximately HK$6.0 million was used for general working capital. The remaining balance of approximately HK$13.1 million shall be fully utilised for the repayment of loan interests and other operating expenses by May 2018.

As stated in the Letter from the Board, the Company has considered the following fundraising alternatives in comparison to the Open Offer:

Fundraising alternatives	Reason(s) for not adopting the fundraising alternatives
(i) Placing of new Shares	The Board is of the view that placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders.

Fundraising alternatives	Reason(s) for not adopting the fundraising alternatives
(ii) Debt financing	The Company considers that favorable terms in relation to debt financing on a timely basis may not be achievable and it will result in additional interest burden, higher gearing ratio of the Group, which is 1.42 as at 30 June 2017 as per the Management, and the Group will be subject to repayment obligations.
(iii) Rights issue	The Company is of the view that rights issue will involve extra administrative work and cost for the trading arrangements in relation to the nil-paid rights sold in rights issue.

After considering the fundraising alternatives mentioned above and taking into account the benefits and cost of each of the alternatives, the Board (excluding members of the IBC) is of the view that the Open Offer is more cost effective and efficient and beneficial to the Company and the Shareholders as a whole.

The Letter from the Board disclosed that in order to obtain the best available terms for the underwriting of the Open Offer, the Company has approached another potential underwriter regarding a proposed open offer for the Company to raise the required funds. The Company has also conducted a research on the Stock Exchange's website on the terms available from other potential underwriters. Taking into consideration, among other factors, (i) the imminent needs of the Group to raise fund to develop its solar photovoltaic business; (ii) it would be a lengthy process to negotiate with other potential underwriters for better terms; and (iii) the Underwriter is willing to act as an underwriter of the Open Offer without charging any underwriting commission as a way to demonstrate its support to the Group's business development, the Board (excluding members of the IBC) considers that the engagement of the Underwriter is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (excluding members of the IBC) considers that the Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

In the view of the above, the Directors (excluding members of the IBC) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

Regarding fund raising by means of debt financing, we understand from the Management that the Group had relied on borrowings for its business expansion and working capital. According to the interim report of the Company for the six months ended 30 June 2017, bank borrowings of the Group had materially increased by approximately 32.07% from approximately HK$682,724,000 as at 31 December 2016 to approximately HK$901,681,000 as at 30 June 2017. Out of the total bank borrowings of the Group as at as at 30 June 2017, approximately HK$712,605,000 (approximately 79.03%) are short term in nature and repayable within 12 months. Although the Group seems to be cash rich as it has cash and cash equivalent (excluding pledged bank deposits) of approximately HK$524,938,000 as at 30 June 2017, such an amount was inclusive of the Placing Net Proceeds of HK$179.1 million and as at the Latest Practicable Date, approximately HK$166 million of the Placing Net Proceeds had already been utilised as intended. As such, the Group's current cash and cash equivalent (excluding pledged bank deposits) is far below its short term bank borrowings of approximately HK$712,605,000 as at 30 June 2017.

As disclosed in the section headed "Financial Information of the Group" in this letter, gearing ratio of the Group has increased from 0.76 as at 31 December 2015 to 1.40 as at 31 December 2016 and further to 1.42 as at 30 June 2017. Based on gearing ratio of the Group as at 30 June 2017 of 1.42, if the Group obtains HK$220 million (i.e. an amount equivalent to the expected net proceeds of the Open Offer) from debt financing rather than the Open Offer, gearing of the Group as at 30 June 2017 would be increased by 20% to 1.71. As advised by the Management, in view of the Group existing level of bank borrowings and gearing ratio, the Group may still be able to obtain further loans from banks but the loan scale and tenure would be limited or at interest rates which are less favourable to the Group. Moreover, new bank loans may need to be secured by additional guarantee or collaterals from the Group.

We noted that over 98% of the Group's revenue for YE2016 was service income from the EPC and Consultancy segment. To further assess the level of gearing of the Group, we have tried to identify and have enquired with the Company if there is any listed companies on the Stock Exchange which are engaged in business that are similar to that of the Group with similar scale of operation (i.e. 98% or more of the revenue is from service income from provision of design and consulting services, engineering, procurement and construction services for solar photovoltaic power plants) for comparison purpose. Nonetheless, based on the result of our enquiry with the Company and to the best of our knowledge and as far as we are aware of, being our exhaustive means, as at the Latest Practicable Date, we were not able to identify any companies listed on the Stock Exchange whose principal businesses and scales being similar to that of the Group under the above selection criteria. As such, we consider the assessment of the gearing ratio of the Group by way of comparison with comparable companies is not available.

After taking into account the benefits and cost of each of the alternatives, we are of the view and concur with the view of the Directors (excluding members of the IBC) that the Open Offer is more cost effective and efficient fund raising method while at the same time offers to all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

4. Principal terms of the Open Offer

(a) Basis of the Open Offer

The Company proposed to raise approximately HK$223.2 million before expenses after deduction of the costs and expenses which the Company will incur in the Open Offer.

Offer Shares will be issued at the Subscription Price of HK$1.36 per Offer Share. The Company will allot one (1) Offer Share for every eight (8) Shares held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date.

The Offer Shares, when being allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Detailed issue statistics are set out in the section headed "Proposed Open Offer" in the Letter from the Board.

(b) Basis in determining the Subscription Price

The Subscription Price of the Offer Shares is HK$1.36 per Offer Share, payable in full upon application of the relevant assured allotment of the Offer Shares. The Subscription Price represents:

(i) a premium of approximately 3.03% over the closing price of HK$1.32 per Share as quoted on Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 0.74% over the average of the closing prices of approximately HK$1.35 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days including and up to the Last Trading Day;

(iii) a discount of approximately 0.15% to the average of the closing prices of approximately HK$1.362 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days including and up to the Last Trading Day;

(iv) a premium of approximately 2.72% over the theoretical ex-entitlement price of approximately HK$1.324 per Share ("**Theoretical Ex-entitlement Price**") calculated based on the closing price of HK$1.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 3.03% over the closing price of HK$1.320 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 256.02% over the audited consolidated equity attributable to owners of the Company per Share of approximately HK$0.382 (based on the latest published audited equity attributable to owners of the Company of HK$501,423,000 as at 31 December 2016 and 1,313,094,192 Shares in issue as at the Latest Practicable Date); and

(vii) a premium of approximately 140.71% over the unaudited consolidated net asset value of the Group ("**NAV**") per Share of approximately HK$0.565 (based on the latest published unaudited NAV of approximately HK$741,255,000 as at 30 June 2017 and 1,313,094,192 Shares in issue as at the Latest Practicable Date).

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the Group's intention to expand its current solar power generation business; (ii) the potential of solar photovoltaic business in the PRC; and (iii) the then market prices of the Shares under then prevailing market and economic conditions.

The Group has diversified into and shifted its business focus to solar power development and generation since 2012. During the past five reportable years, the profitability of the Group recorded notable improvement whereby the profit for the Group boosted approximately 124.78% from approximately HK$36.7 million for the year ended 31 December 2012 to approximately HK$82.5 million for the year ended 31 December 2016, which was mainly attributable to the surge of revenue generated by its engineering, procurement and construction services for solar photovoltaic business. According to the 可再生能源發展「十三五」規劃實施的指導意見 (transliterated as Advice on the Implementation of the "**Thirteenth Five-Year Plan**" for Renewable Energy Development) issued by 國家能源局 (transliterated as National Energy Administration Bureau) in July 2017, it is expected that the national in-grid installed capacity for solar photovoltaic generation will increase by approximately 86.5 gigawatts from 2017 to 2020. During the first half of 2017, the national in-grid installed capacity of solar photovoltaic power in the PRC has increased approximately 24.4 gigawatts. Taking into account the above favourable market conditions and the track record of the Group in the past five years, the Directors consider that it is justifiable to the Group's intention to expand its solar photovoltaic installation and power generation businesses.

In consideration of the historical share prices of the Shares, during the period from 24 November 2016 to 23 November 2017, being the date of the Underwriting Agreement, the closing prices of the Share ranged between HK$1.14 per Share on 5 May 2017 and HK$1.78 per Share on 16 June 2017 and 21 July 2017. During the aforesaid review period, the average price and the median price of the Shares were approximately HK$1.41 per Share and HK$1.39 per Share respectively. Given that the Subscription Price (i) falls within the range of the prices of the Shares in the aforesaid review period; (ii) represents a discount of approximately 3.5% to the average price of approximately HK$1.41 per Share in the aforesaid review period; and (iii) represents a discount of approximately 2.1% to the median price of approximately HK$1.39 per Share in the aforesaid review period, the Directors (excluding members of the IBC) consider that the basis in determining of the Subscription Price of HK$1.36 is fair and reasonable.

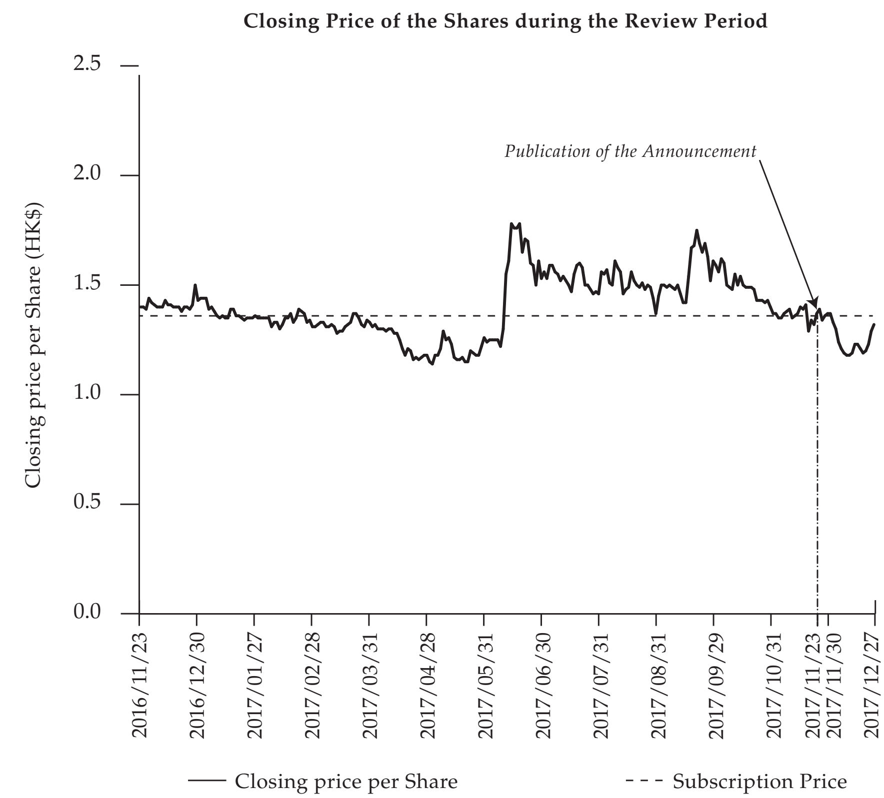
The Directors (excluding members of the IBC) consider that the terms of the Open Offer, including the Subscription Price, allows existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company and maintain their respective pro-rata shareholding through their participation into the Open Offer. It is therefore fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Historical price performance of the Shares

As the Subscription Price was determined with reference to factors privy to the Group including (i) the Group's intention to expand its current solar power generation business; (ii) the potential of solar photovoltaic business in the PRC; and (iii) the then market prices of the Shares under then prevailing market and economic conditions, we consider that only reviewing/analyzing the historical Closing Price during the Review Period (as defined below) would constitute a fair and representative sample for assessing the fairness and reasonableness of the Subscription Price.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Shares for the period from (i) 23 November 2016, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Last Trading Day (the "**Pre-Announcement Period**"); and 24 November 2017 up to and including the Latest Practicable Date of 27 December 2017 (the "**Post-Announcement Period**") (the Pre-Announcement Period and the Post-Announcement Period are collectively referred to as the "**Review Period**").

The chart below illustrates the daily closing price of the Shares (the "**Closing Price**") versus the Subscription Price of HK$1.36 per Offer Share during the Review Period:



Source: *the website of the Stock Exchange*

(i) Pre-Announcement Period

As shown in the above chart, during the Pre-Announcement Period, the highest Closing Price was HK$1.78 recorded on 16 June 2017 and 21 June 2017 and the lowest Closing Price was HK$1.14 recorded on 5 May 2017 with an average of approximately HK$1.41.

The Subscription Price of HK$1.36 falls within the aforesaid range of Closing Price and represents a discount of approximately 23.60% to the highest Closing Price, a premium of 19.30% over the lowest Closing Price and a discount of approximately 3.55% to the average Closing Price during the Pre-Announcement Period.

We also noted that during the Pre-Announcement Period, the Subscription Price were lower or equal to the Closing Price in 149 out of 248 (approximately 60.08%) trading days of the Shares.

On 9 June 2017, the Company published three announcements relating to the Placing, a discloseable transaction relating to signing of certain finance lease agreements and entering into an agreement for a loan facility granted to the Company, respectively, the Closing Price surged from HK$1.22 on 12 June 2017 to the highest Closing Price of the Pre-Announcement Period of HK$1.78. Then the Closing Price fluctuated with a downward trend but increased to HK$1.75 per Share on 21 September 2017 after the Company's publication of an inside information announcement on 19 September 2017 in relation to the signing of a memorandum of understanding for the proposed formation of a joint venture company.

As illustrated in the above graph, for the period from 14 June 2017 to 20 November 2017, the Closing Price was mostly higher than the Subscription Price. The Closing Price dropped below the Subscription Price just shortly before the date of the Announcement.

(ii) Post-Announcement Period

As shown in the above chart, during the Post-Announcement Period, the Closing Price fluctuated. The highest Closing Price was HK$1.39 (representing a premium of 2.21% over the Subscription Price) on 27 November 2017 and the lowest Closing Price was HK$1.18 (representing a discount of 13.24% to the Subscription Price) on 11 December 2017 and 12 December 2017.

We noted that after the publication of the Announcement, the Closing Price increased and for the seven trading days immediately after publication of the Announcement (i.e. from 24 November 2017 to 4 December 2017), the Closing Price was above or equal to the Subscription Price and/or the Theoretical Ex-entitlement Price.

Thereafter, the Closing Price decreased to the lowest Closing Price of HK$1.18 on 11 December 2017 and 12 December 2017. The market then responded to the development of the Group positively as the Closing Price increased from HK$1.19 on 19 December 2017 to HK$1.32 on the Latest Practicable Date after the Company's publication of announcements on 19 December 2017, 20 December 2017 and 21 December 2017 in relation to the Group's development of and signing of certain purchasing contracts for the Suining project and therefore, narrowed the premium between the Subscription Price and the Closing Price and that between the Subscription Price and the Theoretical Ex-entitlement Price.

Despite that the Subscription Price of HK$1.30 represents (i) a premium of approximately 3.03% over the closing price of HK$1.32 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 2.72% over the Theoretical Ex-entitlement Price of approximately HK$1.324 per Share; and (iii) a premium of approximately 3.03% over the closing price of HK$1.320 per Share as quoted on the Stock Exchange on the Latest Practicable Date, taking into consideration that :

(i) during the Pre-Announcement Period, the Subscription Price were higher than the Closing Price in 149 out of 248 trading days of the Shares;

(ii) for the period from 14 June 2017 to 20 November 2017, the Closing Price was mostly higher than the Subscription Price and the Theoretical Ex-entitlement Price, the Closing Price dropped below the Subscription Price and the Theoretical Ex-entitlement Price just shortly before the date of the Announcement;

(iii) after the publication of the Announcement, the Closing Price increased and was above or equal to the Subscription Price and/or the Theoretical Ex-entitlement Price for the seven trading days immediately after publication of the Announcement (with a maximum premium of 2.21% over the Subscription Price);

(iv) thereafter, the Closing Price fluctuated downward and decreased to the lowest Closing Price of HK$1.18 on 11 December 2017 and 12 December 2017 in the Post-Announcement Period;

(v) notwithstanding the potential dilutive effect of the Open Offer, the use of net proceeds of the Open Offer is for the development of the existing business. The increase in Closing Price in the Post-Announcement Period since 19 December 2017 to the Latest Practicable Date revealed that the market responded to the development of the Group positively after the Company's publication of certain announcements on the development of the Suining project and therefore, narrowed the premium between the Subscription Price and the Closing Price and that between the Subscription Price and the Theoretical Ex-entitlement Price;

(vi) the Closing Price in the entire Review Period were higher than the unaudited NAV per Share as at 30 June 2017 of HK$0.565. Since provision of EPC and Consultancy services is the main revenue driver of the Group, the Group is more or less asset light. It is fair and reasonable to set the Subscription Price at a premium over the unaudited NAV per Share as at 30 June 2017; and

(vii) all the Qualifying Shareholders are given the equal opportunity to participate in the Open Offer should they so wish to;

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Underwriting Commission

Pursuant to the Underwriting Agreement, no commission will be payable by the Company to the Underwriter. The Company shall be liable for the costs and expenses of its own legal and other professional advisers, the cost of printing and distributing the Announcement, the Prospectus Documents and all other out-of-pocket expenses incurred in connection with the Open Offer. The Company shall forthwith upon request by the Underwriter reimburse the Underwriter for any such expenses as are referred to above which the Underwriter may have properly paid or incurred on behalf of the Company. In this connection, we are of the view that the nil commission arrangement between the Company and the Underwriter is in the interest of the Company and the Shareholders as a whole.

(d) Potential dilution effect on the interests of the Independent Shareholders

The changes in shareholding structure of the Company arising from the Open Offer are set out in the paragraph headed "Shareholding Structure of the Group" in the Letter from the Board.

Upon completion of the Open Offer, Qualifying Shareholders who elect to subscribe for their assured entitlements in full under the Open Offer will retain their current proportionate shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for their assured entitlements in full under the Open Offer will be diluted after completion of the Open Offer. In the case that none of the Qualifying Shareholders other than the Underwriter (in its capacity as Shareholder and the Underwriter) has taken up its entitlement under the Open Offer and the Underwriter has to discharge its underwriting obligation in full, shareholding interests of the public Shareholders will decrease from 69.54% as at the Latest Practicable Date to approximately 61.81% immediately upon completion of the Open Offer, representing a possible dilution of approximately 7.73% in their shareholding interests arising from the Open Offer.

Taking into account (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer; and (iii) the use of the net proceeds of the Open Offer is mainly for further development of the Group's existing business in which the Group has achieved track record of profitability for the past few years (as discussed in the section headed "Information of the Group" in this letter, if the Net Effect of the Disposal, which amounted to net profit of approximately HK$5,549,000, was excluded, the Company would have recorded a consolidated profit of approximately HK$76,990,000 in YE2016, representing an increase of 670% over the net profit for YE2015 of approximately HK$9,998,000), we are of the view that the potential dilution effect of the Open Offer is justifiable.

(e) Application for Excess Offer Shares

As stated in the Letter from the Board, Qualifying Shareholders will be entitled to apply for any Offer Shares created by adding together fractions of the Offer Shares, entitlements of the Excluded Shareholders and any Offer Shares which are not taken up by other Qualifying Shareholders in excess of their own entitlements but are not assured of being allocated any Offer Shares in excess of those in their entitlements.

The Directors will, upon consultation with the Underwriter, allocate the excess Offer Shares (if any) at their discretion on a fair and equitable basis as far as practicable, according to the principle that any excess Offer Shares will be allocated to the Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Offer Shares applied for by all such Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots.

Given that the Qualifying Shareholders are provided the right to subscribe for Offer Shares in excess of their pro rata entitlement (subject to availability) for those Offer Shares not taken up by the Qualifying Shareholders under the excess application mechanism before the Underwriter would underwrite any untaken Offer Shares, we are of the view that the arrangement for excess application is fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effects of the Open Offer

(a) Net asset value

The Subscription Price represents (i) a premium of approximately 256.02% over the audited consolidated equity attributable to owners of the Company per Share of approximately HK$0.382 (based on the latest published audited equity attributable to owners of the Company of HK$501,423,000 as at 31 December 2016 and 1,313,094,192 Shares in issue as at the Latest Practicable Date); and (ii) a premium of approximately 140.71% over the unaudited NAV per Share of approximately HK$0.565 (based on the latest published unaudited NAV of HK$741,255,000 as at 30 June 2017 and 1,313,094,192 Shares in issue as at the Latest Practicable Date).

Upon completion of the Open Offer and assuming no Shares will be issued or repurchased by the Company, NAV per Share will be increased by approximately 15.59% from approximately HK$0.565 as at 30 June 2017 to approximately HK$0.642.

(b) Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK$719,646,000 as at 30 June 2017 (after adjustment for intangible assets of the Group as at 30 June 2017 of approximately HK$12,642,000). The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 would increase to approximately HK$939,246,000 million upon completion of the Open Offer; and the unaudited pro forma adjusted consolidated net tangible assets per Share would increase by 16.36% from approximately HK$0.55 to approximately HK$0.64 upon completion of the Open Offer.

(c) Liquidity

According to the Company's interim report for the six months ended 30 June 2017, as at 30 June 2017, cash and cash equivalents of the Group (excluding pledged bank deposits), was approximately HK$524,938,000. As confirmed with the Management, the aforesaid approximately HK$524,938,000 as at 30 June 2017 has included the Placing Net Proceeds of approximately HK$179.1 million and as at the Latest Practicable Date, approximately HK$166 million of the Placing Net Proceeds had already been utilised as intended. Upon completion of the Open Offer, the liquidity and cash position of the Group is expected to increase in view of the expected net proceeds from the Open Offer of approximately HK$220 million.

(d) Gearing Ratio

According to the Company's interim report for the six months ended 30 June 2017, as at 30 June 2017, the gearing ratio of the Group (defined as the total of bank borrowings, obligations under finance leases and loans included in other payables and accruals over total equity) was approximately 1.42. Upon completion of the Open Offer, the gearing ratio of the Group is expected to be reduced to 1.09 solely by virtue of the Open Offer.

In view that the Open Offer will have positive impact on (a) the net assets per Share; (b) the net tangible assets; (c) the liquidity position; and (d) the gearing ratio of the Group, we are of the view that the Open Offer is in the interests of the Company and the Shareholders as a whole. Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Open Offer.

6. Whitewash Waiver

Assuming (i) no further Shares will be issued or repurchased by the Company prior to the close of the Open Offer; and (ii) none of the Qualifying Shareholders other than the Underwriter (in its capacity as a Shareholder and the Underwriter) has taken up its entitlements under the Open Offer and the Underwriter has to discharge its underwriting obligation in full, the interests in the Company held by the Underwriter and the parties acting in concert with it upon the close of the Open Offer will increase from approximately 30.46% to approximately 38.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. The Underwriter and the parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver in connection with the underwriting of the Open Offer by the Underwriter. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll.

It is two of the conditions of the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll, which both conditions are not waivable.

Based on our analysis of the benefits and terms of the Open Offer in this letter, we consider that the Open Offer is in the interests of the Company and the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the completion of the Open Offer, i.e. to further develop its existing business and to strengthen its financial positions as illustrated in the section headed "Financial effects of the Open Offer" in this letter.

Accordingly, we are of view that for the purposes of implementing the Open Offer, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Independent Shareholders.

RECOMMENDATION

Taking into account the factors and reasons as mentioned in this letter, including:

(i) notwithstanding the potential dilutive effect of the Open Offer, the use of the net proceeds of the Open Offer is mainly for further development of the Group's existing business in which the Group has achieved track record of profitability for the past few years;

(ii) the Open Offer is cost effective and efficient fund raising method while at the same time offers to all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company as they wish;

(iii) during the Pre-Announcement Period, the Subscription Price were lower or equal to the Closing Price in 149 out of 248 (approximately 60.08%) trading days of the Shares. For the period from 14 June 2017 to 20 November 2017, the Closing Price were mostly above the Subscription Price and the Closing Price was dropped below the Subscription Price just shortly before the date of the Announcement;

(iv) as discussed in the subsection headed "Historical price performance of the Shares" in this letter, the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned;

(v) no underwriting commission is payable by the Company and the Qualifying Shareholders are provided the right to subscribe for Offer Shares in excess of their pro rata entitlement (subject to availability) for those Offer Shares not taken up by the Qualifying Shareholders under the excess application mechanism before the Underwriter would underwrite any untaken Offer Shares; and

(vi) the positive financial effects of the Open Offer as discussed in the section headed "Financial effects of the Open Offer" in this letter;

we consider that the terms of the Open Offer and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer and the entering of the Underwriting Agreement are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the IBC to recommend to the Independent Shareholders to vote in favour of the relevant resolutions to approve the Open Offer and the Underwriting Agreement to be proposed at the SGM.

The Open Offer is conditional upon the approval of the Whitewash Waiver. If the Whitewash Waiver is not approved, the Open Offer will not proceed. Having taken into account our recommendation on the Open Offer above, we consider the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as whole. Accordingly, we recommend the Independent Shareholders, and advise the IBC to recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Proton Capital Limited

Alvin H. Y. Leung	**Josephine Lau**
Managing Director	*Director – Corporate Finance*

Mr. Alvin H. Y. Leung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012 and 2003, respectively. Mr. Leung has 25 years of experience in corporate finance and investment banking.

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 15 years of experience in corporate finance and investment banking.

* *English translation for identification purposes only*

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 30 December 2014, 2015 and 2016 and six months ended 30 June 2017 respectively had been set out in the annual reports or interim report of the Company for the relevant period respectively and are available on the website of the Company (http://www.cnetcl.com) and the website of the Stock Exchange (www.hkexnews.hk) as specifically set out below:

- the annual report of the Company for the year ended 31 December 2014 published on 26 March 2015 (pages 28 to 34);
- the annual report of the Company for the year ended 31 December 2015 published on 18 April 2016 (pages 30 to 35);
- the annual report of the Company for the year ended 31 December 2016 published on 11 April 2017 (pages 37 to 43); and
- the interim report of the Company for the six months ended 30 June 2017 published on 31 August 2017 (pages 3 to 9).

There were no extraordinary or exceptional items because of size, nature or incidence in respect of the consolidated income statement of the Group for each of the aforesaid years and period. The Company's previous auditors, HLB Hodgson Impey Cheng Limited, have not issued any qualified opinion of the Group's financial statements for the year ended 31 December 2014. The Company's existing auditors, BDO Limited, have not issued any qualified opinion on the Group's financial statements for the two years ended 31 December 2015 and 2016 respectively.

The Company did not declare any dividend for each of the year ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2017.

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2017, as extracted from the relevant annual reports and interim report of the Company respectively:

	For the year ended 31 December			For the six months ended 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Continuing operations *(Note 1)*				
Revenue	322,523	1,503,742	2,041,543	371,722
Profit/(loss) before taxation	(64,002)	40,079	95,560	30,565
Income tax credit/(expense)	6,807	(12,210)	(18,570)	(3,741)
Profit/(loss) for the year from continuing operations *(Note 1)*	(57,195)	27,869	76,990	26,824
Profit/(loss) for the year from discontinued operations *(Note 2)*	–	(17,871)	5,549	–
Profit for the year	(57,195)	9,998	82,539	26,824
Profit/(loss) attributable to:				
Equity holders of the Company	(40,931)	3,559	78,571	25,822
Non-controlling interests	(16,264)	6,439	3,968	1,002
	(57,195)	9,998	82,539	26,824
Earnings/(loss) per share from continuing and discontinued operations – Basic and diluted (HK cents)	(3.72)	0.32	6.93	2.27

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Assets and liabilities				
Total assets	531,810	2,105,056	2,596,972	2,998,586
Total liabilities	134,336	1,630,115	2,088,183	2,257,331
	397,474	474,941	508,789	741,255
Non-controlling interests	10,050	(576)	(7,366)	(8,967)
Equity attributable to the equity holders of the Company	407,524	474,365	501,423	732,288

Notes:

1. For the year ended 31 December 2014, the continuing operations of the Group included (i) restaurant operations; (ii) property investment; (iii) hotel operations; (iv) financing segment; (v) solar power generation segment; (vi) engineering, procurement and construction and consultancy segment; and (vii) other segments comprise the Group's corporate income and expense items. Since the restaurant operations, property investment and hotel operations of the Group were discontinued during the year ended 31 December 2016, the continuing operations of the Group for the year ended 31 December 2015 and 2016 included (i) financing segment; (ii) solar power generation segment; (iii) engineering, procurement and construction and consultancy segment; and (iv) other segments comprise the Group's corporate management, investment and treasury services. For details, please refer to the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016.

2. The discontinued operations of the Group included (i) restaurant operations; (ii) property investment; and (iii) hotel operations for the year ended 31 December 2015 and 2016 respectively.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	**2015** *HK$'000*
Continuing operations			
Revenue	*7*	2,041,543	1,503,742
Other income and gains	*7*	3,035	2,012
Cost of inventories used		(1,540,652)	(1,259,729)
Construction costs		(309,451)	(134,698)
Staff costs		(34,341)	(21,037)
Depreciation		(10,813)	(1,551)
Other operating expenses		(38,436)	(35,663)
Finance costs	*8*	(25,930)	(23,364)
Gain on deemed disposal of an associate	*23*	2,893	2,712
Share of results of associates, net	*23*	7,712	7,655
Profit before income tax expense	*9*	95,560	40,079
Income tax expense	*12*	(18,570)	(12,210)
Profit for the year from continuing operations		76,990	27,869
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*14*	5,549	(17,871)
Profit for the year		82,539	9,998
Other comprehensive income for the year, net of tax			
Item that will not be reclassified to profit or loss			
Loss on property revaluation		(6)	(58)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising during the year		(43,365)	(11,838)
Reclassification adjustments relating to foreign operations disposed of during the year		30	645
Share of other comprehensive income of associates		(6,033)	(2,245)
		(49,374)	(13,496)
Total comprehensive income for the year		33,165	(3,498)

	Notes	2016 HK$'000	2015 HK$'000
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		73,022	20,518
Profit/(loss) for the year from discontinued operations		5,549	(16,959)
Profit for the year attributable to owners of the Company		78,571	3,559
Non-controlling interests			
Profit for the year from continuing operations		3,968	7,351
Loss for the year from discontinued operations		–	(912)
Profit for the year attributable to non-controlling interests		3,968	6,439
		82,539	9,998
Total comprehensive income attributable to:			
Owners of the Company		30,265	(9,278)
Non-controlling interests		2,900	5,780
		33,165	(3,498)
Earnings per share from continuing and discontinued operations – basic and diluted (HK cent per share)	16	6.93	0.32
Earnings per share from continuing operations – basic and diluted (HK cent per share)	16	6.44	1.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** *HK$'000*	**2015** *HK$'000*
Non-current assets			
Property, plant and equipment	*17*	282,330	87,900
Investment property	*18*	–	38,000
Prepaid land lease payments	*19*	2,261	7,887
Available-for-sale investment	*20*	–	500
Interest in associates	*23*	82,215	82,192
Deferred tax assets, net	*36*	–	4,516
Finance lease receivables	*29*	101,749	–
Deposits	*27*	27,781	–
		496,336	220,995
Current assets			
Inventories	*24*	415	52,383
Trade and bills receivables	*25*	1,286,161	1,085,109
Loan receivable	*26*	111,125	–
Prepayments, deposits and other receivables	*27*	112,677	172,246
Amounts due from customers for contract work	*28*	104,804	262,476
Finance lease receivables	*29*	12,743	–
Tax prepayment		–	996
Cash and cash equivalents	*30*	472,711	310,851
		2,100,636	1,884,061
Less: Current liabilities			
Trade and bills payables	*31*	1,317,043	1,146,594
Other payables and accruals	*32*	66,934	191,775
Amounts due to customers for contract work	*28*	11,016	–
Provision for long service payments	*34*	–	3,484
Convertible bonds	*35*	–	286,842
Bank borrowings	*33*	280,207	–
Tax payable		110,466	–
		1,685,666	1,628,695
Net current assets		414,970	255,366
Total assets less current liabilities		911,306	476,361

	Notes	2016 HK$'000	2015 HK$'000
Less: Non-current liabilities			
Receipt in advance		–	1,070
Bank borrowings	*33*	402,517	–
Deferred tax liabilities, net	*36*	–	350
		402,517	1,420
Net assets		508,789	474,941
Capital and reserves			
Share capital	*37*	113,309	113,309
Reserves	*39*	388,114	361,056
Equity attributable to owners of the Company		501,423	474,365
Non-controlling interests		7,366	576
Total equity		508,789	474,941

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Issued share capital *HK$'000*	Share premium *HK$'000*	Building revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000*	Convertible bonds reserve *HK$'000*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2015	110,166	1,314,363	767	(1,876)	2,686	–	(1,018,582)	407,524	(10,050)	397,474
Profit for the year	–	–	–	–	–	–	3,559	3,559	6,439	9,998
Other comprehensive income for the year:										
Deficit arising from revaluation of buildings	–	–	(58)	–	–	–	–	(58)	–	(58)
Exchange differences on translation of foreign operations										
– Exchange differences arising during the year	–	–	–	(11,179)	–	–	–	(11,179)	(659)	(11,838)
– Adjustments relating to deemed disposal of an associate	–	–	–	645	–	–	–	645	–	645
Share of other comprehensive income of an associate	–	–	–	(2,245)	–	–	–	(2,245)	–	(2,245)
Total comprehensive income for the year	–	–	(58)	(12,779)	–	–	3,559	(9,278)	5,780	(3,498)
Acquire interest in non controlling interest	–	–	–	17	–	–	(6,165)	(6,148)	4,846	(1,302)
Issue of convertible bonds	–	–	–	–	–	33,075	–	33,075	–	33,075
Issue of share capital upon conversion of convertible bonds	3,143	51,857	–	–	–	(5,808)	–	49,192	–	49,192
At 31 December 2015 and 1 January 2016	113,309	1,366,220	709	(14,638)	2,686	27,267	(1,021,188)	474,365	576	474,941
Profit for the year	–	–	–	–	–	–	78,571	78,571	3,968	82,539
Other comprehensive income for the year:										
Deficit arising from revaluation of buildings	–	–	(6)	–	–	–	–	(6)	–	(6)
Exchange differences on translation of foreign operations										
– Exchange differences arising during the year	–	–	–	(42,297)	–	–	–	(42,297)	(1,068)	(43,365)
– Adjustments relating to deemed disposal of an associate	–	–	–	30	–	–	–	30	–	30
Share of other comprehensive income of associates	–	–	–	(6,033)	–	–	–	(6,033)	–	(6,033)
Total comprehensive income for the year	–	–	(6)	(48,300)	–	–	78,571	30,265	2,900	33,165
Deemed acquisition of interest in non-controlling interest	–	–	–	–	–	–	(3,207)	(3,207)	3,207	–
Additional share capital contributed by non-controlling interest	–	–	–	–	–	–	–	–	683	683
Redemption of convertible bonds	–	–	–	–	–	(27,267)	27,267	–	–	–
Disposal of discontinued operations	–	–	(703)	–	–	–	703	–	–	–
Balance at 31 December 2016	113,309	1,366,220	–	(62,938)	2,686	–	(917,854)	501,423	7,366	508,789

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	**2015** *HK$'000*
Cash flows from operating activities			
Profit before income tax expense from continuing operations		95,560	40,079
Profit/(loss) before income tax expense from discontinued operations		3,891	(17,985)
		99,451	22,094
Adjustments for:			
Finance costs	*8*	25,930	23,364
Interest income		(1,431)	(1,695)
Depreciation	*17*	14,191	8,166
Amortisation of prepaid land lease payments		587	101
Share of results of associates		(7,712)	(7,655)
Loss on written off of property, plant and equipment	*9*	454	44
Gain on deemed disposal of an associate		(2,893)	(2,712)
Gain on disposal of subsidiaries	*14*	(21,959)	–
Operating cash flow before working capital changes		106,618	41,707
Decrease/(increase) in inventories		50,114	(44,169)
Increase in trade and bills receivables		(201,572)	(1,033,316)
Increase in loan receivable		(111,125)	–
Decrease/(increase) in prepayments, deposits and other receivables		48,411	(134,893)
Decrease/(increase) in amounts due from customers for contract work		157,672	(206,711)
Increase in finance lease receivables		(114,492)	–
Increase in trade and bills payables		174,872	1,076,489
(Decrease)/increase in other payables and accruals		(70,867)	91,678
Increase in amounts due to customers for contract work		11,016	–
Decrease in receipt in advance		(520)	(60)
(Decrease)/increase in provision for long service payments		(172)	82
Cash generated from/(used in) operations		49,955	(209,193)
Profits tax paid		(7,335)	(13,270)
Net cash inflows/(outflows) from operating activities		42,620	(222,463)

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(236,630)	(77,243)
Proceeds from disposal of property, plant and equipment		105	–
Interest received		1,431	1,695
Prepaid land lease payments		(2,017)	(1,293)
Investment in subsidiaries		–	(2,637)
Net proceeds from disposal of subsidiaries	38	40,101	–
Investment in an associate		–	(5,904)
Dividend received from an associate	23	4,579	641
Repayment from/(loan to) immediate controlling shareholder		15,600	(15,600)
Net cash outflows from investing activities		(176,831)	(100,341)
Cash flows from financing activities			
Interest paid		(8,922)	(368)
Redemptions of convertible bonds	35	(303,850)	–
Repayment to a non-controlling interest shareholder		–	(18,685)
(Repayment to)/borrowing from related companies	32	(44,471)	60,245
Proceeds from issuance of convertible bonds	35	–	346,113
Proceeds from bank borrowings		686,591	–
Repayment of bank borrowings		(3,867)	–
Contribution by non-controlling interest		683	–
Net cash inflows from financing activities		326,164	387,305
Net increase in cash and cash equivalents		191,953	64,501
Cash and cash equivalents at the beginning of the year		310,851	252,882
Effect of foreign exchange rate changes		(30,093)	(6,532)
Cash and cash equivalents at the end of the year		472,711	310,851
Analysis of balances of cash and cash equivalents			
Cash and bank balances	30	472,711	283,833
Time deposits	30	–	27,018
		472,711	310,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE INFORMATION

China Nuclear Energy Technology Corporation Limited (the "**Company**") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The ultimate holding company is 中國核工業建設集團有限公司 (transliterated as "**China Nuclear Engineering & Construction Group Corporation Limited**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 16 and HKAS 41 – Agriculture: Bearer Plants

The amendments define bearer plants and require biological assets that meet the definition to be accounted for as property, plant and equipment in accordance with HKAS 16. The agricultural produce of bearer plants remains within the scope of HKAS 41. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group has no bearer plants.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**") and all amounts are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

The building component of owner-occupied leasehold properties is stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the building revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	2%
Furniture and fixtures	6 – 20%
Air-conditioning plant	15 – 20%
Electrical appliances	10 – 33%
Office equipment	20%
Motor vehicles	20%
Solar power plant	7%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(g) Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacement of these items is recognised as an expense in profit or loss in the financial period in which such expenditure is incurred.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

(j) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment/investment property under cost model;
- interests in leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(k) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

For Loans and receivables or Held-to-maturity investments

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible loan notes

Convertible loan notes contain liability and equity components

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share capital). Where the option remains unexercised at the expiry dates, the balance stated in convertible loan notes equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Convertible loan notes contain liability component and conversion option derivative

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the notes are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity/conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity/the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

(v) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(l) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line or business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or its subsidiary acquired exclusively with a view of resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss and other comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less cost to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(m) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(n) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are provided;

(c) from the rental income, on a time proportion basis over the lease term;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) sales of electricity is recognised based on the units of electricity sold to customers during the year at an agreed tariff rate.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

(q) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(r) Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Pension Scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "**PRC**") are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

(b) Estimated useful lives and impairment of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

(c) Construction contracts

As explained in note 4(p), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 28 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was approximately HK$Nil (2015: HK$3,030,000). The amount of unrecognised tax losses at 31 December 2016 was approximately HK$5,770,000 (2015: HK$154,916,000). Further details are contained in note 36 to the consolidated financial statements.

6. SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

The Group has seven (2015: seven) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- the restaurant segment comprises the Group's restaurant operations;
- the property segment comprises the Group's property investments;
- the hotel segment comprises the Group's hotel operations;
- the financing segment comprises the Group's financing operations;
- the solar power generation segment comprises the Group's solar power generation operations;
- the Engineering, Procurement and Construction ("**EPC**") and consultancy segment comprises the Group's design and consulting services, engineering, procurement and construction operations relating to photovoltaic power plant; and
- the all other segments comprise the Group's corporate management, investment and treasury services.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segments' results that are used by the chief operating decision-maker for assessment of segment performance.

Except for the Group's revenue from external customers of approximately HK$2,041,543,000 from continuing operations (2015: HK$1,503,742,000), which is derived from the Group's operations in the PRC, all of the Group's revenue from external customers is derived from the Group's operations in Hong Kong (place of domicile). Except for the interest in associates amounted to approximately HK$82,215,000 as at 31 December 2016 (2015: HK$82,192,000), property, plant and equipment amounted to approximately HK$282,074,000 as at 31 December 2016 (2015: HK$69,344,000) and prepaid land lease payments amounted to approximately HK$2,261,000 as at 31 December 2016 (2015: HK$1,293,000) are located in the PRC, all other non-current assets, other than financial instruments, are located in Hong Kong.

Included in revenue arising from EPC and consultancy services (new energy operations) of approximately HK$481,928,000 and HK$440,393,000 (2015: HK$300,512,000 and HK$232,572,000) arose from the Group's first and second largest customers. For the year ended 31 December 2016, except for the above first and second largest customers, one customer of the Group's EPC and consultancy segment amounted to HK$334,903,000, which represents 10% or more of the Group's revenues. No other single customers contributed 10% or more to the Group's revenue for the year ended 31 December 2015.

	Continuing Operations					Discontinued Operations				
	Financing	Solar Power Generation	EPC and Consultancy	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016										
Segment revenue:										
Sales to external customers	5,678	24,926	2,010,939	–	2,041,543	154,893	426	18,443	173,762	2,215,305
Intersegment sales	9,242	–	–	–	9,242	10,267	18,768	–	29,035	38,277
Other income and gains	–	–	1,690	–	1,690	3,566	–	1,807	5,373	7,063
Intersegment other income and gains	–	–	–	–	–	–	–	–	–	–
Reportable segment revenue	14,920	24,926	2,012,629	–	2,052,475	168,726	19,194	20,250	208,170	2,260,645
Reconciliation:										
Elimination of intersegment sales					(9,242)				(29,035)	(38,277)
Elimination of intersegment other income and gains					–				–	–
Consolidated revenue					2,043,233				179,135	2,222,368
Segment results	(971)	14,786	114,976	(19,251)	109,540	(14,224)	(435)	(3,495)	(18,154)	91,386
Reconciliation:										
Gain on deemed disposal of an associate					2,893				–	2,893
Interest income					1,345				86	1,431
Finance costs					(25,930)				–	(25,930)
Share of results of associates, net					7,712				–	7,712
Profit/(loss) before taxation					95,560				(18,068)	77,492
Income tax expense					(18,570)				1,658	(16,912)
Profit/(loss) for the year					76,990				(16,410)	60,580

	Continuing Operations					Discontinued Operations				
	Financing	Solar Power Generation	EPC and Consultancy	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016										
Segment assets	483,657	437,504	1,493,607	99,989	2,514,757	–	–	–	–	2,514,757
Reconciliation:										
Unallocated assets					82,215				–	82,215
Total assets					2,596,972				–	2,596,972
Segment liabilities	353,334	281,967	1,019,495	433,387	2,088,183	–	–	–	–	2,088,183
Reconciliation:										
Unallocated liabilities					–				–	–
Total liabilities					2,088,183				–	2,088,183
Other segment information										
Depreciation	77	9,650	1,029	57	10,813	2,862	328	188	3,378	14,191
Recognition of prepaid land lease payments	–	486	–	–	486	–	101	–	101	587
Additions to property, plant and equipment	480	231,050	4,832	49	236,411	90	–	129	219	236,630
Written off of property, plant and equipment	45	–	120	289	454	–	–	–	–	454

Included in the unallocated assets, there are interest in associates amounted to approximately HK$82,215,000. Details of the interest in associates were set out in note 23.

	Continuing Operations					Discontinued Operations				
	Financing	Solar Power Generation	EPC and Consultancy	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015										
Segment revenue:										
Sales to external customers	–	–	1,503,742	–	1,503,742	152,286	–	20,302	172,588	1,676,330
Intersegment sales	950	–	2,494	7,288	10,732	–	24,853	–	24,853	35,585
Other income and gains	–	–	520	21	541	1,684	–	1,745	3,429	3,970
Intersegment other income and gains	–	–	–	–	–	–	–	–	–	–
Reportable segment revenue	950	–	1,506,756	7,309	1,515,015	153,970	24,853	22,047	200,870	1,715,885
Reconciliation:										
Elimination of intersegment sales					(10,732)				(24,853)	(35,585)
Elimination of intersegment other income and gains					–				–	–
Consolidated revenue					1,504,283				176,017	1,680,300
Segment results	235	–	65,844	(14,474)	51,605	(18,781)	(5,043)	5,615	(18,209)	33,396
Reconciliation:										
Gain on deemed disposal of an associate					2,712				–	2,712
Interest income					1,471				224	1,695
Finance costs					(23,364)				–	(23,364)
Share of results of associates, net					7,655				–	7,655
Profit/(loss) before taxation					40,079				(17,985)	22,094
Income tax (expense)/credit					(12,210)				114	(12,096)
Profit/(loss) for the year					27,869				(17,871)	9,998

	Continuing Operations					Discontinued Operations				
	Financing	Solar Power Generation	EPC and Consultancy	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015										
Segment assets	71,646	93,823	1,626,408	102,764	1,894,641	63,900	53,999	5,808	123,707	2,018,348
Reconciliation:										
Unallocated assets					82,192				4,516	86,708
Total assets					1,976,833				128,223	2,105,056
Segment liabilities	67	63	1,322,055	(70,283)	1,251,902	87,177	79	3,765	91,021	1,342,923
Reconciliation:										
Unallocated liabilities					286,842				350	287,192
Total liabilities					1,538,744				91,371	1,630,115
Other segment information										
Depreciation	–	–	1,050	501	1,551	5,713	331	571	6,615	8,166
Recognition of prepaid land lease payments	–	–	–	–	–	–	101	–	101	101
Additions to property, plant and equipment	180	68,043	482	114	68,819	8,219	188	17	8,424	77,243
Written off of property, plant and equipment	–	–	44	–	44	–	–	–	–	44

Included in the unallocated assets, there are interest in associates amounted to approximately HK$82,192,000. Details of the interest in associates were set out in note 23. Included in the unallocated liabilities, there are convertible bonds amounted to approximately HK$286,842,000.

7. REVENUE, OTHER INCOME AND GAINS

Revenue includes the net invoiced value of goods sold, after allowances for returns and trade discounts, revenue received and receivable from engineering, procurement and construction works, financing operations, solar power generation operations, restaurant operations and hotel operations.

An analysis of the Group's revenue, other income and gains is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Continuing operations		
Sales of goods	1,520,137	1,081,178
Construction contract revenue	482,251	373,402
Service income	8,551	49,162
Finance lease interest income	4,764	–
Loan interest income	914	–
Sale of electricity	24,926	–
	2,041,543	1,503,742
Discontinued operations		
Receipts from restaurant operations	154,893	152,286
Hotel operations	18,869	20,302
	173,762	172,588
	2,215,305	1,676,330
Other income and gains:		
Continuing operations		
Bank interest income	1,345	1,471
Others	1,690	541
	3,035	2,012

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Imputed interest on convertible bonds *(note 35)*	17,008	22,996
Interest on bank and other borrowings	8,922	368
	25,930	23,364

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Minimum lease payments under operating leases:		
Land and buildings	6,588	4,432
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	30,959	19,320
Pension scheme contributions	3,382	1,717
Total staff costs	34,341	21,037
Amortisation of prepaid land lease payments*	486	–
Written off of property, plant and equipment*	454	44
Auditor's remuneration*	936	701

* *Items included in other operating expenses*

10. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	2016	2015
	HK$'000	*HK$'000*
Fees	601	601
Other emoluments:		
Salaries, allowances and benefits in kind	3,255	3,350
Pension scheme contributions	50	42
	3,906	3,993

a. **Independent non-executive directors**

The fees paid to independent non-executive directors during the year were as follows:

	2016	2015
	HK$'000	*HK$'000*
Mr. Chan Ka Ling, Edmond	150	150
Mr. Li Baolin (resigned on 8 April 2016)	41	150
Mr. Wang Jimin	150	150
Mr. Chen Ying (resigned on 14 July 2015)	–	81
Mr. Tian Aiping (appointed on 14 July 2015)	150	70
Mr. Li Dakuan (appointed on 8 April 2016)	110	–
	601	601

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2016 (2015: Nil).

b. **Executive directors**

	The Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Executive directors:				
Mr. Ai Yilun *(Chairman)* (resigned as executive director and Chairman and appointed as honorary chairman on 13 September 2016, appointed as executive director and re-designated as Chairman on 20 October 2016)	–	–	–	–
Mr. Chan Shu Kit *(vice-chairman)* (resigned on 14 December 2016)	–	1,008	–	1,008
Mr. Gao Yongping (resigned on 8 April 2016)	–	–	–	–
Mr. Fu Zhigang *(chief executive officer)* (resigned on 13 September 2016)	–	567	14	581
Ms. Jian Qing	–	720	18	738
Mr. Chung Chi Shing	–	960	18	978
Mr. Tang Chuanqing (resigned on 19 August 2016)	–	–	–	–
Mr. Tang Jianhua (resigned on 8 April 2016)	–	–	–	–
Mr. Li Jinying (appointed on 8 April 2016)	–	–	–	–
Mr. Li Feng (appointed on 19 August 2016)	–	–	–	–
Mr. Bai Xuefei *(co-chief executive officer)* (appointed on 13 September 2016)	–	–	–	–
Mr. Wu Yuanchen (appointed on 14 December 2016)	–	–	–	–
Ms. Ding Shuying (appointed on 8 April 2016 and resigned on 19 August 2016)	–	–	–	–
Mr. Li Chao *(Chairman)* (appointed on 13 September 2016 and resigned on 20 October 2016)	–	–	–	–
Ms. Liang Rong (appointed on 19 August 2016 and resigned on 14 December 2016)	–	–	–	–
	–	3,255	50	3,305

	The Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015				
Executive directors:				
Mr. Ai Yilun *(chairman)*	–	–	–	–
Mr. Chan Shu Kit *(vice-chairman)*	–	1,008	–	1,008
Mr. Han Naishan (resigned on 9 March 2015)	–	–	–	–
Mr. Gao Yongping	–	–	–	–
Mr. Fu Zhigang *(chief executive officer)*	–	662	6	668
Ms. Jian Qing	–	720	18	738
Mr. Chung Chi Shing	–	960	18	978
Mr. Tang Chuanqing	–	–	–	–
Mr. Xu Zhaoyang (appointed on 9 March 2015 and resigned on 14 July 2015)	–	–	–	–
Mr. Tang Jianhua (appointed on 14 July 2015)	–	–	–	–
	–	3,350	42	3,392

There was no arrangement under which a director and the chief executive officer waived or agreed to waive any remuneration during the year ended 31 December 2016 (2015: Nil).

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2015: two) individuals were within the following bands.

	Number of employees	
	2016	**2015**
Nil to HK$1,000,000	2	1
HK$1,000,000 to HK$1,500,000	–	1
	2	2

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals or directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Current tax for the year		
Hong Kong	–	–
Other than Hong Kong	18,570	12,210
Deferred tax *(note 36)*	–	–
Income tax expense	18,570	12,210

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of People's Republics of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2015: 25%), except for those subsidiaries described below.

Certain subsidiaries operating in the PRC were accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% (2015: 15%) enterprise income tax rate in the period from 2014-2017.

The income tax expense for the year can be reconciled to the profit from continuing operations before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit from continuing operations before income tax expense	95,560	40,079
Tax calculated at the statutory tax rate applicable to profits in the respective countries	37,896	12,556
Tax effect of share of profit of associates	(783)	(1,263)
Tax effect of reduced EIT rate	(11,207)	–
Tax effect of expenses not deductible for tax purposes	1,201	3,950
Tax effect of revenue not taxable for tax purposes	(8,397)	(185)
Tax effect of tax losses not recognised	240	4,231
Utilisation of tax losses previously not recognised	(380)	(7,079)
Income tax expense	18,570	12,210

In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of the Group's leasehold buildings for the year ended 31 December 2015 has been charged to other comprehensive income.

13. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2016			2015		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Before-tax amount	**Tax benefits**	**Net-of-tax amount**	**Before-tax amount**	**Tax benefits**	**Net-of-tax amount**
Items that will not be reclassified to profit or loss:						
Loss on revaluation of properties	(7)	1	(6)	(68)	10	(58)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	(43,365)	–	(43,365)	(11,838)	–	(11,838)
Reclassification adjustments relating to foreign operations disposed of during the year	30	–	30	645	–	645
Share of other comprehensive income of associates	(6,033)	–	(6,033)	(2,245)	–	(2,245)
	(49,375)	1	(49,374)	(13,506)	10	(13,496)

14. DISCONTINUED OPERATIONS

On 1 November 2016, the Group entered into a sale and purchase agreement ("**SPA**") pursuant to which the Group has agreed to sell the entire issued share capital of each of the wholly-owned subsidiaries, Hurray Enterprises Limited, Tack Hsin (BVI) Holdings Limited and Tack Hsin International Limited (together the "**Target Group**") and the shareholder's loan owed by the Target Group to the Company, to an executive director and a substantial shareholder interested in approximately 10.08% of the issued share capital of the Company, for a consideration of HK$110 million. The principal activities of the Target Group are restaurant operations, property investment and hotel operations.

The transaction was completed on 28 December 2016. The carrying amounts of assets and liabilities at the date of disposal are disclosed in note 38 to the financial statements.

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 January 2016 to 28 December 2016 (date of completion of the disposal) *HK$'000*	**1 January 2015 to 31 December 2015** *HK$'000*
Revenue	173,762	172,588
Other income and gains	5,459	3,653
Cost of inventories used	(52,381)	(49,673)
Staff cost	(55,138)	(55,299)
Rental expenses	(44,731)	(38,791)
Utility expenses	(10,570)	(10,639)
Depreciation	(3,378)	(6,615)
Other operating expenses	(31,091)	(33,209)
Loss before income tax expense	(18,068)	(17,985)
Income tax credit	1,658	114
Loss for the period/year from discontinued operations	(16,410)	(17,871)
Gain on disposal of subsidiaries, net of nil tax *(note 38)*	21,959	–
Profit/(loss) attributable to owners of the Company from discontinued operations	5,549	(17,871)
Operating cash flows	(12,882)	(14,702)
Investing cash flows	(76)	(7,802)
Total cash flows	(12,958)	(22,504)

For the purpose of presenting the above discontinued operations, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

15. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2016 (2015: Nil).

16. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2016	**2015**
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	78,571	3,559

Number of shares

	2016	**2015**
	'000	*'000*
Issued Share Capital at 1 January	1,133,095	1,101,666
Issue of Share Capital upon conversion of convertible bonds	–	31,429
Issued Share Capital at 31 December	1,133,095	1,133,095
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	1,133,095	1,117,924

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings

	2016	**2015**
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	78,571	3,559
Less:		
Profit/(loss) for the year from discontinued operations	5,549	(16,959)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	73,022	20,518

Number of shares

	2016	**2015**
	'000	*'000*
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	1,133,095	1,117,924

The convertible bonds (see note 35) were redeemed during the year ended 31 December 2016. The diluted earnings per share for the year ended 31 December 2015 and 2016 are the same as basic earnings per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible bonds on the profit attributable to owner of the Company.

From discontinued operations

Basic and diluted profit/(loss) per share for the discontinued operation is $0.49 cent per share (2015: loss of $1.52 cents per share) based on the profit for the year from discontinued operations of HK$5,549,000 (2015: loss of HK$16,959,000) and the denominators detailed above for both basic and diluted profit/(loss) per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Air-conditioning plant	Electrical appliances	Office equipment	Motor vehicles	Kitchen utensils, linen & uniforms	Solar power plant	Construction in progress	Total
	HK$('000)	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*
Cost or valuation:										
At 1 January 2015	3,636	42,230	4,599	12,460	774	3,851	1,225	–	–	68,775
Additions	–	6,262	1,276	1,490	172	385	–	–	67,658	77,243
Written off/disposal	–	(935)	–	(114)	–	–	–	–	–	(1,049)
Exchange alignments	–	(19)	–	(142)	–	(85)	–	–	(1,760)	(2,006)
Deficit on revaluation	(129)	–	–	–	–	–	–	–	–	(129)
At 31 December 2015 and 1 January 2016	3,507	47,538	5,875	13,694	946	4,151	1,225	–	65,898	142,834
Additions	–	53	93	945	114	442	–	–	234,983	236,630
Written off/disposal	–	(1,943)	(136)	(447)	(15)	–	–	–	–	(2,541)
Deficit on revaluation	(41)	–	–	–	–	–	–	–	–	(41)
Transfer	–	–	–	–	–	–	–	169,923	(169,923)	–
Disposal of subsidiaries	(3,466)	(45,147)	(5,832)	(10,194)	(744)	(2,063)	(1,225)	–	–	(68,671)
Exchange alignments	–	(38)	–	(289)	(2)	(175)	–	(8,292)	(5,118)	(13,914)
At 31 December 2016	–	463	–	3,709	299	2,355	–	161,631	125,840	294,297
Accumulated depreciation and impairment:										
At 1 January 2015	–	33,044	3,401	9,180	650	1,654	–	–	–	47,929
Charge for the year	71	5,352	649	1,351	64	679	–	–	–	8,166
Written off/disposal	–	(935)	–	(70)	–	–	–	–	–	(1,005)
Exchange alignments	–	(11)	–	(44)	–	(30)	–	–	–	(85)
Deficit on revaluation	(71)	–	–	–	–	–	–	–	–	(71)
At 31 December 2015 and 1 January 2016	–	37,450	4,050	10,417	714	2,303	–	–	–	54,934
Charge for the year	69	2,713	452	1,062	73	622	–	9,200	–	14,191
Written off/disposal	–	(1,586)	(111)	(278)	(7)	–	–	–	–	(1,982)
Deficit on revaluation	(35)	–	–	–	–	–	–	–	–	(35)
Disposal of subsidiaries	(34)	(38,287)	(4,391)	(9,348)	(690)	(1,672)	–	–	–	(54,422)
Exchange alignments	–	(20)	–	(180)	–	(84)	–	(435)	–	(719)
At 31 December 2016	–	270	–	1,673	90	1,169	–	8,765	–	11,967
Net book value:										
At 31 December 2016	–	193	–	2,036	209	1,186	–	152,866	125,840	282,330
At 31 December 2015	3,507	10,088	1,825	3,277	232	1,848	1,225	–	65,898	87,900

Fair value measurement

The fair value measurement of the Group's building and investment property (see note 18) utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The fair value of the Group's buildings at 31 December 2015 was arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent professional surveyor and property valuer not connected with the Group. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications.

The valuation of buildings was determined by reference to comparable sales transactions as available in the relevant market with adjustments to reflect the conditions and locations of the related properties. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year.

The recurring fair value measurement of the Group's buildings are categorised as Level 3 of fair value hierarchy. There were no transfers into or out of Level 3 during the years ended 31 December 2016 and 2015.

During the year, deficit arising from revaluation of buildings of approximately HK$6,000 (2015: HK$58,000) was recognised in the building revaluation reserve.

18. INVESTMENT PROPERTY

	2016	**2015**
	HK$'000	*HK$'000*
At fair value		
Completed investment property		
At 1 January	38,000	38,000
Disposal of subsidiaries	(38,000)	–
At 31 December	–	38,000

Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

Investment property and buildings revaluation as at 31 December 2015 were carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group, based on the highest and best use approach. The valuer has recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment property and buildings as at 31 December 2015 are signed by a director of Asset Appraisal Limited, who is a member of The Hong Kong Institute of Surveyors. The valuations were performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors.

The carrying amount of investment property shown above comprises:

	2016	**2015**
	HK$'000	*HK$'000*
Property in Hong Kong:		
Medium-term leases	–	38,000

The fair value of investment property located in Hong Kong are determined using comparison method by reference to recent selling prices of comparable properties on a price per square foot basis which are adjusted to reflect the conditions and locations of the related properties.

The recurring fair value measurement of the Group's investment property is categorised as Level 3 of fair value hierarchy.

There was no transfer into or out of Level 3 during the years ended 31 December 2016 and 2015.

19. PREPAID LAND LEASE PAYMENTS

	2016	**2015**
	HK$'000	*HK$'000*
Carrying amount at the beginning of the year	7,988	6,796
Addition	2,017	1,293
Amortised for the year	(587)	(101)
Disposal of subsidiaries	(6,493)	–
Exchange alignments	(178)	–
Carrying amount at the end of the year	2,747	7,988
Current portion included in prepayments	(486)	(101)
Non-current portion	2,261	7,887

The prepaid land lease payments are held under the following lease terms:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong		
Long term leases	–	6,594
PRC		
Medium term leases	1,133	1,293
Short term leases	1,614	–
	2,747	1,293
	2,747	7,887

20. AVAILABLE-FOR-SALE INVESTMENT

	2016	2015
	HK$'000	*HK$'000*
Unlisted equity investment, at cost		
At 1 January	500	500
Disposal of subsidiaries	(500)	–
At 31 December	–	500

As at 31 December 2015, the unlisted equity investment with a carrying value of HK$500,000 was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

The unlisted equity investment was disposed in the transaction of disposal of subsidiaries (note 38).

21. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK$'000	2015 HK$'000
Non-current asset			
Investments in subsidiaries	22	463,314	824,948
Current assets			
Amount due from subsidiaries		66,234	–
Other receivables		51,450	–
Cash and bank balances		14,103	197
		131,787	197
Less: Current liabilities			
Other payables and accruals		11	11
Convertible bonds		–	286,842
		11	286,853
Net current assets/(liabilities)		131,776	(286,656)
Total assets less current liabilities		595,090	538,292
Less: Non-current liabilities			
Amounts due to subsidiaries		16,710	73,564
Borrowings		300,000	–
		316,710	73,564
Net assets		278,380	464,728
Capital and reserves			
Share capital		113,309	113,309
Reserves	39	165,071	351,419
Total equity		278,380	464,728

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation and operations@	Nominal value of issued capital/ registered and paid-up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Guoxin Energy Limited	Hong Kong	HK$1,000*	–	80.90%	Investment holding
CNI (Nanjing) Energy Development Company Limited	PRC (Note i)	RMB250,000,000*	–	96.18%	EPC and consultancy operations
南京中核能源工程有限公司	PRC (Note i)	RMB150,000,000* (Note ii)	–	96.18%	EPC and consultancy operations
核建融資租賃(深圳)有限公司	PRC (Note i)	HK$240,000,000*	–	100%	Financing
泰州核潤新能源有限公司	PRC (Note i)	USD20,000,000*	–	100%	Solar power generation

@ *Unless otherwise stated, the place of operations is the place of incorporation.*

* *Ordinary shares*

Note (i) All PRC subsidiaries are corporations with limited liability.

Note (ii) On 22 September 2016, the paid-up capital of the Company was increased from RMB100,000,000 to RMB150,000,000.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

23. INTEREST IN ASSOCIATES

	2016	2015
	HK$'000	*HK$'000*
Share of net assets (including goodwill)	82,215	82,192

Details of the material associates are as follows.

Name		Place of incorporation, operation and principal activity	Percentage of equity attributable to the Group
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.)	*Note (i)*	Construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services.	14.43%
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)	*Note (ii)*	Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC	47.13%

Note (i) On 15 April 2016, shareholders of China Nuclear Industry Maintenance Co., Ltd. ("**CNI Maintenance Co.**"), an associate of the Company, entered into a capital injection agreement with one of its existing shareholders. Upon completion of the share subscription, the Group's equity interest in CNI Maintenance Co. has been diluted from 18.55% to 14.43% accordingly.

Although the Group's ownership interest in CNI Maintenance Co. is less than 20%, the Group has significant influence over CNI Maintenance Co. through its power to participate in CNI Maintenance Co.'s financial and operating decisions by appointing directors representing the Company in accordance with the articles of CNI Maintenance Co. in the board of directors' meetings of CNI Maintenance Co.

The primary business of CNI Maintenance Co. is undertaking construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services. This is in alignment with the Group's EPC and consultancy segment.

Note (ii) The primary business of Zhong He Qiqihar Solar Power Generation Company Limited is solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC. This is in alignment with the Group's solar power generation segment.

Summarised financial information

	China Nuclear Industry Maintenance Co., Ltd		Zhong He Qiqihar Solar Power Generation Company Limited	
	2016	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December				
Current assets	367,161	278,373	6,852	1,978
Non-current assets	107,101	88,222	25,752	28,759
Current liabilities	(29,846)	(42,949)	(21,056)	(18,208)
Non-current liabilities	–	–	–	–
Year ended 31 December				
Revenue	590,011	491,138	2,761	–
Profit from continuing operations	49,294	41,269	457	–
Other comprehensive income	(33,505)	(6,632)	(1,438)	–
Total comprehensive income	15,789	34,637	(981)	–
Dividends received from associate	4,579	641	–	–
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associates	444,416	323,646	11,548	12,529
Group's effective interest	14.43% *(Note (i))*	18.55%	47.13%	47.13%
Group's share of net assets of the associates	64,130	60,036	5,443	5,905
Goodwill	12,642	16,251	–	–
Carrying amount in the consolidated financial statement	76,772	76,287	5,443	5,905

24. INVENTORIES

	2016	**2015**
	HK$'000	*HK$'000*
Raw materials	–	4,960
Finished goods	415	47,423
	415	52,383

25. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30–180 days with its customers for EPC and consultancy services depending on the customers' creditworthiness and the length of business relationship with the customers. Customers in restaurant and hotel operations are mainly settled by cash and credit card, except for certain well-established customers where the credit terms are negotiated on customer by customer basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company. Trade receivables are non-interest bearing.

	2016	**2015**
	HK$'000	*HK$'000*
Trade receivables	1,211,479	1,083,299
Bills receivables	74,682	1,810
	1,286,161	1,085,109

An ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date, is as follows:

	2016	**2015**
	HK$'000	*HK$'000*
0 – 90 days	958,892	1,067,535
91 – 180 days	28,542	360
181 – 365 days	127,965	17,214
>365 days	170,762	–
	1,286,161	1,085,109

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Neither past due nor impaired	958,892	1,085,109
0 – 90 days past due	28,542	–
91 – 180 days past due	127,965	–
181 – 365 days past due	170,762	–
	1,286,161	1,085,109

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

Bills receivables are due within six months from date of billing.

Included in trade and bills receivables was an amount of approximately HK$59,243,000 (2015: HK$193,137,000) which represents amounts due from fellow subsidiaries and an associate of the Company arising from EPC and consultancy operations.

As at 31 December 2016, retention held by customers for contract work amounted to approximately HK$Nil (2015: HK$4,646,000). The retention receivables are unsecured, interest-free and recoverable at the end of the retention period of individual contracts, ranging from one to three months from the date of the completion of the respective project.

26. LOAN RECEIVABLE

	2016	**2015**
	HK$'000	*HK$'000*
Loan receivable	111,125	–

The amount represents loan to an indirect joint venture held by the ultimate holding company which is unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by People's Bank of China multiplied by (1+25%) per annum and due on 1 September 2017. The Group does not hold any collateral or other credit enhancements over the loan receivable.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	**2015**
	HK$'000	*HK$'000*
Prepayments	2,114	111,874
Deposits	28,724	18,188
Other receivables	109,620	42,184
	140,458	172,246
Less: deposits-non-current portion	(27,781)	–
	112,677	172,246

As at 31 December 2015, included in other receivables of HK$15,600,000 represented the loan to China He Investment (Hong Kong) Company Limited, the immediate controlling shareholder of the Company. The loan was fully repaid on 15 November 2016.

As at 31 December 2016, included in other receivables of HK$50,000,000 represents the consideration receivable from disposal of subsidiaries which is due from a shareholder interested in approximately 6.81% of the issued share capital of the Company (see note 38). The consideration receivable is interest-free, secured by the shares of the Target Group and due on 30 June 2017.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in the deposits amounted to HK$27,781,000 represents the deposits paid for acquisition of land and property, plant and equipment.

28. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2016	2015
	HK$'000	*HK$'000*
Contract cost incurred plus recognised profits	876,383	410,843
Less: progress billing	(782,595)	(148,367)
	93,788	262,476
Represented by:		
Due from customers included in current assets	104,804	262,476
Due to customers included in current liabilities	(11,016)	–
	93,788	262,476

29. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in the PRC. These leases are classified as finance leases and have remaining lease terms of eight years with interest rate at 5.7% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance lease receivables comprise:				
Within one year	18,659	–	12,743	–
In the second to fifth years, inclusive	74,638	–	58,378	–
After five years	46,649	–	43,371	–
	139,946	–	114,492	–
Less: unearned finance income	(25,454)	–		
Total net finance lease receivables	114,492	–		

	2016	2015
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	12,743	–
Non-current assets	101,749	–
	114,492	–

The Group's finance lease receivables are denominated in Renminbi ("**RMB**").

30. CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	*HK$'000*
Cash and bank balances	472,711	283,833
Time deposits	–	27,018
	472,711	310,851

At 31 December 2016, cash and cash equivalents and time deposits with banks in the PRC amounted to approximately HK$452,617,000 (2015: HK$280,419,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

31. TRADE AND BILLS PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	1,253,702	1,146,594
Bills payables	63,341	–
	1,317,043	1,146,594

An ageing analysis of the trade and bills payables at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	655,898	936,241
91 – 180 days	105,931	210,353
181 – 365 days	382,019	–
>365 days	173,195	–
	1,317,043	1,146,594

The trade payables are non-interest bearing and are normally settled on 30-day term.

32. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Receipts in advance	1,585	61,665
Other payables	65,338	129,286
Accruals	11	824
	66,934	191,775

Included in other payables of (i) RMB9,550,000 (approximately HK$10,612,000) (31 December 2015: RMB9,550,000 (approximately HK$11,507,000)) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company and (ii) RMB15,000,000 (approximately HK$16,669,000) (31 December 2015: RMB50,000,000 (approximately HK$60,245,000)) represents an unsecured interest bearing loan from a fellow subsidiary of the Company. The interest rate of the loan is at the PRC benchmark rate plus 10% per annum.

33. BANK BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Current		
Short-term bank loans, secured	267,687	–
Long-term bank loans, secured, current portion	12,520	–
	280,207	–
Non-current		
Long-term bank loans, secured	402,517	–
Total bank borrowings	682,724	–

(i) The bank loans are secured by corporate guarantee provided by the ultimate holding company and fellow subsidiaries of the Company, the Group's bills receivables amounted to HK$33,337,000 and finance lease receivables amounted to HK$114,492,000.

(ii) All bank loans bear interest at floating rates, with effective interest rates ranging from 1.9% to 4.9% per annum. The carrying amounts of bank borrowings approximate their fair values.

The carrying amounts of bank borrowings at the report date are denominated in the followings currencies:

	2016	2015
	HK$'000	*HK$'000*
HK$	300,000	–
RMB	382,724	–
	682,724	–

At 31 December 2016, the Group had undrawn bank loans facilities of RMB100,000,000 (approximately HK$111,130,000) (2015: HK$Nil).

At 31 December, total current and non-current bank loans were scheduled to repay as follows:

	2016	2015
	HK$'000	*HK$'000*
On demand or within one year	280,207	–
More than one year, but not exceeding two years	13,145	–
More than two years, but not exceeding five years	343,505	–
After five years	45,867	–
	682,724	–

Further details of the Company's management of liquidity risk are set out in note 44(b).

34. PROVISION FOR LONG SERVICE PAYMENTS

	2016	2015
	HK$'000	*HK$'000*
At beginning of the year	3,484	3,402
Increase for the year	411	2,059
Amounts utilised during the year	(583)	(1,977)
Disposal of subsidiaries	(3,312)	–
At the end of the year	–	3,484

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

35. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the liability, derivative and equity components. The following tables summarise the movements in the liability, derivative and equity components of the Group's and the Company's convertible bonds during the year:

	3% Coupon convertible bonds
	HK$'000
Liability component	
At 1 January 2015	–
Issuance of new bonds	313,038
Imputed interest expenses	22,996
Conversion of convertible bonds	(49,192)
At 31 December 2015 and 1 January 2016	286,842
Imputed interest expenses	17,008
Redemption of convertible bonds	(303,850)
At 31 December 2016	–
Equity component	
At 1 January 2015	–
Issuance of new bonds	33,075
Conversion of convertible bonds	(5,808)
At 31 December 2015 and 1 January 2016	27,267
Transfer to retained earnings upon redemption	(27,267)
At 31 December 2016	–

3% Coupon convertible bonds

On 26 May 2015, the Company issued an aggregated principal amount of HK$350 million 3% convertible bonds (the "**2015 Convertible Bonds**"), which are due on 25 May 2016.

The 2015 Convertible Bonds are convertible at the option of the bondholders into the Company's ordinary shares at a conversion price of HK$1.75 per share any time up to maturity.

On the basis that the conversion option of the 2015 Convertible Bonds to be settled by exchange of a fixed amount or fixed number of equity instruments, the 2015 Convertible Bonds were accounted for as compound instruments under HKAS 32 "Financial Instruments Presentation" and the proceeds were split between a liability component and an equity component as set out below.

The fair value of the liability component was calculated using a market interest rate for a bond with the similar tenure but with no conversion features. The residual amount, representing the value of the equity component, was credited to conversion reserves under equity attributable to owners of the Company.

The imputed interest expenses on the bonds are calculated using the effective interest method.

Since the date of issuance and up to 31 December 2015, HK$55,000,000 of the 2015 Convertible Bonds were converted into shares of the Company by the bondholders.

On 25 May 2016, the Company redeemed the outstanding convertible bonds at the total principal amount of HK$295,000,000.

36. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Losses available for offsetting against future taxable profits	**Decelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	2,096	1,659	3,755
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	934	(523)	411
At 31 December 2015 and 1 January 2016	3,030	1,136	4,166
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	1,686	(45)	1,641
Disposal of subsidiaries	(4,716)	(1,091)	(5,807)
At 31 December 2016	–	–	–

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016	2015
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	–	4,516
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	350

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$16,400,000 (2015: HK$5,514,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately HK$Nil (2015: HK$144,778,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Unused tax assets of approximately HK$997,000 (2015: HK$1,376,000) arising in the PRC subsidiaries of the Company will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognized in respect of these losses as the utilization of which is uncertain.

37. SHARE CAPITAL

Ordinary shares

	2016 Number of shares	2016 Share capital	2015 Number of shares	2015 Share capital
	'000	*HK$'000*	*'000*	*HK$'000*
Issued and fully paid:				
At 1 January	1,133,095	113,309	1,101,666	110,166
Issue of shares upon conversion of convertible bonds *(Note (a))*	–	–	31,429	3,143
At 31 December	1,133,095	113,309	1,133,095	113,309

Note:

a. In June and July 2015, the 2015 Convertible Bonds were partly converted into ordinary shares of the Company at conversion price of HK$1.75 per share, resulting in the issuance of approximately 31,429,000 ordinary shares of the Company.

38. DISPOSAL OF SUBSIDIARIES

(a) As referred to in note 14, the Group disposed of the Target Group on 28 December 2016.

The net assets of the Target Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	14,249
Investment property	38,000
Prepaid land lease payments	6,493
Available-for-sale investment	500
Deferred tax assets, net	6,132
Inventories	1,854
Trade receivables	520
Prepayments, deposits and other receivables	18,263
Tax prepayment	244
Cash and cash equivalents	18,983
Trade payables	(4,423)
Other payables and accruals	(9,503)
Provision for long service payments	(3,312)
Receipt in advance	(550)
Deferred tax liabilities, net	(325)
Shareholder's loans	(71,455)
	15,670
Assignment of shareholder's loans	71,455
Direct expenses in relation to the disposal	916
Gain on disposal of subsidiaries included in profit for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income *(note 14)*	21,959
Total consideration	110,000
Satisfied by:	
Cash	60,000
Consideration payable	50,000
	110,000

(b) Cash inflow arising from disposal of subsidiaries

	HK$'000
Cash consideration received	60,000
Bank balance and cash disposal of	(18,983)
Direct expenses paid in relation to the disposal	(916)
	40,101

39. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41 of the consolidated financial statements.

Building revaluation reserve

The building revaluation reserve has been set up and is dealt with in accordance with the accounting policies of "Property, plant and equipment and depreciation" as set out in Note 17.

Exchange reserve

Exchange difference arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve.

Statutory reserve

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

Equity Component of Convertible Bonds

The reserve represents amount of proceeds on issue of convertible bonds relating to the equity component (i.e. option to convert the debt into share capital).

(b) The Company

	Share Premium Account	Contributed Surplus	Equity Component of Convertible Bonds	Accumulated Losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	1,314,363	203,630	–	(1,219,049)	298,944
Total comprehensive income for the year	–	–	–	(26,649)	(26,649)
Issue of convertible bond	–	–	33,075	–	33,075
Issue of shares upon conversion of convertible bonds	51,857	–	(5,808)	–	46,049
At 31 December 2015 and 1 January 2016	1,366,220	203,630	27,267	(1,245,698)	351,419
Total comprehensive income for the year	–	–	–	(186,348)	(186,348)
Redemption of convertible bonds	–	–	(27,267)	27,267	–
At 31 December 2016	1,366,220	203,630	–	(1,404,779)	165,071

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended).

The Company's contributed surplus represented the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus if to do so would not render the Company's ability to pay its liabilities as they become due or the realisable value of its assets would not thereby become less than the aggregate of its liabilities and its issued share capital and share premium.

40. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2016 (2015: Nil).

41. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain office premises, restaurant premises and office equipment under operating lease arrangements, with remaining lease terms ranging from one month to four years.

At 31 December 2016 and 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	4,755	73,396
In the second to fifth years, inclusive	2,058	70,760
	6,813	144,156

In addition to the minimum lease payments described above, the Group has commitments to pay contingent rents based on a proportion of turnover for certain leased restaurant premises. Contingent rents are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

42. CAPITAL COMMITMENT

As at 31 December 2016, the Group had capital commitment as follows:

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of land and property, plant and equipment	7,778	–

43. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

a. Transactions with related parties

	2016	2015
	HK$'000	*HK$'000*
Transaction with a shareholder of the Company:		
– Rental expenses paid *(note(i))*	120	–
Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap *(note (ii))*		
– Construction contract revenue incurred	34,211	128,746
– Service income	–	20,271
– Sales of goods	33,251	38,159
Transaction with a fellow subsidiary		
– Loan interest expense *(note (iii))*	1,062	368
Transaction with immediate holding company and the ultimate holding company's indirect joint venture		
– Loan interest income *(note (iv))*	1,429	–

Notes:

i. The Group paid rental expenses to a shareholder interested in approximately 6.81% of the issued share capital of the Company for the year ended 31 December 2016. The rentals were determined with reference to open market rentals.

ii. The Group generated revenue of RMB52,906,000 (approximately HK$61,708,000) (2015: RMB109,047,000 (approximately HK$134,418,000)) from 新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited), a fellow subsidiary of the Company. The revenue generated from sales of goods and construction contract.

The Group generated revenue of RMB4,933,000 (approximately HK$5,754,000) (2015: RMB19,353,000 (approximately HK$23,588,000)) from Zhong He Qiqihar Solar Power Generation Company Limited, an associate of the Company. The revenue generated from sales of goods, supplies of services and construction contract.

The Group generated revenue of RMBNil (2015: RMB15,472,000 (approximately HK$19,115,000)) from 中國核工業二三建設有限公司華東分公司 (transliterated as "China Nuclear Industry 23 Construction Company Limited Huadong Branch"), a fellow subsidiary of the Company, a branch of CNI23. The revenue generated from supplies of services.

The Group generated revenue of RMBNil (2015: RMB87,000 (approximately HK$108,000)) from 榆林市榆神工業區東投能源有限公司 (transliterated as Yulin City Yushen Industrial District Dongtou Power Co., Ltd.), a connected person of the Company. The revenue generated from supplies of services.

The Group generated revenue of RMBNil (2015: RMB96,000 (approximately HK$119,000)) from 寶應鑫源光伏發電有限公司 (transliterated as Baoying Xinyuan Solar Power Co., Ltd.), a connected person of the Company. The revenue generated from supplies of services.

The Group generated revenue of RMBNil (2015: RMB7,955,000 (approximately HK$9,828,000)) from 黎城協鑫光伏電力有限公司 (transliterated as Licheng GCL Solar Power Co., Ltd.), a connected person of the Company. The revenue generated from sales of goods, supplies of services and construction contract.

iii. In 2015, the Group borrowed from 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Limited) ("**Zhong He New Energy**"), a fellow subsidiary of the Company with the sum of RMB50,000,000 which bearing interest rate of the PRC benchmark rate plus 10% per annum. The loan interest was charged at normal market interest rate with reference to the loan agreement. During the year, the Company repaid RMB35,000,000 to Zhong He New Energy and re-negotiated the terms of the loan. The remaining loan balance of RMB15,000,000 is unsecured, non-interest bearing and repayable on demand.

iv. On 13 November 2015, the Group as lender entered into the Loan Agreement with China He Investment (Hong Kong) Company Limited ("**China He Investment**"), immediate holding company of the Company, pursuant to which the Group agreed to grant the Facility in the principal amount of HK$15,600,000 for a term of six months which bearing interest rate of 3.3% per annum. As the term of the Facility expired on 17 May 2016, the Group and China He Investment entered into the Supplemental Agreement on 17 May 2016 to extend the term of the Facility for six months to 16 November 2016. The loan interest was charged at normal market interest rate with reference to the loan agreement. The loan was fully repaid on 15 November 2016. As China He Investment is a substantial shareholder interested in approximately 35.30% of the issued share capital of the Company, China He Investment is a connected person of the Company. Therefore, the extension of the Facility constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

On 20 October 2016, a loan agreement was entered into between 核建融資租賃（深圳）有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co., Ltd.) ("**CNECF**"), an indirect wholly-owned subsidiary of the Company and an indirect joint venture of the ultimate holding company of the Company (the "**Borrower**"). Pursuant to the loan agreement, CNECF agreed to grant the loan in the principal amount of RMB100,000,000 (approximately HK$111,125,000) to the Borrower for a term from the drawn date to 1 September 2017 at an interest rate of 5.44% per annum, being the prevailing benchmark lending interest rate to be promulgated by People's Bank of China ("**PBC**") multiplied by (1 + 25%) and shall be adjusted in the event that PBC adjusts the benchmark lending interest rate during the term of the loan agreement.

b. Connected transactions

In addition to above, the Group had the following connected transaction during the year:

– On 1 November 2016, the Group entered into a SPA pursuant to which the Group has agreed to sell the entire issued share capital of the Target Group and the shareholder's loan owed by the Target Group to the Company, to an executive director and a substantial shareholder of the Group, for a consideration of HK$110,000,000. Details of the transaction are set out in the Company's circular dated 5 December 2016. The transaction was completed on 28 December 2016 (note 38).

c. Compensation of key management personnel of the Group:

	2016	**2015**
	HK$'000	*HK$'000*
Short term employee benefits	8,707	6,439
Pension scheme contribution	134	110
Total compensation paid to key management personnel	8,841	6,549

d. Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of construction contract revenue incurred, sales of goods and supply of services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing Connected Transactions" of the Directors' Report.

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets — Loans and receivables		
Trade and bills receivables	1,286,161	1,085,109
Loan receivable	111,125	–
Financial assets included in deposits and other receivables	89,583	60,372
Financial lease receivables	114,492	–
Amounts due from customers for contract work	104,804	262,476
Cash and cash equivalents	472,711	310,851
	2,178,876	1,718,808
Financial assets — Available-for-sale financial assets		
Available-for-sale investments	–	500
Financial liabilities — Financial liabilities at amortised cost		
Trade and bills payables	1,317,043	1,146,594
Bank borrowings	682,724	–
Financial liabilities included in other payables and accruals	65,349	130,110
Convertible bonds	–	286,842
	2,065,116	1,563,546

(b) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, mainly comprise cash, short term deposits, trade and bills receivables, deposits and other receivables, loan receivable, finance lease receivables, amounts due from customers for contract work, trade and bills payables, bank borrowings, other payables and accruals and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

Market risk

(i) Foreign currency risk management

The Group mainly operated in Hong Kong and the PRC with most of the transactions settled in HKD and RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(ii) Interest rate risk management

The Group's interest rate risk arises primarily from bank borrowings, loan from related parties and loan receivable. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group will review whether bank borrowings and loan from related parties bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	Group			
	2016		**2015**	
	Effective interest rate *(%)*	*HK$'000*	**Effective interest rate** *(%)*	*HK$'000*
Fixed rate borrowings				
Convertible loan notes	–	–	3.0	286,842
Floating rate borrowings				
Bank borrowings	3.5	682,724	–	–
Loan from a fellow subsidiary *(note 32)*	4.8	16,669	4.8	60,245
		699,393		60,245
Floating rate loan receivable				
Loan receivable *(note 26)*	5.4	(111,125)	–	–
Total net borrowings		588,268		347,087
Net fixed rate borrowings as a percentage of total net borrowings		0%		82.6%

The interest rates and terms of repayment of the Group's borrowings are disclosed in note 32 and 33 to the financial statements.

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and accumulated losses by approximately HK$2,334,000 (2015: HK$226,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The analysis is performed on the same basis for 2015.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivable, finance lease receivables, amounts due from customers for contract work and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and amounts due from customers for contract work, management of the Group has delegated teams responsible for determination of monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables and amounts due from customers for contract work at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At the end of reporting period, the Group has a certain concentration of credit risk as 15% (2015: 41%) and 56% (2015: 81%) of the total trade receivables was due from Group's largest customer and the five largest customers respectively. The Group's concentration risk of credit risk by geographical location is mainly in the PRC, which accounted for 100% (2015: 100%) of the total trade receivables.

Cash and cash equivalents are placed with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Further quantitative disclosure in respective of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 25.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As indicated in notes 31, 32 and 33, all financial liabilities of the Group were due to be repaid within one year or repayable on demand except for the long term bank borrowings of HK$402,517,000.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The maturity profile of the financial liabilities of the Group at the end of the reporting periods, based on the contractual undiscounted payments, were as follows:

	Less than 3 months	3 to less than 12 months	1 to less than 2 years	2 to less than 5 years	More than 5 years	Total undiscounted amount	Total carrying amount
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
At 31 December 2016							
Trade and bills payables	1,317,043	–	–	–	–	1,317,043	1,317,043
Financial liabilities included in other payables and accruals	59,436	6,112	–	–	–	65,548	65,349
Bank borrowings	6,357	293,232	25,430	357,539	49,306	731,864	682,724
	1,382,836	299,344	25,430	357,539	49,306	2,114,455	2,065,116
At 31 December 2015							
Trade payables	1,146,594	–	–	–	–	1,146,594	1,146,594
Financial liabilities included in other payables and accruals	130,110	–	–	–	–	130,110	130,110
Convertible bonds	–	312,320	–	–	–	312,320	286,842
	1,276,704	312,320	–	–	–	1,589,024	1,563,546

(c) Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

Gearing ratio

The gearing ratio at the end of reporting period was as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Debt#	710,005	358,594
Total equity	508,789	474,941
Gearing ratio	1.40	0.76

\# *Total debt comprises loans included in other payables and accruals, bank borrowings and convertible bonds as detailed in notes 32, 33 and 35.*

The Group monitors its current and expected cash flow requirements to ensure it maintains sufficient cash and cash equivalents and has available funding to meet its working capital requirement.

(d) Fair value measurements

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the fair value of convertible bonds are not materially different from the carrying amounts.

There is no transfer into and out of Level 3 for the years ended 31 December 2016 and 2015.

45. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2016, the directors consider the immediate and ultimate controlling parties of the Group to be China He Investment (Hong Kong) Company Limited which is incorporated in Hong Kong and China Nuclear Engineering & Construction Corporation which is a state-owned enterprise incorporated in the PRC respectively. These entities do not produce financial statements available for public use.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 March 2017.

3. UNAUDITED CONDENSED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2017

Set out below are the unaudited condensed financial statements of the Group for the six months ended 30 June 2017 as extracted from the interim report of the Company for the six months ended 30 June 2017:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended	
		30 June 2017	**30 June 2016**
		(Unaudited)	(Unaudited and re-presented)
	Notes	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	4	371,722	825,126
Other revenue and gains		589	984
Cost of inventories used		(253,671)	(678,637)
Construction costs		(46,414)	(68,327)
Staff costs		(11,779)	(17,328)
Depreciation		(6,617)	(4,424)
Other operating expenses		(21,246)	(32,159)
Gain on deemed disposal of an associate		–	2,893
Finance costs	5	(7,720)	(18,676)
Share of results of associates, net		15,701	3,871
Profit before income tax expense	6	30,565	13,323
Income tax expense	7	(3,741)	(5,782)
Profit for the period from continuing operations		26,824	7,541
Discontinued operations			
Loss for the period from discontinued operations	8	–	(8,682)
Profit/(loss) for the period		26,824	(1,141)
Other comprehensive income for the period, net of tax			
Item that will not be reclassified to profit or loss:			
Loss on property revaluation		–	(6)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the period		23,865	(18,921)
Reclassification to profit or loss for deemed disposal of an associate		–	938
Share of other comprehensive income of associates		2,704	(94)
Total comprehensive income for the period		53,393	(19,224)

	Notes	For the six months ended 30 June 2017 (Unaudited) HK$'000	30 June 2016 (Unaudited and re-presented) HK$'000
Profit/(loss) for the period attributable to:			
Owners of the Company			
Profit for the period from continuing operations		25,822	6,400
Loss for the period from discontinued operations		–	(8,682)
Profit/(loss) for the period attributable to owners of the Company		25,822	(2,282)
Non-controlling interests			
Profit for the period from continuing operations		1,002	1,141
Loss for the period from discontinued operations		–	–
Profit for the period attributable to non-controlling interests		1,002	1,141
		26,824	(1,141)
Total comprehensive income attributable to:			
Owners of the Company		51,792	(19,993)
Non-controlling interests		1,601	769
		53,393	(19,224)
Earnings/(loss) per share from continuing and discontinued operations – basic and diluted (HK cent per share)	9	2.27	(0.20)
Earnings per share from continuing operations – basic and diluted (HK cent per share)	9	2.27	0.56

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*11*	299,862	282,330
Prepaid land lease payments		5,400	2,261
Available-for-sale investment		288	–
Interest in associates	*12*	87,836	82,215
Finance lease receivables		290,231	101,749
Deposits		27,781	27,781
		711,398	496,336
Current assets			
Inventories		–	415
Trade and bills receivables	*13*	1,331,868	1,286,161
Loan receivable		115,265	111,125
Finance lease receivables		26,025	12,743
Prepayments, deposits and other receivables		177,620	112,677
Amounts due from customers for contract work		71,129	104,804
Pledged bank deposits	*14*	40,343	–
Cash and cash equivalents		524,938	472,711
		2,287,188	2,100,636
Less: Current liabilities			
Trade and bills payables	*15*	1,127,681	1,317,043
Other payables and accruals	*16*	95,844	66,934
Bank borrowings	*17*	712,605	280,207
Obligations under finance leases		12,532	–
Tax payable		3,651	10,466
Amounts due to customers for contract work		7,446	11,016
		1,959,759	1,685,666
Net current assets		327,429	414,970
Total assets less current liabilities		1,038,827	911,306

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Less: Non-current liabilities			
Bank borrowings	17	189,076	402,517
Obligations under finance leases due after one year		108,496	–
		297,572	402,517
Net assets		741,255	508,789
Capital and reserves			
Share capital	18	131,309	113,309
Reserves		600,979	388,114
Equity attributable to owners of the Company		732,288	501,423
Non-controlling interests		8,967	7,366
Total equity		741,255	508,789

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Issued share capital	Share premium	Building revaluation reserve	Exchange reserve	Convertible reserve	Statutory reserve	(Accumulated losses)/ retained earning	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	113,309	1,366,220	709	(14,638)	27,267	2,686	(1,021,188)	474,365	576	474,941
Profit/(loss) for the period	–	–	–	–	–	–	(2,282)	(2,282)	1,141	(1,141)
Other comprehensive income for the period:										
Deficit arising from revaluation of buildings	–	–	(6)	–	–	–	–	(6)	–	(6)
Exchange differences on translation of foreign operations	–	–	–	(18,549)	–	–	–	(18,549)	(372)	(18,921)
Reclassification to profit or loss for deemed disposal of an associate	–	–	–	938	–	–	–	938	–	938
Share of other comprehensive income of an associate	–	–	–	(94)	–	–	–	(94)	–	(94)
Total comprehensive income for the period	–	–	(6)	(17,705)	–	–	(2,282)	(19,993)	769	(19,224)
Additional share capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	683	683
Redemption of convertible bonds	–	–	–	–	(27,267)	–	27,267	–	–	–
At 30 June 2016	113,309	1,366,220	703	(32,343)	–	2,686	(996,203)	454,372	2,028	456,400

	Attributable to owners of the Company							
	Issued share capital	Share premium	Exchange reserve	Statutory reserve	(Accumulated losses)/ retained earning	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	113,309	1,366,220	(62,938)	2,686	(917,854)	501,423	7,366	508,789
Profit for the period	–	–	–	–	25,822	25,822	1,002	26,824
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	–	–	23,266	–	–	23,266	599	23,865
Share of other comprehensive income of an associate	–	–	2,704	–	–	2,704	–	2,704
Total comprehensive income for the period	–	–	25,970	–	25,822	51,792	1,601	53,393
Placing of new shares *(note 18)*	18,000	161,073	–	–	–	179,073	–	179,073
At 30 June 2017	131,309	1,527,293	(36,968)	2,686	(892,032)	732,288	8,967	741,255

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June 2017 (Unaudited) HK$'000	30 June 2016 (Unaudited) HK$'000
Net cash (outflows)/inflows from operating activities	(416,808)	64,291
Net cash outflows from investing activities	(55,240)	(98,949)
Net cash inflows/(outflows) from financing activities	497,206	(45,639)
Net increase/(decrease) in cash and cash equivalents	25,158	(80,297)
Cash and cash equivalents at the beginning of the period	472,711	310,851
Effect of foreign exchange rate changes	27,069	(12,178)
Cash and cash equivalents at the end of the period	524,938	218,376
Analysis of balances of cash and cash equivalents		
Cash and bank balances	524,938	198,174
Time deposits	–	20,202
Cash and bank balances as stated in the condensed consolidated statement of financial position	524,938	218,376
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	524,938	218,376

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

China Nuclear Energy Technology Corporation Limited (the "**Company**") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the period from 1 January 2017 to 30 June 2017, the Company and its subsidiaries (collectively referred to as the "**Group**") were engaged in the following principal activities:

- engineering, procurement and construction ("**EPC**") operations and consulting services
- solar power generation operations
- financing operations

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and the same accounting policies adopted in the 2016 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out as follows.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKAS 7, Disclosure Initiative
- Amendments to HKAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

The initial application of the above new or revised HKFRSs does not have a material effect on the Group's results and financial position.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]

[1] Effective for annual periods beginning on or after 1 January, 2018
[2] Effective for annual periods beginning on or after 1 January, 2019

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. FINANCIAL INSTRUMENTS

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the '**fair value hierarchy**'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

There were no transfers between levels during the periods ended 30 June 2017 and 2016.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate to their fair value.

4. SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the condensed consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

The Group has four (six months ended 30 June 2016: seven) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

	Continuing Operations				
	EPC and Consultancy	Solar Power Generation	Financing	All other Segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2017 (Unaudited)					
Segment revenue:					
Sales to external customers	341,015	21,225	9,482	–	371,722
Intersegment sales	–	–	4,473	–	4,473
Other revenue and gains	178	56	–	–	234
Reportable segment revenue	341,193	21,281	13,955	–	376,429
Reconciliation:					
Elimination of intersegment sales					(4,473)
Consolidated revenue					371,956
Segment results	32,620	12,709	(1,548)	(11,552)	32,229
Reconciliation:					
Interest income					355
Finance costs					(7,720)
Share of results of associates, net					5,701
Profit before income tax expense					30,565
Income tax expense					(3,741)
Profit for the period					26,824

	Continuing Operations				
	EPC and Consultancy	Solar Power Generation	Financing	All other Segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2017 (Unaudited)					
Segment assets	1,719,228	457,805	481,883	251,546	2,910,462
Reconciliation:					
Unallocated assets					88,124
Total assets					2,998,586
Segment liabilities	1,348,406	164,583	376,829	367,513	2,257,331
Reconciliation:					
Unallocated liabilities					–
Total liabilities					2,257,331

	Continuing Operations					Discontinued Operations				
	EPC and Consultancy	Solar Power Generation	Financing	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2016 (Unaudited and re-presented)										
Segment revenue:										
Sales to external customers	814,057	11,069	–	–	825,126	78,147	142	8,744	87,033	912,159
Intersegment sales	488,049	–	4,039	–	492,088	8,604	9,384	–	17,988	510,076
Other revenue and gains	339	–	–	–	339	1,110	–	938	2,048	2,387
Reportable segment revenue	1,302,445	11,069	4,039	–	1,317,553	87,861	9,526	9,682	107,069	1,424,622
Reconciliation:										
Elimination of intersegment sales					(492,088)				(17,988)	(510,076)
Consolidated revenue					825,465				89,081	914,546
Segment results	30,833	6,871	(2,645)	(10,469)	24,590	(7,668)	(241)	(773)	(8,682)	15,908
Reconciliation:										
Gain on deemed disposal of an associate					2,893				–	2,893
Interest income					645				–	645
Finance costs					(18,676)				–	(18,676)
Share of results of associates, net					3,871				–	3,871
Profit/(loss) before income tax expense					13,323				(8,682)	4,641
Income tax expense					(5,782)				–	(5,782)
Profit/(loss) for the period					7,541				(8,682)	(1,141)

	Continuing Operations					Discontinued Operations				
	EPC and Consultancy	Solar Power Generation	Financing	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016 (Audited)										
Segment assets	1,493,607	437,504	483,657	99,989	2,514,757	–	–	–	–	2,514,757
Reconciliation:										
Unallocated assets					82,215				–	82,215
Total assets					2,596,972				–	2,596,972
Segment liabilities	1,019,495	281,967	353,334	433,387	2,088,183	–	–	–	–	2,088,183
Reconciliation:										
Unallocated liabilities					–				–	–
Total liabilities					2,088,183				–	2,088,183

5. FINANCE COSTS

	For the six months ended	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited and re-presented)
	HK$'000	*HK$'000*
Continuing operations		
Imputed interest on convertible bonds	–	17,008
Interest on bank and other borrowings	7,720	1,668
	7,720	18,676

6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before taxation is arrived at after charging:

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited and re-presented)
	HK$'000	*HK$'000*
Continuing operations		
Minimum lease payments under operating leases:		
Land and buildings*	3,727	3,038
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	9,734	15,933
Pension scheme contributions	2,045	1,395
Total staff costs	11,779	17,328
Amortisation of prepaid land lease payments*	568	27

* *Items included in other operating expenses*

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2016:16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of People's Republics of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (six months ended 30 June 2016: 25%), except for those subsidiaries described below.

Certain subsidiaries operating in the PRC were accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% (six months ended 30 June 2016: 15%) enterprise income tax rate in the period from 2014-2017.

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Current tax for the period		
Hong Kong	–	–
Other than Hong Kong	3,741	5,782
Deferred tax	–	–
Income tax expense	3,741	5,782

8. DISCONTINUED OPERATIONS

On 1 November 2016, the Group entered into a sale and purchase agreement ("**SPA**") pursuant to which the Group has agreed to sell the entire issued share capital of each of the wholly-owned subsidiaries, Hurray Enterprises Limited, Tack Hsin (BVI) Holdings Limited and Tack Hsin International Limited (together the "**Target Group**") and the shareholder's loan owed by the Target Group to the Company, to an executive director and a substantial shareholder interested in approximately 10.08% of the issued share capital of the Company, for a consideration of HK$110 million. The principal activities of the Target Group are restaurant operations, property investment and hotel operations.

The transaction was completed on 28 December 2016.

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the six months ended 30 June 2016 (Unaudited and re-presented) *HK$'000*
Revenue	87,033
Other revenue and gains	2,048
Cost of inventories used	(25,613)
Staff cost	(27,451)
Rental expenses	(22,529)
Utility expenses	(5,188)
Depreciation	(1,676)
Other operating expenses	(15,306)
Loss before income tax expense	(8,682)
Income tax expense	–
Loss for the period from discontinued operations	(8,682)
Loss attributable to owners of the Company from discontinued operations	(8,682)

For the purpose of presenting the above discontinued operations, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

9. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Earnings

	For the six months ended	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited and re-presented)
	HK$'000	*HK$'000*
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	25,822	(2,282)

Number of shares

	2017	**2016**
	(Unaudited)	(Unaudited)
	'000	*'000*
Issued Share Capital at 1 January	1,133,095	1,133,095
Placing of new shares *(note 18)*	180,000	–
Issued Share Capital at 30 June	1,313,095	1,133,095
Weighted average number of ordinary share for the purposes of basic and diluted earnings/(loss) per share calculation	1,135,083	1,133,095

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings

	For the six months ended	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited and re-presented)
	HK$'000	*HK$'000*
Profit/(loss) for the period attributable to owners of the Company	25,822	(2,282)
Less:		
Loss for the period from discontinued operations	–	(8,682)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	25,822	6,400

Number of shares

	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited)
	'000	*'000*
Weighted average number of ordinary share for the purposes of basic and diluted earnings/(loss) per share calculation	1,135,083	1,133,095

The convertible bonds were redeemed during the period ended 30 June 2016. The diluted earnings/(loss) per share for the period ended 30 June 2016 is the same as basic earnings/(loss) per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible bonds on the profit/(loss) attributable to owner of the Company.

The diluted earnings per share for the period ended 30 June 2017 is same as basic earnings per share presented as there was no dilutive effect on the profit attributable to owner of the Company.

From discontinued operations

Basic and diluted loss per share for the discontinued operation is HK$Nil (six months ended 30 June 2016: loss of HK cent 0.77 per share) based on the profit for the period from discontinued operations of HK$Nil (six months ended 30 June 2016: loss of HK$8,682,000) and the denominators detailed above for both basic and diluted loss per share.

10. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: HK$Nil).

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost approximately HK$13,525,000 (six months ended 30 June 2016: HK$99,443,000).

12. INTEREST IN ASSOCIATES

	30 June 2017 (Unaudited) *HK$'000*	**31 December 2016** (Audited) *HK$'000*
Share of net assets	87,836	82,215

(a) On 15 April 2016, shareholders of 中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.) ("**CNI Maintenance Co.**"), an associate of the Company, entered into a capital injection agreement with one of its existing shareholders. Upon completion of the share subscription, the Group's equity interest in CNI Maintenance Co. has been diluted from 18.55% to 14.43% accordingly.

Although the Group's ownership interest in CNI Maintenance Co. is less than 20%, the Group has significant influence over CNI Maintenance Co. through its power to participate in CNI Maintenance Co.'s financial and operating decisions by appointing directors representing the Company in the board of directors' meetings of CNI Maintenance Co.

(b) Details of the material associates as at 30 June 2017 are as follows:

Name	**Place of incorporation, operation and principal activity**	**Percentage of equity attributable to the Group**
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.)	PRC. Construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services.	14.43%
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)	PRC. Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC.	47.13%

13. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30-180 days with its customers for EPC and consultancy services depending on the customers' creditworthiness and the length of business relationship with the customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company.

	30 June 2017	**31 December 2016**
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	1,209,111	1,211,479
Bills receivables	122,757	74,682
	1,331,868	1,286,161

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017	**31 December 2016**
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0–90 days	482,277	958,892
91–180 days	268,504	28,542
181–365 days	349,637	127,965
Over 1 year	231,450	170,762
	1,331,868	1,286,161

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. Bills receivables are due within six months from date of billing.

Included in trade and bills receivables was an amount of approximately HK$58,242,000 (31 December 2016: HK$59,243,000) which represents amounts due from related parties of the Group arising from EPC and consultancy operations.

14. PLEDGED BANK DEPOSITS

Pledged bank deposits amounting to RMB35,000,000 (approximately HK$40,343,000) (31 December 2016: HK$Nil) have been pledged to secure banking facilities.

The pledged bank deposits carry interest at a fixed rate 1.5% (31 December 2016: Nil) per annum and will be released upon settlement of relevant bank borrowings.

15. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
0–90 days	145,687	655,898
91–180 days	296,897	105,931
181-365 days	450,253	382,019
Over 1 year	234,844	173,195
	1,127,681	1,317,043

The trade payables are non-interest bearing and are normally settled on 30 days term.

16. OTHER PAYABLES AND ACCRUALS

Included in other payables of (i) RMB9,550,000 (approximately HK$10,612,000) (31 December 2016: RMB9,550,000 (approximately HK$10,612,000)) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company and (ii) RMB15,000,000 (approximately HK$17,290,000) (31 December 2016: RMB15,000,000 (approximately HK$16,699,000)) which represents an unsecured non-interest bearing loan from a fellow subsidiary of the Company.

17. BANK BORROWINGS

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Current		
Short-term bank loans, unsecured	250,000	–
Short-term bank loans, secured	437,339	267,687
Long-term bank loans, secured, current portion	25,266	12,520
	712,605	280,207
Non-current		
Long-term bank loans, secured	189,076	402,517
Total bank borrowings	901,681	682,724

(i) The bank loans are secured by corporate guarantee provided by subsidiaries and fellow subsidiaries of the Company (31 December 2016: ultimate holding company and fellow subsidiaries of the Company), the Group's bills receivables amounted to HK$34,580,000 (31 December 2016: HK$33,337,000) and finance lease receivables amounted to HK$112,237,000 (31 December 2016: HK$114,492,000).

(ii) All bank loans bear interest at floating rates, with effective interest rates ranging from 2.2% to 5.2% per annum (31 December 2016: 1.9% to 4.9% per annum). The carrying amounts of bank borrowings approximate their fair values.

The carrying amounts of bank borrowings at the report date are denominated in the followings currencies:

	30 June 2017 (Unaudited) *HK$'000*	**31 December 2016** (Audited) *HK$'000*
HK$	250,000	300,000
RMB	545,041	382,724
USD	106,640	–
	901,681	682,724

At 30 June 2017, the Group had undrawn bank loans facilities of RMB100,000,000 (approximately HK$115,265,000) (31 December 2016: RMB100,000,000 (approximately HK$111,130,000)).

At 30 June 2017 and 31 December 2016, total current and non-current bank loans were scheduled to repay as follows:

	30 June 2017 (Unaudited) *HK$'000*	**31 December 2016** (Audited) *HK$'000*
On demand or within one year	712,605	280,207
More than one year, but not exceeding two years	32,846	13,145
More than two years, but not exceeding five years	101,709	343,505
After five years	54,521	45,867
	901,681	682,724

18. SHARE CAPITAL

	Number of ordinary shares *'000*	**Amount** *HK$'000*
Issued and fully paid:		
As at 1 January 2016 and 31 December 2016 (Audited)	1,133,095	113,309
Placing of new shares *(Note i)*	180,000	18,000
As at 30 June 2017 (Unaudited)	1,313,095	131,309

Note:

(i) On 29 June 2017, the Company completed a placement of 180,000,000 ordinary shares under general mandate to certain independent third parties at an issue price of HK$1.01 each (the "**Placing**") and recognised an increase in share capital of HK$18,000,000 and share premium of HK$161,073,000 (after netting off HK$2,727,000 share issue expenses). The Company intends to use the net proceeds from the Placing as general working capital of the Company, repayment part of the bank borrowings and supplementing the registered capital of an indirect wholly owned subsidiary of the Company. These shares rank pari passu in all respects with the then existing shares.

19. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2017 (31 December 2016: HK$Nil).

20. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Transaction with a shareholder of the Company:		
Rental expenses paid *(note (i))*	–	60

	For the six months ended	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap *(note (ii))*		
– Construction contract revenue incurred	–	35,580
– Sales of goods	–	27,080
Transaction with a fellow subsidiary		
– Loan interest expense *(note (iii))*	–	953
Transaction with immediate holding company and the ultimate holding company's indirect joint venture		
– Loan interest income *(note (iv))*	2,595	326

Notes:

i. The Group paid rental expenses to a shareholder interested in approximately 3.94% of issued share capital of the Company as at 30 June 2017. The rentals were determined with reference to open market rentals.

ii. The Group generated revenue of RMBNil (approximately HK$Nil) (six months ended 30 June 2016: RMB49,341,000) (approximately HK$58,489,000) from 新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited). The revenue generated from sales of goods and construction contract.

The Group generated revenue of RMBNil (approximately HK$Nil) (six months ended 30 June 2016: RMB3,519,000 (approximately HK$4,171,000)) from Zhong He Qiqihar Solar Power Generation Company Limited. The revenue generated from sales of goods and construction contract.

iii. In 2015, the Group borrowed from 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Limited) ("**Zhong He New Energy**"), a fellow subsidiary of the Company with the sum of RMB50,000,000 which bearing interest rate of Renminbi fixed basic rate plus 10% per annum. The Company repaid RMB35,000,000 and re-negotiated the terms of the loan in 2016. The remaining loan balance of RMB15,000,000 is unsecured, non-interest bearing and repayable on demand.

iv. On 13 November 2015, the Group as lender entered into the Loan Agreement with China He Investment (Hong Kong) Company Limited ("**China He Investment**"), pursuant to which the Group agreed to grant the Facility in the principal amount of HK$15,600,000 for a term of six months which bearing interest rate of 3.3% per annum. As the term of the Facility expired on 17 May 2016, the Group and China He Investment entered into the Supplemental Agreement on 17 May 2016 to extend the term of the Facility for six months to 16 November 2016. The loan interest was charged at normal market interest rate with reference to the loan agreement. The loan was fully repaid on 15 November 2016.

On 20 October 2016, a loan agreement was entered into between 核建融資租賃（深圳）有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co., Ltd.) ("**CNECF**"), an indirect wholly-owned subsidiary of the Company and an indirect joint venture of the ultimate holding company of the Company (the "**Borrower**"). Pursuant to the loan agreement, CNECF agreed to grant the loan in the principal amount of RMB100,000,000 (approximately HK$115,265,000) to the Borrower for a term from the drawn date to 1 September 2017 at an interest rate of 5.44% per annum, being the prevailing benchmark lending interest rate to be promulgated by People's Bank of China ("**PBC**") multiplied by (1 + 25%) and shall be adjusted in the event that PBC adjusts the benchmark lending interest rate during the term of the loan agreement.

(b) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2017	**30 June 2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	972	4,382
Pension scheme contributions	21	68
Total compensation paid to key management personnel	993	4,450

21. CAPITAL COMMITMENT

The Group had capital commitment as follows:

	30 June 2017	**31 December 2016**
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of land and property, plant and equipment	8,069	7,778

22. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors of the Company on 18 August 2017.

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

(a) Borrowings

As at the close of business on 31 October 2017, the Group's borrowings as follows:

	HK$'000
Bank borrowings	808,953
Obligations under finance leases	120,226
Shareholder's loan from a non-controlling interest shareholder	10,612
Loan from fellow subsidiary	17,621
	957,412

(b) Capital commitment

The Group had capital commitment as follows:

	HK$'000
Contracted but not provided for:	
– Acquisition of land and property, plant and equipment	8,069

Disclaimer

Save as aforesaid or as otherwise disclosed herein, as at the close of business on 31 October 2017, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for at least twelve months from the date of this circular.

6. MATERIAL CHANGE

The Directors confirm that save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) the Company published a positive profit alert announcement on 31 July 2017 and an interim report on 31 August 2017 ("**2017 Interim Report**") in respect of the unaudited consolidated financial performance of the Group for the six months ended 30 June 2017 whereby it disclosed, among other things, that the Group recorded decline in revenue but increase in profit when compared with the same period of last year. The decline in revenue was mainly attributable to (a) fewer reserved projects brought forward from previous years; (b) fewer new projects were secured as the PRC government just released the targeted installing photovoltaic capacity in July 2017; and (c) slowdown of engineering, procurement and construction work progress due to regulators' policies, site conditions and late deliveries from suppliers. Despite these, through the restructuring of indebtedness of the Group which involved repayment of convertible bonds and the disposal of loss-making subsidiaries in 2016, the Group recorded a profit approximately of HK$26,824,000 (six months ended 30 June 2016: loss of approximately HK$1,141,000) for the period;

(ii) as the Group restructured its indebtedness in 2016 with full repayment of convertible bonds, the Group no longer records any imputed interest expenses on convertible bonds;

(iii) further to completion of the Group's disposal of certain interests in subsidiaries, which were loss-making and engaging in restaurant, hotel and property business segments, on 28 December 2016, the Group is no longer required to consolidate the results and assets and liabilities of these companies with of the Group;

(iv) as disclosed in the 2017 Interim Report, the Group has material increase in its bank borrowings;

(v) for the purpose of furtherance of the finance lease business segment of the Group, the Group records material increases in finance lease receivables and obligations under finance leases. Details of those finance lease agreements constituting notifiable transactions of the Company were disclosed in the Company's announcements dated 1 June 2017, 9 June 2017, 30 June 2017 and 18 August 2017, respectively;

(vi) as disclosed in the Company's announcements dated 9 June 2017, 12 June 2017 and 29 June 2017, respectively, the Company completed placing of 180,000,000 new shares under general mandate and raised net proceeds of approximately HK$179.1 million.

7. FINANCIAL AND TRADING PROSPECT

PRC is one of the top four markets in global solar demand. The 13th five-year (2016-2020) plan outlined that the country planned to aggressively grow the photovoltaic power generation sector. The implement of the macro policy is believed to boost the domestic economic development of photovoltaic and clean energy industries. Furthermore, the national development strategy of Belt and Road Initiative creates synergy and platform for partner countries to achieve new energy advancement and cooperation. In view of the substantial growth potential, the Group endeavours to leverage our resources to capture these opportunities and to expand our green energy businesses in PRC and the overseas. The Group will further optimise and integrate the Group's resources and continuously improve the governance and risk control level of the Company. In addition, the Group will continue to expand and strengthen the solar energy generation and financial services business while actively seeking the investment opportunities in the nuclear field, so as to reward the public investors of the Group with better development achievements.

For illustrative purpose only, set out below is the unaudited pro forma adjusted consolidated net tangible assets of the Group (the ''**Unaudited Pro Forma Financial Information**'') as if the Open Offer had been completed on 30 June 2017. Although reasonable care has been exercised in preparing the Unaudited Pro Forma Financial Information, Shareholders who read the information below should bear in mind that these figures are inherently subject to adjustments and, because of its hypothetical nature, may not give a true picture of the Group's financial position had the Open Offer been completed as at 30 June 2017 or any future dates.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Open Offer had taken place on 30 June 2017.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017, as extracted from the published interim report of the Company for the six months ended 30 June 2017, and is adjusted for the effect of the Open Offer.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Open Offer.

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017	Adjustment for intangible assets of the Group as at 30 June 2017	Adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017	Estimated net proceeds from the Open Offer	Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the Open Offer
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
	Note 1	*Note 2*		*Note 3*		*Note 4*
			(A)	(B)	(A)+(B)	
Based on the Subscription Price of HK$1.36 per Offer Share	732,288	12,642	719,646	219,600	939,246	0.64

Notes:

(1) The consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 is extracted from the interim report of the Group for the six months ended 30 June 2017.

(2) The intangible assets represent the goodwill arising from the acquisition of 中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.), an associate of the Company, of approximately HK$12,642,000 which is extracted from the annual report of the Group for the year ended 31 December 2016 and it has no movement up to 30 June 2017.

(3) The estimated net proceeds from the Open Offer is based on 164,136,774 Offer Shares (assuming no Shares to be issued or repurchased by the Company from the date of this circular up to the Record Date) and the Subscription Price of HK$1.36 per Offer Share, after deduction of related expenses payable by the Company which have not been reflected in the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 1,477,230,966 Shares in issue immediately following the completion of the Open Offer.

(5) Except for the Open Offer, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2017.

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(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of China Nuclear Energy Technology Corporation Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Nuclear Energy Technology Corporation Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company's circular dated 29 December 2017 (the "**Circular**") in connection with the Open Offer (as defined in the Circular). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Open Offer on the Group's consolidated financial position as at 30 June 2017 as if the Open Offer had taken place at 30 June 2017. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Group's financial information for the six months ended 30 June 2017, as set out in the Group's interim report published on 18 August 2017, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Open Offer would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong, 29 December 2017

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

Mr. Liu Genyu

Mr. Liu Genyu, aged 54, graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). Mr. Liu is a senior engineer. Mr. Liu has been appointed as the chief executive officer and executive director of Huazhong In-Vehicle Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6830) since 4 January 2016. He was an executive director, the chief executive officer and a member of the executive committee of China Power New Energy Development Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 735) from 2007 to 2012. Mr. Liu had also served in positions including the managing vice president and a vice chairman of the board of directors of 重慶九龍電力股份有限公司 (transliterated as Chongqing Jiulong Electric Power Co., Ltd.) (currently known as 國家電投集團遠達環保股份有限公司 (transliterated as State Power Investment Corporation Yuanda Environmental Protection Co., Ltd)) (a company listed on the Shanghai Stock Exchange with stock code: 600292)) from 2002 to 2006 and prior to that, a lecturer in 哈爾濱電力技術學院 (transliterated as Harbin Power Vocational Technology College).

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

Save as disclosed above, Mr. Liu does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor does he have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Liu has entered into a service agreement with the Company for a term of three years commencing on 30 June 2017, unless terminated by the parties pursuant to the letter of appointment and subject to the Bye-laws in relation to retirement by rotation and re-election and the Listing Rules. Mr. Liu, as an executive Director, is entitled to receive a monthly director's remuneration of HK$150,000 plus housing allowance of HK$60,000 per month which was determined by the Board with reference to his experience, duties, responsibilities and the prevailing market rate.

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

Mr. Tang Jianhua

Mr. Tang Jianhua, aged 46, graduated from 南京理工大學 (transliterated as Nanjing University of Science and Technology) with a bachelor degree in Industrial Automation Instrumentation (工業自動化儀表) in 1995. He is also qualified as Class One Registered Architects conferred by State Construction Administrative Department and a Project Management Professional conferred by Project Management Institute. He is currently the general manager of 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited) and president of 中核（南京）能源發展有限公司 (transliterated as CNI (Nanjing) Energy Development Company Limited). Mr. Tang joined 中核華譽工程有限責任公司 (transliterated as China Nuclear Huayu Project Co., Ltd) in 2004 and served as its party secretary from March 2014 to October 2014 and its executive vice general manager from February 2012 to October 2014. From August 1995 to January 2004, Mr. Tang worked in 儀化安檢公司 (transliterated as Yihua Security Inspection Co., Ltd) and the last position held was Manager.

Mr. Tang served as an executive Director from 14 July 2015 to 8 April 2016.

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

Save as disclosed above, Mr. Tang does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor does he have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tang has entered into a letter of appointment with the Company for a term of three years commencing on 30 June 2017, unless terminated by the parties pursuant to the letter of appointment and subject to the Bye-laws in relation to retirement by rotation and re-election and the Listing Rules. Mr. Tang is not entitled to receive any remuneration from the Company in respect of his appointment as an executive Director.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

2. SHARE CAPITAL

Authorised and issued capital

The issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Open Offer assuming that no further Shares will be issued or bought back by the Company prior to the close of the Open Offer is illustrated below:

(a) As at the Latest Practicable Date

Authorised		*HK$*
5,000,000,000 Shares	HK$0.1 each	500,000,000.00
Issued and fully paid		
1,313,094,192 Shares	HK$0.1 each	131,309,419.20

(b) *Immediately after completion of the Open Offer assuming that no further Shares will be issued or repurchased by the Company prior to the close of the Open Offer*

Authorised		*HK$*
5,000,000,000 Shares		500,000,000.00

Issued and fully paid		*HK$*
1,313,094,192 Shares		131,309,419.20
164,136,774 Shares	to be issued pursuant to the Open Offer	223,226,012.64
1,477,230,966 Shares	in issue immediately upon completion of the Open Offer	236,365,954.56

All of the Offer Shares to be issued will rank pari passu in all respects with all the Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding options, convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

Save for 180,000,000 Shares at a placing price of HK$1.01 each were issued and allotted on 29 June 2017 pursuant to a placing agreement dated 9 June 2017, no Shares had been issued by the Company since 31 December 2016, being the date on which the latest audited financial statements of the Group were made up, up to the Latest Practicable Date.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or were 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 any members of the Company and were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares and underlying shares

Name	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
中國核工業建設集團公司 (transliterated as China Nuclear Engineering & Construction Corporation) ("**CNEC**") *(Note 1)*	Interest of controlled corporations	564,136,774	42.96%
中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.) ("**China Nuclear Investment**") *(Note 1)*	Interest of controlled corporations	564,136,774	42.96%

Name	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
China He Investment (Hong Kong) Company Limited ("**China He (HK)**") *(Note 1)*	Beneficial owner and underwriter	564,136,774	42.96%
Zhao Xu Guang *(Note 2)*	Interest of controlled corporations	84,676,000	7.47%

Notes:

1. China He (HK) is a wholly-owned subsidiary of China Nuclear Investment, which in turn is wholly-owned by CNEC. As at the Latest Practicable Date, China He (HK) is interested in 564,136,774 shares of the Company and accordingly, both China Nuclear Investment and CNEC were deemed to be interested in the same block of shares of the Company which was registered under China He (HK) by virtue of the SFO.

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

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

4. DIRECTORS ' SERVICE CONTRACTS

Mr. Liu Genyu, the vice chairman of the Board and an executive Director, has entered into a service agreement with the Company for a term of three years with effect from 30 June 2017 and shall be terminated by serving not less than three months' prior written notice to either party on the other. Pursuant to the service agreement, Mr. Liu shall be entitled to a salary of HK$150,000 and a housing allowance of HK$60,000 per calendar month.

Mr. Tang Jianhua, an executive Director, has entered into a letter of appointment with the Company for a term of three years with effect from 30 June 2017 and shall be terminated by serving not less than 90 days' prior written notice to either party on the other. Pursuant to the letter of appointment, Mr. Tang shall not be entitled to receive any remuneration.

Both Mr. Liu and Mr. Tang are subject to the provisions of retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors had service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) had been entered into or amended within 6 months prior to 23 November 2017 (being the date of the Announcement); (ii) which were continuous contracts with a notice period of 12 months or more; (iii) which were fixed term contacts with more than 12 months to run irrespective of the notice period; or (iv) which were not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 December 2016, acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, three of the Directors are also a director of the Underwriter or its parent company, namely:

(a) Mr. Ai Yilun is a director of China Nuclear Investment;

(b) Mr. Bai Xuefei is a director of the Underwriter; and

(c) Mr. Li Feng is a director of the Underwriter,

and hence are interested in the Underwriting Agreement.

Saved as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; or had a material personal interest in any material contract entered into by the Underwriter.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7. LITIGATION

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

8. EXPERTS AND CONSENTS

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

Name	Qualifications
BDO Limited	Certified Public Accountants
Proton Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of BDO Limited and Proton Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

The letter from the Independent Financial Adviser and the letter and/or report from BDO Limited are given as of the date of this circular for incorporation in this circular.

As at the Latest Practicable Date, each of BDO Limited and Proton Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and did not have any direct or indirect interests in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

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

(a) The supplemental agreement dated 17 May 2016 entered into between CNE Holdings Company Limited (中國核能控股有限公司) ("**CNE Holdings**") (a direct wholly-owned subsidiary of the Company) (as borrower) and China He (HK) (a substantial shareholder of the Company) (as lender) in relation to the extension of the term of a facility in the principal amount of HK$15.6 million for six months to 16 November 2016.

(b) The finance lease agreement dated 27 July 2016 entered into between 核建融資租賃(深圳)有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co., Ltd.) ("**CNEC (Shenzhen)**") (an indirect wholly-owned subsidiary of the

Company) (as lessor) and 阜陽衡銘太陽能電力有限公司 (transliterated as Fuyang Hengming Solar Power Co., Ltd) ("**Fuyang Hengming**") (a third party independent of the Company and was not a connected person of the Company) (as lessee), whereby CNEC (Shenzhen) agreed to purchase from 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited) ("**Nanjing CNI Energy**") (an indirect non-wholly owned subsidiary of the Company) the equipment and assets (the "**Fuyang Leased Assets I**") to be used by Fuyang Hengming for the construction and operation of the 20MW solar power plant project owned by Fuyang Hengming located in Fuyang City, Anhui Province, the PRC and lease the Fuyang Leased Assets I to Fuyang Hengming (the "**Fuyang Project**") for a term of eight years at an aggregate lease consideration of approximately RMB86,964,129.92 (equivalent to approximately HK$97,724,583.85).

(c) The finance lease agreement dated 27 July 2016 entered into between CNEC (Shenzhen) and Fuyang Hengming, whereby CNEC (Shenzhen) agreed to purchase from Fuyang Hengming the equipment and assets (the "**Fuyang Leased Assets II**") to be used by Fuyang Hengming for the Fuyang Project for a term of eight years at an aggregate lease consideration of approximately RMB47,369,056.64 (equivalent to approximately HK$55,111,058.08).

(d) The loan agreement dated 20 October 2016 entered into between CNEC (Shenzhen) (as lender) and 安建商業保理有限公司 (transliterated as Anjian Commercial Factoring Co., Ltd.) ("**Anjian Commercial**") (a joint-venture company established by 安徽建工集團有限公司 (transliterated as Anhui Construction Engineering Group Ltd.), 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Ltd.) (a company owned as to 50% by 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.), a holding company of the controller Shareholder, and as to 50% by 中國核工業華興建設有限公司 (transliterated as China Nuclear Industry Huaxing Construction Co., Ltd.)) and an independent third party in the PRC) (as borrower) in relation to a loan in the principal amount of RMB100,000,000 (equivalent to HK$115,256,503) for a term from the drawdown date to 1 September 2017 at an interest rate calculated as at 5.44% per annum, being the prevailing benchmark lending interest rate to be promulgated by People's Bank of China ("PBC") multiplied by (1+25%) and shall be adjusted in the event that PBC adjusts the benchmark lending interest rate during the term of the loan agreement.

(e) The sale and purchase agreement dated 1 November 2016 entered into between the Company (as vendor) and Mr. Chan Shu Kit (a former substantial Shareholder and a former executive Director) (as purchaser) for the sale and purchase of the entire issued share capital of each of Hurray Enterprises Limited, Tack Hsin (BVI) Holdings Limited and Tack Hsin International Limited (collectively the "**Target Group**") and the shareholder's loan owed by the Target Group to the Company at a consideration of HK$110,000,000.

(f) The finance lease agreement (the "**Taizhou Finance Lease Agreement**") dated 14 December 2016 entered into between CNEC (Shenzhen) (as lessor) and 泰州核潤新能源有限公司 (transliteration as Taizhou Herun New Energy Ltd.) ("**Taizhou Herun**") (an indirect wholly-owned subsidiary of the Company) (as lessee), whereby CNEC (Shenzhen) agreed to purchase from Nanjing CNI Energy the equipment and assets for the solar power station in Taizhou City Jiangsu Province of the PRC with an aggregate solar power electricity generation capacity of approximate 20MW (the "**20MW Agricultural Photovoltaic Power Station II**") for a term of eight years at an aggregate lease consideration of approximately RMB133,711,719 (equivalent to approximately HK$150,256,457.54).

(g) The termination agreement dated 1 June 2017 entered into between CNEC (Shenzhen) and Taizhou Herun for the termination of the Taizhou Finance Lease Agreement.

(h) The finance lease agreement dated 1 June 2017 entered into between 招銀金融租賃有限公司 (transliterated as CMB Financial Leasing Co., Ltd.) ("**CMB Financial**") (as lessor) and Taizhou Herun (as lessee), whereby CMB Financial agreed to purchase the equipment and assets for the 20MW Agricultural Photovoltaic Power Station II and lease the same back to Taizhou Herun for a term of eight years at an aggregate lease consideration of approximately RMB131,341,000 (equivalent to approximately HK$150,291,000).

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

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

PRC; and (iii) the construction and operation of the 12MW photovoltaic power plant in Xinxiang City (新鄉市), Henan Province, the PRC, and lease respective equipment and assets to Baofeng Beikong, Wuhu Beikong and Xinxiang Beikong for a term of eight years at an aggregate lease consideration of approximately RMB97,962,375 (equivalent to approximately HK$112,378,258), RMB72,866,528 (equivalent to approximately HK$83,589,373) and RMB84,759,605 (equivalent to approximately HK$97,232,603) respectively.

(k) The finance lease agreement dated 30 June 2017 entered into between CNEC (Shenzhen) (as lessor) and 漣水鑫源光伏電力有限公司 (transliterated as Lianshui Xinyuan Photovoltaic Electricity Ltd.) ("**Lianshui Xinyuan**") (a third party independent of the Company and was not a connected person of the Company) (as lessee) whereby CNEC (Shenzhen) agreed to purchase from 西安大唐電力設計研究院有限公司 (transliterated as Xian Datang Electricity Design Research Limited) the equipment and assets to be used by Lianshui Xinyuan (the "**Lianshui Leased Assets**") for the construction and operation of the 15MW solar power plant project owned by Lianshui Xinyuan located in Tangji Town, Lianshui County, Huaian City, Jiangsu Province, the PRC, and lease the Lianshui Leased Assets to Lianshui Xinyuan for a term of eight years at an aggregate lease consideration of approximately RMB106,161,198 (equivalent to approximately HK$122,316,802).

(l) The finance lease agreement dated 18 August 2017 entered into between CNEC (Shenzhen) (as lessor), 北控清潔能源電力有限公司 (transliterated as Beikong Clean Energy Electricity Co., Ltd.) and 濰坊明峰新能源科技有限公司 (transliterated as Weifang Mingfeng New Energy Technology Company Limited) (collectively the "**Joint Lessees**") (third parties independent of the Company and were not connected persons of the Company), whereby CNEC (Shenzhen) agreed to purchase from STEE the equipment and assets (the "**Weifang Leased Assets**") for the construction and operation of a 6MW photovoltaic power plant in Pingdu City (平度市), Shandong Province, the PRC at a total consideration of RMB36,000,000 (equivalent to approximately HK$42,196,566) and lease the Weifang Leased Assets to the Joint Lessees, for a term of eight years at the estimated aggregate lease consideration of RMB46,855,800 (equivalent to approximately HK$54,920,940).

(m) The cooperation agreement dated 26 October 2017 entered into between Nanjing CNI Energy with the Agricultural Bank of China, Jiangsu Branch (the "**Bank**") (a third party independent of the Company and was not a connected person of the Company), whereby the Bank agreed to provide a revolving loan facility in the amount up to RMB200,000,000 (equivalent to approximately HK$235,429,836) to the qualified natural person(s) in the designated rural areas as agreed by the parties (the "**Borrowers**") and Nanjing CNI Energy and 中核(南京)能源發展有限公司(transliterated as CNI (Nanjing) Energy Development Company Limited) (an indirect non-wholly owned subsidiary of the Company) agreed to provide a joint guarantee for the due performance of the repayment obligations of the Borrowers to the Bank in respect of the entire amount of indebtedness payable and payments owed by the Borrowers to the Bank under the revolving loan facility from time to time, including the accrued interest.

10. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, printing, registration, translation, legal and accountancy charges payable by the Company are estimated to be approximately HK$3.2 million.

11. CORPORATE INFORMATION OF THE COMPANY

Board of Directors	*Executive Directors* Mr. Ai Yilun *(Chairman)* Mr. Liu Genyu *(Vice Chairman)* Mr. Bai Xuefei *(Co-chief Executive Officer)* Ms. Jian Qing Mr. Chung Chi Shing Mr. Li Jinying Mr. Li Feng Mr. Tang Jianhua *Independent non-executive Directors* Mr. Chan Ka Ling Edmond Mr. Wang Jimin Mr. Tian Aiping Mr. Li Dakuan The business address of all Directors is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Room 2801, 28th Floor China Resources Building 26 Harbour Road Wanchai Hong Kong

Authorised representatives	Mr. Bai Xuefei Mr. Ng Siu Cheung The business address of all authorised representatives is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Share registrar and transfer office	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Mr. Ng Siu Cheung a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants
Auditors and Reporting accountants	BDO Limited *Certified public accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Principal Bankers	China Everbright Bank Hong Kong Branch Bank of China (Hong Kong) Limited Industrial and Commercial Bank of China (Asia) Limited The Hongkong and Shanghai Banking Corporation Limited China Construction Bank (Hong Kong) Branch
Stock code	611
Website	http://www.cnetcl.com

PARTIES INVOLVED IN THE OPEN OFFER

Underwriter	China He Investment (Hong Kong) Company Limited 中核投資(香港)有限公司 Room 501, 5/F Wayson Commercial Building 28 Connaught Road West Sheung Wan Hong Kong 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.) 中國北京市 西城區 阜城門外大街8號 國潤大廈16層 (transliterated as Level 16, Guorun Mansion 8 Fuchengmen Outer Street Side Road Xicheng District, Beijing PRC) 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited), its ultimate and beneficial controlling owner is State-owned Assets Supervision and Administration Commission of the State Council, the PRC 中國北京市 西城區 車公莊大街12號 (transliterated as 12 Chegongzhuang Street Xicheng District, Beijing PRC)
Financial adviser to the Company	Octal Capital Limited 801-805, 8th Floor, Nan Fung Tower 88 Connaught Road Central Hong Kong
Legal advisers to the Company as to Hong Kong laws	Troutman Sanders 34th Floor, Two Exchange Square 8 Connaught Place, Central Hong Kong
Independent Financial Adviser	Proton Capital Limited Unit 1001, 10th Floor Chuang's Tower 30-32 Connaught Road Central Hong Kong
Auditors and Reporting accountants	BDO Limited *Certified public accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong

12. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) the last trading day of each of the six calendar months immediately preceding the date of the Announcement, being 23 November 2017, and thereafter, of each calendar month before the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 May 2017	1.18
30 June 2017	1.61
31 July 2017	1.47
31 August 2017	1.37
29 September 2017	1.61
31 October 2017	1.43
23 November 2017 (the Last Trading Day)	1.32
30 November 2017	1.37
27 December 2017 (the Latest Practicable Date)	1.32

The lowest and highest closing prices per Share recorded on the Stock Exchange for the period commencing on 23 May 2017 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$1.15 on 23 May 2017 and 24 May 2017 and HK$1.78 on 16 June 2017 and 21 June 2017 respectively.

13. PARTICULAR OF THE DIRECTORS

Executive Directors

Mr. Ai Yilun ("**Mr. Ai**"), aged 48, is the Chairman of the Board, an executive Director, the chairman of the nomination committee of the Company ("**Nomination Committee**") and a member of the remuneration committee of the Company ("**Remuneration Committee**"). Mr. Ai joined the Company on 27 December 2013. He obtained a doctorate degree in World Economics from Jilin University in the PRC. He is currently the general manager of China Nuclear Investment, a controlling shareholder of the Company. Mr. Ai had previously held different positions including the chairman and general manager of 北京中經科環質量認證有限公司 (transliterated as Beijing Zhongjing Kehuan Quality Certification Co., Ltd.), the secretary of the board of directors of 北京中核投資有限公司 (transliterated as Beijing Zhong He Investment Co., Ltd.), the vice general manager of China Nuclear Investment and the general manager of 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Co., Ltd.).

Mr. Liu Genyu ("**Mr. Liu**"), aged 54, is the Vice Chairman of the Board, an executive Director and a member of the Remuneration Committee. Mr. Liu graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). Mr. Liu is a senior engineer. Mr. Liu has been served as the chief executive officer and executive director of Huazhong In-Vehicle Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6830) since 4 January 2016. He was an executive director, a chief executive officer and a member of the executive committee of China Power New Energy Development Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 735) from 2007 to 2012. Mr. Liu had also served in positions including the managing vice president and a vice chairman of the board of directors of Chongqing Jiulong Electric Power Co., Ltd. (currently known as 國家電投集團遠達環保股份有限公司 (transliterated as State Power Investment Corporation Yuanda Environmental Protection Co., Ltd.) (a company listed on the Shanghai Stock Exchange, stock code: 600292)) from 2002 to 2006 and prior to that, a lecturer in 哈爾濱電力技術學院 (transliterated as Harbin Power Vocational Technology College).

Mr. Bai Xuefei ("**Mr. Bai**"), aged 40, is an executive Director and the Co-Chief Executive Officer of the Company. Mr. Bai joined the company on 13 September 2016. He graduated from China Agricultural University (中國農業大學), majoring in Accounting and received a bachelor's degree in Economics in 1999. Mr. Bai obtained a master's degree in Laws from Heilongjiang University (黑龍江大學) in 2003. Mr. Bai has been the deputy general manager of China Nuclear Investment since July 2016. Prior to that, during the period from May 2013 to July 2016, he served as the head of the board office of 中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering Corporation Ltd) ("**CNECL**"), the A shares of which are listed on Shanghai Stock Exchange. From November 2004 to May 2013, Mr. Bai was the head of the investor relations division of China Shenhua Energy Company Limited, the shares of which are listed on Shanghai Stock Exchange and Hong Kong Stock Exchange. From June 2003 to November 2004, Mr. Bai served as an officer of the policies and regulations research division of 神華集團有限責任公司 (transliterated as Shenhua Group Company Limited).

Ms. Jian Qing ("**Ms. Jian**"), aged 46, is an executive Director and a member of the Nomination Committee. Ms. Jian joined the Company on 19 October 2009 and has been involved in the identifying suitable investments opportunities for the Company through her business network. Ms. Jian graduated from Jilin University in the PRC with a bachelor's degree in Economics. She also holds a master's degree in Business Administration from the Lawrence Technology University in the United States. She has more than 20 years of experience in different areas of securities and financial management, which was gained from working at a number of securities companies in the PRC.

Mr. Chung Chi Shing ("**Mr. Chung**"), aged 52, is an executive Director. Mr. Chung joined the Company on 1 December 2010. He has more than 24 years of working experience and is currently an executive director of Value Convergence Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 821). He was also an executive director and chief executive officer of Central China Enterprises Limited (stock code: 351) from 2000 to 2004, a director of a trading company of chemical products from 2005 to 2006, a director of Vega Science & Technology (HK) Co., Limited (printed circuit board drilling machine manufacturer) from 2007 to 2012, and an executive director of GCL New Energy Holdings Limited from 2011 to 2014.

Mr. Li Jinying ("**Mr. Li JY**"), aged 60, is an executive Director. Mr. Li JY joined the company on 8 April 2016. He graduated from Tsinghua University with a bachelor's degree in Applied Chemistry in 1982 and subsequently acquired a master's degree in Science at 中國原子能科學研究院 (transliterated as China Institute of Atomic Energy) ("**CIAE**") in 1991. He has been engaged in nuclear scientific research and management for more than 30 years. Mr. Li JY is currently the deputy chief engineer of 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited) ("**CNEC**"). He was previously the deputy general manager of 華潤新能源有限公司 (transliterated as China Resources New Energy Co., Ltd.) from 2011 to 2015 and the chairman of each of 湖南桃花江核電有限公司 (transliterated as Hunan Taohuajiang Nuclear Power Co., Ltd.) and 河南南陽核電有限公司 (transliterated as Henan Nanyang Nuclear Power Co., Ltd.) in 2010. He served as the director of the Planning Department in 中國核工業集團公司 (transliterated as China National Nuclear Corporation) from 2005 to 2009 and was appointed as the vice president of CIAE from 2000 to 2004.

Mr. Li Feng, aged 42, is an executive Director. Mr. Li Feng joined the company on 19 August 2016. He graduated from 湖北財經高等專科學校 (transliterated as Hubei College of Finance and Economics) with a diploma in audit studies in 1996. Mr. Li Feng obtained a master's degree in Accounting from 武漢大學 (transliterated as Wuhan University) in 2007. Mr. Li Feng is a senior accountant, a certified public accountant and a certified public valuer in the PRC. Mr. Li Feng has been the director and the chief accountant of China Nuclear Investment, a controlling shareholder of the Company, since April 2014 and May 2016 respectively. He served successively as the division head, deputy head of the finance department and deputy head of the finance and assets management of CNEC from January 2011 to May 2016. Prior to joining CNEC, Mr. Li Feng served successively as auditor, project manager, deputy department manager and department manager of 大信會計師事務所 (transliterated as WUYIGE Certified Public Accountants LLP) from December 2003 to January 2011. From December 1996 to December 2003, Mr. Li Feng was an officer of 湖北省襄樊汽車產業經濟技術開發總公司 (transliterated as Hubei Xiangfan Automotive Industry Technology Development Company Limited).

Mr. Tang Jianhua ("**Mr. Tang**"), aged 46, is an executive Director. Mr. Tang graduated from Nanjing University of Science and Technology (南京理工大學) with a bachelor's degree in Industrial Automation Instrumentation (工業自動化儀表) in 1995. He is also qualified as Class One Registered Architects conferred by State Construction Administrative Department and a Project Management Professional conferred by Project Management Institute. He is currently the general manager of 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited) and president of CNI (Nanjing) Energy Development Company Limited. Mr. Tang joined 中核華譽工程有限責任公司 (transliterated as China Nuclear Huayu Project Co., Ltd) ("**China Nuclear Huayu**") in 2004 and served as party secretary of China Nuclear Huayu from March 2014 to October 2014 and executive vice general manager of China Nuclear Huayu from February 2012 to October 2014. From August 1995 to January 2004, Mr. Tang worked in 儀化安檢公司 (transliterated as Yihua Security Inspection Co., Ltd) and the last position held was Manager. Mr. Tang served as an executive Director from 14 July 2015 to 8 April 2016.

Independent non-executive Directors

Mr. Chan Ka Ling Edmond ("**Mr. Chan**"), aged 58, is an independent non-executive Director, the Chairman of each of the audit committee of the Company ("**Audit Committee**") and Remuneration Committee, and a member of the Nomination Committee. Mr. Chan is a partner of Chan and Chan, Certified Public Accountants. He is a Certified Public Accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also a director of Kreston CAC CPA Limited. Mr. Chan was an independent non-executive director of Loco Hong Kong Holdings Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8162) from July 2014 to April 2017.

Mr. Wang Jimin ("**Mr. Wang**"), aged 53, is an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wang joined the Company on 28 February 2014. He obtained a master's degree in Economics from Central University of Finance and Economics in the PRC. He has been a partner of an accountant firm, Asia Pacific (Group) CPAs, in Shenzhen, the PRC, specializing in corporate listings, capital operation and mergers and acquisitions, since 2002. Prior to this, Mr. Wang was a manager of Finance and Accounting Division of Guangdong International Trust and Investment Corporation, Shenzhen Branch from May 1996 to October 2002. He was also a project manager and assistant manager in 深圳蛇口信德會計師事務所 (transliterated as Shenzhen Shekou Xinde Certified Public Accountants) from October 1993 to May 1996 and worked with 吉林省信託投資公司 (transliterated as Jilin Province Trust and Investment Company) from December 1991 to October 1993.

Mr. Tian Aiping ("**Mr. Tian**"), aged 66, is an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tian joined the Company on 14 July 2015. He completed 第一期稽查特派員專業(會計與財務管理)人選培訓班 (transliterated as Inspector Training Programme in Accounting and Financial Management) in Tsinghua University's School of Economics and Management in 1998 and graduated from 包頭鋼鐵學院 (transliterated as Baotou School of Steel and Iron) (now known as Inner Mongolia University of Science & Technology) in the PRC in 1986. He is also qualified as a senior economist conferred by the Ministry of Metallurgical Industry of the PRC in 1996 and the supervisor of the key State-owned Large Enterprises conferred by the State-owned Assets Supervision and Administration Commission ("**SASAC**") in 2005. He is currently the general secretary of the Stainless Steel Council of China Special Steel Enterprises Association. Mr. Tian was previously the vice supervisor and the secretary of Party Branch of the SASAC of the State Council Office No.47. Prior to that, Mr. Tian held different positions including vice supervisor of 國務院稽查特派員總署第6辦事處 (transliterated as State Council Compliance Inspectors' General Office No. 6), vice commissioner and was later promoted to commissioner of the Metallurgical Industry Department of Taiyuan Iron & Steel (Group) Co., Ltd. Mr. Tian completed his retirement procedure with SASAC in 2011.

Mr. Li Dakuan ("**Mr. Li DK**"), aged 62, is an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Li DK joined the Company on 8 April 2016. He graduated from the 中共中央黨校函授學院 (transliterated as Correspondence College at the Party School of the Central Committee of Communist Party of China) in 1997. He is qualified as a senior economist in the PRC. Mr. Li DK is currently the general manager of 秦山核電有限公司 (transliterated as Qinshan Nuclear Power Co., Ltd.), 核電秦山聯營有限公司 (transliterated as Nuclear Power Qinshan Joint Venture Co., Ltd.) and 秦山第三核電有限公司 (transliterated as Third Qinshan Nuclear Power Co., Ltd.) as well as the 秦山核電基地 (transliterated as Nuclear Power Base). He previously worked for Third Qinshan Nuclear Power Co., Ltd. for more than 12 years starting from November 1998, during which he had held the positions of general manager, party secretary, discipline secretary and labour personnel director. Prior to that, he had served as the deputy director of the Labour Personnel Department of Qinshan Nuclear Power Co., Ltd. from June 1997 to November 1998.

14. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

(a) save for the 400,000,000 Shares beneficially owned by the Underwriter, none of the Underwriter and parties acting in concert with it owned, controlled or had direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company as at the Latest Practicable Date;

(b) the Company did not have any interests in any securities, shares, options, warrants, derivatives or convertible securities of the Underwriter and the Company has not dealt for value in any securities of the Underwriter during the period commencing six months prior to 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(c) none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company or of the Underwriter and none of them has dealt for value in any such securities of the Underwriter or the Company during the period commencing six months prior to 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(d) none of the Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company or the Underwriter;

(e) save for entering into the Underwriting Agreement, none of the Underwriter and parties acting in concert with it had acquired or disposed of any voting rights in the Company or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(f) save for the Underwriting Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriter or any of the parties acting in concert with it and other persons in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to the Underwriter or parties acting in concert with it under the Open Offer or as a result of the obligation under the Underwriting;

(g) no person with whom the Underwriter or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(h) no person with whom the Underwriter or parties acting in concert with it had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(i) save for the Underwriter under the Underwriting Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the

Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code and none of them had dealt for value in any securities of the Company for the period commencing six months prior to 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(j) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; and (iii) the advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company for the period commencing six months prior to 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(k) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;

(l) no fund managers connected with the Company had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company from 23 November 2017 (being the date of the Announcement) and ending on the Latest Practicable Date;

(m) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;

(n) no benefit will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Open Offer and/or the Underwriting Agreement and/or the Whitewash Waiver;

(o) save for the Underwriting Agreement, there was no agreement or arrangement between the Directors and any other person which is conditional on or dependent upon the outcome of the Open Offer and/or the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected with the Open Offer and/or the Underwriting Agreement and/or the Whitewash Waiver;

(p) save for the Underwriter, no person had irrevocably committed themselves to accept or reject their entitlements under the Open Offer;

(q) one of the Directors beneficially owns any Share, and hence is entitled to vote in relation to the resolution(s) to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM; and

(r) there was no agreement, arrangement or understanding (including any compensation arrangement) exists between the Underwriter or any of the parties acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Open Offer and/or the Underwriting Agreement and/or the Whitewash Waiver.

15. MISCELLANEOUS

In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

16. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the Bye-laws of the Company;

(b) the articles of association of the Underwriter;

(c) the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016;

(d) the interim report of the Company for the six months ended 30 June 2017;

(e) the material contracts (including the Underwriting Agreement) as referred to in the section headed "Material Contracts" in this appendix;

(f) the service agreements referred to in the section healed "Directors' Service Contracts" in this appendix;

(g) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(h) the reporting accountant's assurance report on the unaudited pro forma financial information of the Group issued by BDO Limited, the text of which is set out in Appendix II to this circular;

(i) the letter from the Board to the Shareholders, the text of which is set out from pages 10 to 33 of this circular;

(j) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 34 to 35 of this circular;

(k) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 36 to 63 of this circular; and

(l) this circular.

* *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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of China Nuclear Energy Technology Corporation Limited (the "**Company**") will be held at 11:00 a.m. on Tuesday, 16 January 2018 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular (the "**Circular**") of the Company dated 29 December 2017):

ORDINARY RESOLUTIONS

1. "**THAT** subject to the satisfaction of the conditions of the Open Offer (as defined below) as set out on pages 19 to 21 of the Circular:

   (a) the Open Offer on the basis of one (1) Offer Share for every eight (8) existing Shares held on the Record Date (the "**Open Offer**") to the Qualifying Shareholders whose names appear on the date by reference to which entitlements under the Open Offer will be determined (other than those shareholders (the "**Excluded Shareholders**") with registered addresses outside Hong Kong whom the Directors, after making relevant enquires, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) at the subscription price of HK$1.36 per Offer Share and the transactions contemplated thereunder on the terms and conditions set out in the Circular, be and are hereby approved;

(b) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong;

(c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the Underwritten Shares, if any, by the Underwriter) be and are hereby approved; and

(d) any one or more Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary desirable or expedient to carry out, to give effect to or in connection with the Open Offer or any transaction contemplated thereunder."

2. "**THAT** the terms of the waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission to the Underwriter and parties acting in concert with it (the "**Concert Group**") pursuant to Note 1 on the Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from an obligation to make a general mandatory offer for all the issued shares of the Company (other than those owned or agreed to be acquired by the Underwriter and parties acting in concert with it) as a result of the subscription of the Offer Shares pursuant to the Underwriting Agreement be and are hereby approved and any one or more Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver."

3. “**THAT:**

   (a) Mr. Liu Genyu be re-elected as an executive Director; and

   (b) Mr. Tang Jianhua be re-elected as an executive Director.”

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

Hong Kong, 29 December 2017

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

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

Notes:

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

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

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

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

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

As at the date of this notice, the Directors are Mr. Ai Yilun (Chairman), Mr. Liu Genyu (Vice Chairman), Mr. Bai Xuefei (Co-chief Executive Officer), Ms. Jian Qing, Mr. Chung Chi Shing, Mr. Li Jinying, Mr. Li Feng and Mr. Tang Jianhua, all of whom are executive Directors; and Mr. Chan Ka Ling Edmond, Mr. Wang Jimin, Mr. Tian Aiping and Mr. Li Dakuan, all of whom are independent non-executive Directors.