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**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)**

**ANNOUNCEMENT OF FINAL RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2018**

| <b>FINANCIAL HIGHLIGHTS</b>                                  |                             |                  |               |
|--|-----------------------------|------------------|---------------|
|  | <b>Financial year ended</b> |                  |               |
|  | <b>2018</b>                 | <b>2017</b>      | <b>Change</b> |
| <b>Year ended 31 December</b>                                | <b>HK\$'000</b>             | <b>HK\$'000</b>  |               |
| Revenue  | <b>2,256,268</b>            | 1,963,381        | 14.9%         |
| Profit for the year  | <b>94,415</b>               | 120,402          | -21.6%        |
| Basic and diluted earnings per share<br>(HK cents per share) | <b>6.93</b>                 | 9.48             | -26.9%        |
|  | <b>2018</b>                 | <b>2017</b>      |               |
| <b>As at 31 December</b>                                     | <b>HK\$'000</b>             | <b>HK\$'000</b>  |               |
| Total assets   | <b>4,338,666</b>            | <b>4,322,308</b> | 0.4%          |
| Net assets   | <b>881,669</b>              | <b>874,713</b>   | 0.8%          |

## **BUSINESS REVIEW**

For the year ended 31 December 2018, overall revenue increased approximately 14.9% to HK\$2,256,268,000 (2017: HK\$1,963,381,000), primarily generated by the engineering, procurement and construction (“**EPC**”) and consultancy business segment. The Group’s profit for the year was HK\$94,415,000 (2017: HK\$120,402,000), representing a decrease of approximately 21.6% as compared to that of last year. The decrease in profit was due to (i) the increase in enterprise income tax rate from 15% to 25% as certain subsidiaries of the Company operating in the People’s Republic of China (the “**PRC**”) were no longer accredited as “Advanced Technology Enterprise” by the provincial Science and Technology Bureau and other PRC authorities after the three-year tax concessionary period (i.e. from 2014 to 2017); (ii) the significant increase in finance costs during the year resulting from the increase in bank and other borrowings as compared to that of 2017; and (iii) the financing segment of the Group focused on intragroup financial leasing projects during 2018.

### **EPC and Consultancy**

In 2018, revenue of this business segment encountered strong headwinds in face of keen market competition and uncertainties of the PRC government policy. The Group was forced to drop or postpone certain reported distributable solar projects under the new PRC national photovoltaic controlling policy implemented on 31 May 2018 (the “**531 Policy**”) which included but not limited to the reduction of feed-in tariff. Nevertheless, the EPC and consultancy segment recorded segment result (before tax and finance cost) of HK\$166,307,000 (2017: HK\$151,524,000) this year, representing a year-on-year increase of approximately 9.8%. The improvement of segment result was primarily attributable to the implementation of effective cost control. As a result of the 531 Policy, fewer EPC projects were secured and completed during the year and segment sales to external customers decreased approximately 7.9% to HK\$1,731,036,000 (2017: HK\$1,880,031,000).

In 2019, the Group continues to actively diversify its EPC and consultancy segment to new business portfolios such as thermal power, wind power and other municipality construction work in an attempt to leverage the business and strategic risk associated with the change of global and local government regulations and policies. Since 2018, the Group has started to explore opportunities to participate in constructing and investing in wind power facilities and has submitted its application to the PRC authorities for wind power design, engineering and general contracting qualifications. The construction of the 100MW parabolic trough solar thermal power project in Inner Mongolia is underway and is expected to be completed by 2019. The newly acquired construction and engineering company qualified in building and municipal public works also generated revenue and profit to this business segment in 2018.

## **Manufacturing and Trading**

The module plant of the Group in Xuzhou commenced its operation in 2018 and recorded segment sales to external customers of HK\$377,539,000 (2017: HK\$Nil) and segment results (before tax and finance cost) of HK\$9,893,000 (2017: loss of HK\$4,528,000) for the year ended 31 December 2018. The module plant was principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules. In order to minimise the impact of the 531 Policy, the module plant provided foundry services during the year and planned to explore overseas market as well as to strengthen its internal management. During the year, the module plant obtained CQC certification, Frontrunner certification, ISO and OHSAS certifications and also implemented the ERP system to further enhance its market competitiveness.

## **Power Generation**

In 2018, the Group completed an additional of approximately 63MW grid-connected solar photovoltaic projects and accordingly, as at 31 December 2018, the Group owned and operated a total installed capacity of 156MW solar photovoltaic power stations and rooftop distributed solar photovoltaic power facilities in Jiangsu, Hebei and Yunnan, generating electricity income for the Group. As a result, this segment achieved an impressive year-on-year revenue growth of approximately 129.1%, contributing HK\$119,206,000 (2017: HK\$52,037,000) to the Group's revenue in 2018 and segment result (before tax and finance cost) increased approximately 89.1% to HK\$58,001,000 (2017: HK\$30,671,000).

The solar power plants and facilities of the Group are located in China and most of the revenue is contributed by State Grid Corporation of China, which is a state-owned enterprise in China and the default risk is low. Therefore, the Directors considered that the credit risk was minimal. On the other hand, the results of the power generation segment will also be affected by the hours of daylight during the year.

## **Financing**

For the year ended 31 December 2018, the Group's finance lease business recorded segment sale to external customers of HK\$28,487,000 (2017: HK\$31,313,000) as the Group had focused on intragroup financial leasing projects during the year. The Group minimises the credit risk of non-payment from customers by (i) adopting stringent credit check policy before accepting a new customer; and (ii) establishing a dedicated department to monitor the receivables of this business segment. During the year ended 31 December 2018, there was no default repayment by customers recorded for the Group's financing segment.

## **Business Prospect**

In 2018, the national power consumption in China increased 8.5% yearly to 6.84 trillion kilowatt hours, with the growth rate 1.9 percentage points faster than the previous year, quoted the latest data of China Electricity Council. By the end of 2018, the national installed capacity totaled 1.9 billion kilowatts, a yearly increase of 6.5%. Amongst which, the total installed capacity of non-fossil energy power generation was 770 million kilowatts, accounting for 40.8% of the total installed capacity with an increase of 2.0 percentage points over the previous year, whereby the total installed capacity of thermal power, grid-connected wind power and grid-connected solar power were 1.14 billion kilowatts, 180 million kilowatts and 170 million kilowatts respectively. Being one of the seasoned players of EPC and consultancy in PRC power generation industry and in view of the growth potential of the new energy market, the Group has secured and implemented a number of major PV solar power and thermal power projects aiming to expedite its development, enhance its competitiveness and optimise its production in order to cultivate new profits to the Group. The Group will endeavor to enhance its market competitiveness through precise management and risk mitigation efforts. In addition, the Group will proactively explore investment opportunities in other new energy and other EPC sector in PRC and the overseas to achieve positive returns and enable sustainability.

## **FINANCIAL REVIEW**

The Group's overall revenue increased by 14.9% from HK\$1,963,381,000 for the year ended 31 December 2017 to HK\$2,256,268,000 for the year ended 31 December 2018. The increase was primarily due to additional revenue generated from the business segments of manufacturing and trading and power generation during the year. Profit attributable to owners of the Company amounted to HK\$90,960,000, which represented a year-on-year decrease of 21.6% when compared with 2017. Basic earnings per share for the year ended 31 December 2018 was at HK6.93 cents when compared with HK9.48 cents recorded for the year ended 31 December 2017.

### **Revenue**

During the year under review, the Group achieved revenue of HK\$2,256,268,000 (2017: HK\$1,963,381,000), representing an increase of 14.9% as compared to that of last corresponding year.

For the year ended 31 December 2018, EPC and consultancy segment remained the principal source of the Group's revenue which contributed HK\$1,731,036,000 (2017: HK\$1,880,031,000), representing a decrease of approximately 7.9% as compared to that of 2017. The decrease was a result of the 531 Policy that the Group was forced to drop or delay certain reported EPC solar photovoltaic projects. Manufacturing and trading segment became the second largest revenue generator of the Group since its commencement of operation this year and achieved a revenue of HK\$377,539,000 (2017: HK\$Nil). Benefited from an addition of approximately 63MW solar power plants and facilities of the Group being connected to the national grid during the year, revenue derived from power generation achieved a growth of approximately 129.1% to HK\$119,206,000 (2017: HK\$52,037,000). Revenue from financing segment dropped approximately 9.0% to HK\$28,487,000 (2017: HK\$31,313,000) as the Group has focused on intragroup financial leasing projects during the year.

### **Profit**

Profit for the year amounted to HK\$94,415,000 (2017: HK\$120,402,000), representing a decrease of approximately 21.6% as compared to that of 2017. The decrease was mainly due to (i) the increase in enterprise income tax rate 15% to 25% as certain subsidiaries of the Company operating in the People's Republic of China (the "PRC") were no longer accredited as "Advanced Technology Enterprise" by the provincial Science and Technology Bureau and other PRC authorities after the three-year tax concessionary period (i.e. from 2014 to 2017); (ii) the significant increase in finance costs during the year resulting from the increase in bank and other borrowings as compared to that of 2017; and (iii) the financing segment of the Group recorded a net loss as the Group had focused on intragroup financial leasing projects during 2018. As such, net profit margin of the Group decreased to 4.2% (2017: 6.1%). Net profit margin of the Group varied in different segments depending on its business nature.

Profit attributable to owners of the Company for the year ended 31 December 2018 decreased by approximately 21.6% to HK\$90,960,000 (2017: HK\$116,081,000) and basic earnings per share was HK6.93 cents (2017: HK9.48 cents).

### **Other income and gains**

Other income and gains for the year ended 31 December 2018 amounted to HK\$3,487,000 (2017: HK\$3,345,000) which was primarily derived from interest and sundry income.

## **Cost of sales and construction costs**

Cost of sales and construction costs for the year ended 31 December 2018 amounted to HK\$1,692,097,000 (2017: HK\$1,422,320,000) and HK\$200,870,000 (2017: HK\$273,854,000) respectively. The increase was mainly due to the commencement of manufacturing and trading business.

## **Staff costs**

The increase in staff costs by approximately 38.0% to HK\$53,833,000 (2017: HK\$39,002,000) was due to salary adjustment, inflation and competitiveness of labour market conditions and increase in recruitment for broadening the Group's business horizons.

## **Depreciation**

Depreciation of the Group increased by approximately 231.9% to HK\$58,883,000 (2017: HK\$17,743,000) as a result of the increase in number of solar photovoltaic power plants and facilities invested and constructed by the Company in recent years where depreciation was recorded.

## **Other operating expenses**

Included in other operating expenses are primarily exchange difference, bank charges, professional fee, administrative expenses and research and development fees and travelling expenses which amounted to HK\$63,171,000 (2017: HK\$54,450,000) for the year ended 31 December 2018, representing an increase of approximately 16.0% as compared to that of last year.

## **Finance Costs**

Finance costs for the year ended 31 December 2018 increased by approximately 172.6% to HK\$62,243,000 (2017: HK\$22,832,000) taking into account the capital intensive nature of the energy industry whereby (i) the Group enlarged its investment in possessing and operating solar photovoltaic stations and facilities in PRC for power generation income; and (ii) the business practice of the EPC market in PRC and the Group is required to pay upfront the expenses for purchasing parts, components and equipment for customers.

Finance cost for 2018 primarily represented by interest expenses on bank and other borrowings.

## **Income tax expense**

For the year ended 31 December 2018, income tax expense of the Group increased approximately 69.6% to HK\$46,866,000 (2017: HK\$27,631,000) as (i) certain subsidiaries of the Company operating in the PRC were no longer accredited as “Advanced Technology Enterprise” by the provincial Science and Technology Bureau and other PRC authorities after the three-year tax concessionary period (i.e. from 2014 to 2017); and (ii) certain PRC income tax expenses for the year ended 31 December 2017 was charged in 2018 in order to make up the tax shortfall in 2017 for ceasing as an “Advanced Technology Enterprise”. The effective tax rate applicable to the profit of the Group for the year ended 31 December 2018 was 33.2% (2017: 18.7%).

## **Financial Position**

As at 31 December 2018, total assets of the Group were HK\$4,338,666,000 (2017: HK\$4,322,308,000), representing an increase of approximately 0.4% as compared to that of 2017. In particular, current assets decreased by approximately 4.4% to HK\$2,737,537,000 (2017: HK\$2,864,610,000) and non-current assets increased by approximately 9.8% to HK\$1,601,129,000 (2017: HK\$1,457,698,000). The increase in non-current assets was mainly attributable to the investment and development of rooftop distributed photovoltaic power generation facilities for the Group in 2018 which were included in property, plant and equipment as construction in progress.

Total liabilities at 31 December 2018 were HK\$3,456,997,000 (2017: HK\$3,447,595,000), an increase by approximately 0.3% as compared to that of 2017. In particular, current liabilities at 31 December 2018 were HK\$2,927,534,000 (2017: HK\$2,883,447,000), an increase of approximately 1.5% as compared to that of 2017, which was principally due to the increase in bank and other borrowings. Non-current liabilities were HK\$529,463,000 (2017: HK\$564,148,000), a decrease of approximately 6.1% as compared to that of 2017 as a result of the decrease in obligations under finance leases.

Total equity attributable to owners of the Company as at 31 December 2018 was HK\$866,872,000 (31 December 2017: HK\$862,969,000), an increase of 0.5% as compared to that of 2017, primarily resulting from the contribution of total comprehensive income for the year.

## Liquidity, Financial Resources and Gearing

As at 31 December 2018, net current liabilities of the Group amounted to HK\$189,997,000 (2017: HK\$18,837,000). Besides, the Group maintained cash and cash equivalents of HK\$415,874,000 (2017: HK\$320,285,000), of which approximately 25% was in Hong Kong dollars, 61% was in RMB and 14% was in United States dollars. As at 31 December 2018, the Group had outstanding bank and other borrowings of HK\$1,676,470,000 (2017: HK\$1,032,105,000), of which approximately 24% was in Hong Kong dollars, 61% was in RMB, 13% was in United States dollars and 2% was in EURO. All of the Group's borrowings were arranged on floating rate basis with effective interest rates ranged from 2.0% to 5.9% per annum (2017: ranged from 1.9% to 4.9% per annum). Except for certain bank and other borrowings which were committed loan facilities with specific maturity dates, the Group's borrowings contained repayment on demand clause at any time at the discretion of the bank. Under the Hong Kong Accounting Standards, the Group had separated and classified the bank and other borrowings as current and non-current liabilities in the consolidated statement of financial position as at 31 December 2018 in accordance with the settlement term. Of the total borrowings as at 31 December 2018, HK\$1,234,372,000 was loans repayable within one year and the balance of HK\$442,098,000 was repayable more than one year.

As at 31 December 2018, included in other payables of (i) approximately HK\$10,874,000 (RMB9,550,000) (2017: approximately HK\$11,449,000 (RMB9,550,000)) 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, (ii) approximately HK\$Nil (RMBNil) (2017: HK\$59,945,000 (RMB50,000,000)) which represents an unsecured interest bearing loan from immediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum, (iii) approximately HK\$51,237,000 (RMB45,000,000) (2017: approximately HK\$119,890,000 (RMB100,000,000)) which represents an unsecured interest bearing loan from 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.), an intermediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum.

The Group's gearing ratio was 2.09 (2017: 1.54), which was calculated on the basis of total debt over total equity of the Company. Total debt comprises loans included in other payables and accruals, bank and other borrowings and obligation under finance lease.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

|   | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue   | 4            | 2,256,268                      | 1,963,381               |
| Other income and gains  | 4            | 3,487                          | 3,345                   |
| Cost of sales   |              | <b>(1,692,097)</b>             | (1,422,320)             |
| Construction costs  |              | <b>(200,870)</b>               | (273,854)               |
| Staff costs   |              | <b>(53,833)</b>                | (39,002)                |
| Depreciation  |              | <b>(58,883)</b>                | (17,743)                |
| Other operating expenses                                      |              | <b>(63,171)</b>                | (54,450)                |
| Finance costs   | 5            | <b>(62,243)</b>                | (22,832)                |
| Loss on disposal of a subsidiary                              |              | –                              | (20)                    |
| Share of results of associates, net                           | 15           | <b>12,623</b>                  | 11,528                  |
| Profit before income tax expense                              | 6            | <b>141,281</b>                 | 148,033                 |
| Income tax expense  | 7            | <b>(46,866)</b>                | (27,631)                |
| Profit for the year   |              | <b>94,415</b>                  | 120,402                 |
| <b>Other comprehensive income for the year, net of tax</b>    | 8            |                                |                         |
| Items that may be reclassified subsequently to profit or loss |              |                                |                         |
| Exchange differences arising during the year                  |              | <b>(65,922)</b>                | 62,592                  |
| Share of other comprehensive income of associates             |              | <b>(4,519)</b>                 | 5,150                   |
|   |              | <b>(70,441)</b>                | 67,742                  |
| Total comprehensive income for the year                       |              | <b>23,974</b>                  | 188,144                 |
| <b>Profit for the year attributable to:</b>                   |              |                                |                         |
| Owners of the Company   |              | <b>90,960</b>                  | 116,081                 |
| Non-controlling interests                                     |              | <b>3,455</b>                   | 4,321                   |
|   |              | <b>94,415</b>                  | 120,402                 |
| <b>Total comprehensive income attributable to:</b>            |              |                                |                         |
| Owners of the Company   |              | <b>21,830</b>                  | 182,473                 |
| Non-controlling interests                                     |              | <b>2,144</b>                   | 5,671                   |
|   |              | <b>23,974</b>                  | 188,144                 |
| Earnings per share  |              |                                |                         |
| – basic and diluted (HK cents per share)                      | 10           | <b>6.93</b>                    | 9.48                    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

|   | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                             |              |                                |                         |
| Property, plant and equipment                         | 11           | <b>1,014,450</b>               | 831,298                 |
| Prepaid land lease payments                           | 12           | <b>21,156</b>                  | 21,039                  |
| Available-for-sale investments                        | 13           | –                              | 29,273                  |
| Financial assets at fair value through profit or loss | 13           | <b>27,861</b>                  | –                       |
| Interest in associates                                | 15           | <b>100,492</b>                 | 95,781                  |
| Finance lease receivables                             | 22           | <b>398,968</b>                 | 438,945                 |
| Loan receivables                                      | 19           | <b>38,202</b>                  | 41,362                  |
|   |              | <u><b>1,601,129</b></u>        | <u>1,457,698</u>        |
| <b>Current assets</b>                                 |              |                                |                         |
| Inventories   | 16           | <b>6,483</b>                   | –                       |
| Trade and bills receivables                           | 18           | <b>1,431,401</b>               | 1,605,327               |
| Loan receivables                                      | 19           | <b>9,681</b>                   | 6,594                   |
| Prepayments, deposits and other receivables           | 20           | <b>332,657</b>                 | 305,299                 |
| Contract assets                                       | 17           | <b>182,116</b>                 | –                       |
| Amounts due from customers for contract work          | 21           | –                              | 380,473                 |
| Finance lease receivables                             | 22           | <b>56,870</b>                  | 52,372                  |
| Pledged bank deposits                                 | 23           | <b>302,455</b>                 | 194,260                 |
| Cash and cash equivalents                             | 24           | <b>415,874</b>                 | 320,285                 |
|   |              | <u><b>2,737,537</b></u>        | <u>2,864,610</u>        |
| <b>Less: Current liabilities</b>                      |              |                                |                         |
| Trade and bills payables                              | 25           | <b>1,353,994</b>               | 2,031,259               |
| Other payables and accruals                           | 26           | <b>219,546</b>                 | 245,120                 |
| Contract liabilities                                  | 17           | <b>92,312</b>                  | –                       |
| Bank and other borrowings                             | 27           | <b>1,234,372</b>               | 574,039                 |
| Obligation under finance lease                        | 28           | <b>13,381</b>                  | 13,378                  |
| Tax payable   |              | <b>13,929</b>                  | 19,651                  |
|   |              | <u><b>2,927,534</b></u>        | <u>2,883,447</u>        |
| <b>Net current liabilities</b>                        |              | <u><b>(189,997)</b></u>        | <u>(18,837)</u>         |
| <b>Total assets less current liabilities</b>          |              | <u><b>1,411,132</b></u>        | <u>1,438,861</u>        |

|   | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Less: Non-current liabilities</b>                |              |                                |                         |
| Obligations under finance leases                    | 28           | <b>87,365</b>                  | 106,082                 |
| Bank and other borrowings                           | 27           | <b>442,098</b>                 | 458,066                 |
|   |              | <u><b>529,463</b></u>          | <u>564,148</u>          |
| <b>Net assets</b>                                   |              | <u><b>881,669</b></u>          | <u>874,713</u>          |
| <b>Capital and reserves</b>                         |              |                                |                         |
| Share capital                                       |              | <b>131,309</b>                 | 131,309                 |
| Reserves  |              | <b>735,563</b>                 | 731,660                 |
|   |              | <u><b>866,872</b></u>          | <u>862,969</u>          |
| <b>Equity attributable to owners of the Company</b> |              | <b>866,872</b>                 | 862,969                 |
| <b>Non-controlling interests</b>                    |              | <b>14,797</b>                  | 11,744                  |
|   |              | <u><b>881,669</b></u>          | <u>874,713</u>          |
| <b>Total equity</b>                                 |              | <u><b>881,669</b></u>          | <u>874,713</u>          |

## 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.

As at 31 December 2018, the directors consider the immediate and ultimate controlling parties of the Company and its subsidiaries (together the “**Group**”) to be China He Investment (Hong Kong) Company Limited which is incorporated in Hong Kong and 中國核工業建設集團公司 (transliterated as “China Nuclear Engineering & Construction Corporation”) (“**CNECC**”) which is a state-owned enterprise incorporated in the People’s Republic of China (“**the PRC**”) respectively. These entities do not produce financial statements available for public use.

On 19 February 2019, the Company has been informed by CNECC that CNECC and 中國核工業集團有限公司 (transliterated as China National Nuclear Corporation Limited) (“**CNNC**”) has entered into a merger agreement, pursuant to which CNECC will be merged with and into CNNC (the “**Merger**”). As a result of the Merger, CNECC will be dissolved and deregistered and CNNC will survive, and all of the assets, liabilities, businesses, contracts, qualifications and other rights and obligations of CNECC will vest in CNNC.

The Merger at the time does not involve material asset restructuring of the Company and has no material impact on the normal operation of the Company.

As at the date of 19 February 2019, CNECC, through the immediate controlling party, is interested in approximately 30.46% of the issued shares of the Company. Upon completion of the Merger, the ultimate beneficial owner of the Company will be changed to CNNC and 國務院國有資產監督管理委員會 (transliterated as State-owned Assets Supervision and Administration Commission of the State Council) (“**SASAC**”) will remain the de facto controller of the Company.

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 or revised IFRSs – effective 1 January 2018

|   |   |
|---|---|
| Annual Improvements to HKFRSs 2014-2016 Cycle | Amendments to HKAS 28, Investments in Associates and Joint Ventures |
| HKFRS 9                                       | Financial Instruments   |
| HKFRS 15                                      | Revenue from Contracts with Customers                               |
| Amendments to HKFRS 15                        | Revenue from Contracts with Customers (Clarifications to IFRS 15)   |
| HK(IFRIC) – Int 22                            | Foreign Currency Transactions and Advance Consideration             |

*Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation’s permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organization

**A. HKFRS 9-Financial Instruments**

*(i) Classification and measurement of financial instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 January 2018 as follows (increase/(decrease)):

|   | <i>HK\$’000</i>         |
|---|-------------------------|
| <i>Retained earnings</i>  |                         |
| Retained earnings as at 31 December 2017  | <u>(801,752)</u>        |
| Increase in expected credit losses (“ECLs”) in trade receivables<br><i>(note 2(a)A(ii) below)</i> | (16,025)                |
| Increase in ECLs in contract assets <i>(note 2(a)A(ii) below)</i>                                 | <u>(1,902)</u>          |
|   | <u>(17,927)</u>         |
| Restated retained earnings as at 1 January 2018   | <u><u>(819,679)</u></u> |

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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

|                            |  |
|----------------------------|--|
| FVTPL                      | FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.   |
| Amortised cost             | Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.  |
| FVOCI (debt instruments)   | Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. |
| FVOCI (equity instruments) | Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.   |

As of 1 January 2018, certain unlisted equity investments were reclassified from available-for-sale investments at cost to financial assets at FVTPL. These unlisted equity instruments have no quoted price in an active market. The Group intends to hold these unlisted equity investments for long term strategic purposes. In addition, the Group has designated such unlisted equity investments at the date of initial application as measured at FVTPL. The fair value of the unlisted equity investments are determined based on transaction price and factors or events that have occurred after acquisition date. Since there is no significant change in the performance and operation of the investees, the Director considered the fair value of the unlisted equity investments are approximately the transaction price.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

| <b>Financial assets</b>        | <b>Original classification under HKAS 39</b> | <b>New classification under IFRS 9</b> | <b>Carrying amount as at 1 January 2018 under HKAS 39<br/><i>HK\$'000</i></b> | <b>Carrying amount as at 1 January 2018 under HKFRS 9<br/><i>HK\$'000</i></b> |
|--------------------------------|--|--|---|---|
| Unlisted equity investments    | Available-for-sale investments (at cost)     | FVTPL                                  | HK\$29,273  | HK\$29,273  |
| Trade and bills receivables    | Loans and receivables (note 2(a)A(iii)(I))   | Amortised cost                         | HK\$1,605,327   | HK\$1,589,302   |
| Deposits and other receivables | Loans and receivables (note 2(a)A(iii)(II))  | Amortised cost                         | HK\$156,859   | HK\$156,859   |
| Loan receivables               | Loans and receivables                        | Amortised cost                         | HK\$47,956  | HK\$47,956  |
| Contract assets                | Loans and receivables (note 2(a)A(iii)(I))   | Amortised cost                         | HK\$380,473   | HK\$378,571   |
| Pledged bank deposits          | Loans and receivables                        | Amortised cost                         | HK\$194,260   | HK\$194,260   |
| Cash and cash equivalents      | Loans and receivables                        | Amortised cost                         | HK\$320,285   | HK\$320,285   |

(ii) *Reconciliation of statement of financial position balances from HKAS 39 to HKFRS 9*

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with HKAS 39 to their new measurement categories upon transition to HKFRS 9 on 1 January 2018:

|  | HKAS 39<br>carrying amount<br>31 December 2017<br><i>HK\$'000</i> | Reclassifications | Remeasurements | HKFRS 9<br>carrying amount<br>1 January 2018<br><i>HK\$'000</i> |
|--|---|-------------------|----------------|---|
| <b>Amortised cost</b>                                      |   |                   |                |   |
| Trade and bills receivables                                | 1,605,327   | –                 | (16,025)       | 1,589,302   |
| Deposits and other receivables                             | 156,859   | –                 | –              | 156,859   |
| Loan receivables   | 47,956  | –                 | –              | 47,956  |
| Contract assets  | 380,473   | –                 | (1,902)        | 378,571   |
| Pledged bank deposits                                      | 194,260   | –                 | –              | 194,260   |
| Cash and cash equivalents                                  | 320,285   | –                 | –              | 320,285   |
| <b>Available-for-sale investments<br/>– amortised cost</b> |   |                   |                |   |
| Unlisted equity investments                                | 29,273  | (29,273)          | –              | –   |
| <b>Financial assets at FVTPL</b>                           |   |                   |                |   |
| Unlisted equity investments                                | –   | 29,273            | –              | 29,273  |

(iii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

## **Measurement of ECLs**

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

## **Presentation of ECLs**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets

## **Impact of the ECL model**

### (I) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have

substantially the same risk as the trade receivables. The loss allowance as at 1 January 2018 was determined as follows for trade receivables and contract assets as follows:

| 1 January 2018                      | Current   | 0-90 days<br>past due | 91 –<br>180 days<br>past due | 181 –<br>365 days<br>past due | Total     |
|-------------------------------------|-----------|-----------------------|------------------------------|-------------------------------|-----------|
| Expected credit loss rate (%)       | 0.5%      | 1%                    | 2%                           | 5%                            |           |
| Gross carrying amount<br>(HK\$'000) | 1,597,429 | 201,926               | 46,712                       | 139,733                       | 1,985,800 |
| Loss allowance (HK\$'000)           | 7,987     | 2,019                 | 934                          | 6,987                         | 17,927    |

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK\$16,025,000 and HK\$1,902,000. No loss allowances are further provided for trade and bills receivables and contract assets during the year ended 31 December 2018.

(II) Impairment of deposits and other receivables

All the Group's deposits and other receivables are considered to have low credit risk and the loss allowance was limited to 12 months ECLs. The identified impairment loss was immaterial.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follow:

|  | <i>HK\$'000</i> |
|--|-----------------|
| Loss allowance as at 1 January 2018 under HKAS 39      | –               |
| Additional impairment recognised for trade receivables | 16,025          |
| Additional impairment recognised for contract assets   | 1,902           |
|  | <hr/>           |
| Loss allowance as a 1 January under HKFRS 9            | <u>17,927</u>   |

**(iii) Transition**

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments, if any, arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets as measured at FVTPL.

**B. *HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)***

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations.

HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers:

- 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

Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring the control of goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The Group has changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15:

1. Contract assets in relation to the Group’s rights to consideration from customers for construction work computed but not billed at the reporting date on Engineering, Procurement and Construction (“EPC”) contracts were previously presented as amounts due from customers for contract work; and
2. Contract liabilities in relation to the Group’s obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customer were previously presented as receipts in advance included in other payable and accruals.

In summary, the following adjustments were made to the amounts recognised in the opening consolidated statement of financial position on 1 January 2018:

|  | <b>HKAS 18</b><br>carrying amount<br>31 December<br>2017<br><i>HK\$'000</i> | <b>Reclassification</b><br><i>HK\$'000</i> | <b>HKFRS 15</b><br>carrying amount<br>1 January 2018<br><i>HK\$'000</i> |
|--|---|--|---|
| <b>Current assets</b>                        |   |  |   |
| Contract assets                              | –   | 380,473                                    | 380,473   |
| Amounts due from customers for contract work | <u>380,473</u>  | <u>(380,473)</u>                           | <u>–</u>  |
| <b>Current liabilities</b>                   |   |  |   |
| Contract liabilities                         | –   | 10,691                                     | 10,691  |
| Other payables and accruals                  | <u>245,120</u>  | <u>(10,691)</u>                            | <u>234,429</u>  |

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

|   | <b>As at 31 December 2018</b>   |   |   |
|---|---|---|---|
|   | <b>Amounts</b><br>without<br>the adoption of<br>HKFRS 15<br><i>HK\$'000</i> | <b>Effects of</b><br>the adoption of<br>HKFRS 15<br><i>HK\$'000</i> | <b>Amount</b><br>as reported<br><i>HK\$'000</i> |
| <b>Consolidated statement of financial position (extract)</b> |   |   |   |
| Contract assets   | –   | 184,018   | 184,018   |
| Amounts due from customers for contract work                  | <u>184,018</u>  | <u>(184,018)</u>  | <u>–</u>  |
| <b>Current liabilities</b>                                    |   |   |   |
| Contract liabilities  | –   | 92,312  | 92,312  |
| Other payables and accruals                                   | <u>311,783</u>  | <u>(92,312)</u>   | <u>219,471</u>                                  |

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

| Note  | Product/<br>service                                     | Nature of the goods or services, satisfaction of performance obligations and payment terms  | Nature of change in accounting policy and impact on 1 January 2018  |
|-------|---|---|---|
| (i)   | EPC   | <p>The Group provides EPC services under contract with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from provision of such services is therefore recognised over time using input method, i.e. base on the actual costs incurred by the Group to date compare with the total budgeted cost for the project to estimate the revenue recognised during the year. The management of the Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under HKFRS 15.</p> <p>In some circumstances, the Group provides design service which either included in the above EPC contract or a standalone contract. Under the terms of the contract, the customer has right to the design and could provide the design to another contractor to complete the construction. Design service is regarded as a separate performance obligation. Revenue from provision of such service is recognised over time as the Group's performance does not create an asset with an alternative use and the Group has enforceable right to payment for performance complete to date.</p> | <p>HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to made reclassification from amounts due from customers for contract works to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset.</p> |
| (ii)  | Sale of electricity                                     | <p>Sale of electricity is recognised when electricity is supplied to and consumed by the customers. Revenue is measured at the amounts billed to the customers based on the periodic meter readings. Revenue from sales of electricity is recognised over time on the basis of periodic meter readings.</p>   | <p>HKFRS 15 did not result in significant impact on the Group's accounting policies.</p>  |
| (iii) | Sales of goods under manufacturing and trading business | <p>Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time upon when the customers accepted the products.</p>   | <p>HKFRS 15 did not result in significant impact on the Group's accounting policies.</p>  |

*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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

*HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

The following new or 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 16                                      | Leases <sup>1</sup>  |
| HK(IFRIC)-Int 23                              | Uncertainty over Income Tax Treatments <sup>1</sup>  |
| Amendments to HKFRS 9                         | Prepayment Features with Negative Compensation <sup>1</sup>  |
| Amendments to HKAS 28                         | Long-term Interests in Associates and Joint Ventures <sup>1</sup>                                  |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 3, Business Combinations <sup>1</sup>  |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 11, Joint Arrangements <sup>1</sup>  |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 12, Income Taxes <sup>1</sup>   |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 23, Borrowing Costs <sup>1</sup>  |
| HKFRS 17                                      | Insurance Contracts <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28            | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

## ***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 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 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.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has noncancellable operating lease commitments of HK\$15,735,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

### ***HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments***

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

### ***Amendments to HKFRS 9-Prepayment Features with Negative Compensation***

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

### ***Amendments to HKAS 28***

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

### ***Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

### ***Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

### *Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

### *Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

### *HKFRS 17 – Insurance Contracts*

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

### *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 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. 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 five (2017: five) 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 EPC and consultancy segment comprises the Group's design and consulting services, engineering, procurement and construction operations relating to photovoltaic power plant;
- the power generation segment comprises the Group's power generation operations;
- the financing segment comprises the Group's financing operations;
- the manufacturing and trading business segment comprises the Group's manufacturing and trading of solar power related products; 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.

All of the Group's revenue from external customers is derived from the Group's operations in the PRC. All external customers of the Group are located in the PRC. As at 31 December 2018, except for the interest in associates amounted to approximately HK\$100,492,000 (2017: HK\$95,781,000), property, plant and equipment amounted to approximately HK\$1,014,343,000 (2017: HK\$831,149,000) and prepaid land lease payments amounted to approximately HK\$21,156,000 (2017: HK\$21,039,000) 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 segment of approximately HK\$457,610,000 and HK\$190,842,000 (2017: HK\$389,840,000 and HK\$320,966,000) arose from the Group's first and second largest customers. For the year ended 31 December 2018, except for the above first and second largest customers, there was no customer (2017: one customer amounted to HK\$225,391,000) of the Group's EPC and consultancy segment with revenue represents more than 10% of the Group's revenue.

|                                     | <b>EPC and<br/>Consultancy</b><br><i>HK\$'000</i> | <b>Power<br/>Generation</b><br><i>HK\$'000</i> | <b>Financing</b><br><i>HK\$'000</i> | <b>Manufacturing<br/>and trading</b><br><i>HK\$'000</i> | <b>All other<br/>Segments</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|-------------------------------------|---|--|-------------------------------------|---|--|---------------------------------|
| <b>Year ended 31 December 2018</b>  |   |  |                                     |   |  |                                 |
| Segment revenue:                    |   |  |                                     |   |  |                                 |
| Sales to external customers         | 1,731,036   | 119,206  | 28,487                              | 377,539   | –  | 2,256,268                       |
| Intersegment sales                  | –   | –  | 27,789                              | –   | –  | 27,789                          |
| Other income and gains              | 848   | –  | 3                                   | –   | 2  | 853                             |
|                                     | <hr/>   | <hr/>  | <hr/>                               | <hr/>   | <hr/>  | <hr/>                           |
| Reportable segment revenue          | 1,731,884   | 119,206  | 56,279                              | 377,539   | 2  | 2,284,910                       |
| <i>Reconciliation:</i>              |   |  |                                     |   |  |                                 |
| Elimination of intersegment sales   |   |  |                                     |   |  | <hr/> <u>(27,789)</u>           |
| Consolidated revenue                |   |  |                                     |   |  | <hr/> <u><u>2,257,121</u></u>   |
| <b>Segment results</b>              | <b>166,307</b>                                    | <b>58,001</b>                                  | <b>(16,665)</b>                     | <b>9,893</b>  | <b>(29,269)</b>                                  | <b>188,267</b>                  |
| <i>Reconciliation:</i>              |   |  |                                     |   |  |                                 |
| Interest income                     |   |  |                                     |   |  | 2,634                           |
| Finance costs                       |   |  |                                     |   |  | (62,243)                        |
| Share of results of associates, net |   |  |                                     |   |  | <hr/> <u>12,623</u>             |
| Profit before taxation              |   |  |                                     |   |  | 141,281                         |
| Income tax expense                  |   |  |                                     |   |  | <hr/> <u>(46,866)</u>           |
| Profit for the year                 |   |  |                                     |   |  | <hr/> <u><u>94,415</u></u>      |

|                                     | EPC and<br>Consultancy<br><i>HK\$'000</i> | Power<br>Generation<br><i>HK\$'000</i> | Financing<br><i>HK\$'000</i> | Manufacturing<br>and trading<br><i>HK\$'000</i> | All other<br>Segments<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------------------|---|--|------------------------------|---|--|--------------------------|
| Year ended 31 December 2017         |   |  |                              |   |  |                          |
| Segment revenue:                    |   |  |                              |   |  |                          |
| Sales to external customers         | 1,880,031                                 | 52,037                                 | 31,313                       | –   | –  | 1,963,381                |
| Intersegment sales                  | –   | –                                      | 18,878                       | –   | –  | 18,878                   |
| the income and gains                | <u>1,020</u>                              | <u>608</u>                             | <u>1</u>                     | <u>173</u>                                      | <u>13</u>                                | <u>1,815</u>             |
| Reportable segment revenue          | 1,881,051                                 | 52,645                                 | 50,192                       | 173   | 13                                       | 1,984,074                |
| <i>Reconciliation:</i>              |   |  |                              |   |  |                          |
| Elimination of intersegment sales   |   |  |                              |   |  | <u>(18,878)</u>          |
| Consolidated revenue                |   |  |                              |   |  | <u><u>1,965,196</u></u>  |
| Segment results                     | 151,524                                   | 30,671                                 | 5,274                        | (4,528)   | (25,114)                                 | 157,827                  |
| <i>Reconciliation:</i>              |   |  |                              |   |  |                          |
| Loss on disposal of a subsidiary    |   |  |                              |   |  | (20)                     |
| Interest income                     |   |  |                              |   |  | 1,530                    |
| Finance costs                       |   |  |                              |   |  | (22,832)                 |
| Share of results of associates, net |   |  |                              |   |  | <u>11,528</u>            |
| Profit before taxation              |   |  |                              |   |  | 148,033                  |
| Income tax expense                  |   |  |                              |   |  | <u>(27,631)</u>          |
| Profit for the year                 |   |  |                              |   |  | <u><u>120,402</u></u>    |

|   | <b>EPC and<br/>Consultancy</b> | <b>Power<br/>Generation</b> | <b>Financing</b> | <b>Manufacturing<br/>and trading</b> | <b>All other<br/>Segments</b> | <b>Total</b>            |
|---|--------------------------------|-----------------------------|------------------|--------------------------------------|-------------------------------|-------------------------|
|   | <i>HK\$'000</i>                | <i>HK\$'000</i>             | <i>HK\$'000</i>  | <i>HK\$'000</i>                      | <i>HK\$'000</i>               | <i>HK\$'000</i>         |
| At 31 December 2018                           |                                |                             |                  |                                      |                               |                         |
| Segment assets                                | 2,026,079                      | 1,322,815                   | 675,646          | 89,379                               | 124,255                       | 4,238,174               |
| <i>Reconciliation:</i>                        |                                |                             |                  |                                      |                               |                         |
| Unallocated assets                            |                                |                             |                  |                                      |                               | <u>100,492</u>          |
| Total assets                                  |                                |                             |                  |                                      |                               | <u><u>4,338,666</u></u> |
| Segment liabilities                           | 1,809,675                      | 173,683                     | 769,097          | 27,740                               | 676,802                       | 3,456,997               |
| <i>Reconciliation:</i>                        |                                |                             |                  |                                      |                               |                         |
| Unallocated liabilities                       |                                |                             |                  |                                      |                               | <u>–</u>                |
| Total liabilities                             |                                |                             |                  |                                      |                               | <u><u>3,456,997</u></u> |
| Other segment information                     |                                |                             |                  |                                      |                               |                         |
| Depreciation                                  | 774                            | 54,381                      | 101              | 3,570                                | 57                            | 58,883                  |
| Recognition of prepaid<br>land lease payments | –                              | 2,182                       | –                | 391                                  | –                             | 2,573                   |
| Additions to property,<br>plant and equipment | 2,244                          | 287,472                     | 198              | 3,173                                | 14                            | 293,101                 |
|   | <u>2,244</u>                   | <u>287,472</u>              | <u>198</u>       | <u>3,173</u>                         | <u>14</u>                     | <u>293,101</u>          |

Included in the unallocated assets, there are interest in associates amounted to approximately HK\$100,492,000. Details of the interest in associates were set out in note 15.

|   | EPC and<br>Consultancy<br><i>HK\$'000</i> | Power<br>Generation<br><i>HK\$'000</i> | Financing<br><i>HK\$'000</i> | Manufacturing<br>and trading<br><i>HK\$'000</i> | All other<br>Segments<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|------------------------------|---|--|--------------------------|
| At 31 December 2017                             |   |  |                              |   |  |                          |
| Segment assets                                  | 2,386,052                                 | 1,058,409                              | 636,976                      | 86,074  | 59,016                                   | 4,226,527                |
| Reconciliation:                                 |   |  |                              |   |  |                          |
| Unallocated assets                              |   |  |                              |   |  | <u>95,781</u>            |
| Total assets                                    |   |  |                              |   |  | <u><u>4,322,308</u></u>  |
| Segment liabilities                             | 2,201,546                                 | 102,925                                | 566,530                      | 49,011  | 527,583                                  | 3,447,595                |
| Reconciliation:                                 |   |  |                              |   |  |                          |
| Unallocated liabilities                         |   |  |                              |   |  | <u>–</u>                 |
| Total liabilities                               |   |  |                              |   |  | <u><u>3,447,595</u></u>  |
| Other segment information                       |   |  |                              |   |  |                          |
| Depreciation                                    | 771                                       | 16,792                                 | 82                           | 41  | 57                                       | 17,743                   |
| Recognition of prepaid land<br>lease payments   | –   | 1,338                                  | –                            | 32  | –  | 1,370                    |
| Additions to property,<br>plant and equipment   | 102                                       | 468,266                                | 40                           | 58,321  | 9  | 526,738                  |
| Written off of property,<br>plant and equipment | <u>1</u>                                  | <u>–</u>                               | <u>–</u>                     | <u>–</u>  | <u>–</u>                                 | <u>1</u>                 |

Included in the unallocated assets, there are interest in associates amounted to approximately HK\$95,781,000. Details of the interest in associates were set out in note 15.

#### 4. 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 and power generation operations.

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

|                                      | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| <b>Revenue:</b>                      |                         |                         |
| Sales of goods                       | 1,790,500               | 1,300,536               |
| Construction contract revenue        | 279,114                 | 455,682                 |
| Service income                       | 40,783                  | 137,912                 |
| Finance lease interest income        | 22,961                  | 12,938                  |
| Loan interest income                 | 3,704                   | 4,276                   |
| Sale of electricity                  | 119,206                 | 52,037                  |
|                                      | <u>2,256,268</u>        | <u>1,963,381</u>        |
| <b>Timing of revenue recognition</b> |                         |                         |
| At a point in time                   | 1,790,500               | 1,300,536               |
| Over time                            | 465,768                 | 662,845                 |
|                                      | <u>2,256,268</u>        | <u>1,963,381</u>        |
| <b>Other income and gains:</b>       |                         |                         |
| Bank interest income                 | 2,634                   | 1,530                   |
| Others                               | 853                     | 1,815                   |
|                                      | <u>3,487</u>            | <u>3,345</u>            |

#### 5. FINANCE COSTS

|                                       | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Interest on bank and other borrowings | 56,673                  | 19,699                  |
| Interest on finance lease             | 5,570                   | 3,133                   |
|                                       | <u>62,243</u>           | <u>22,832</u>           |

## 6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Minimum lease payments under operating leases:                         |                         |                         |
| Land and buildings   | <u>10,584</u>           | <u>7,718</u>            |
| Staff costs (including directors' and chief executive's remuneration): |                         |                         |
| Wages, salaries and bonuses  | 47,193                  | 34,746                  |
| Pension scheme contributions   | <u>6,640</u>            | <u>4,256</u>            |
| Total staff costs  | <u><u>53,833</u></u>    | <u><u>39,002</u></u>    |
| Amortisation of prepaid land lease payments*                           | 2,573                   | 1,370                   |
| Written off of property, plant and equipment*                          | –                       | 1                       |
| Auditor's remuneration*  | <u>1,980</u>            | <u>1,830</u>            |

\* Items included in other operating expenses

## 7. INCOME TAX EXPENSE

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

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current tax for the year                 |                         |                         |
| Hong Kong                                | –                       | –                       |
| Other than Hong Kong                     | 32,868                  | 27,631                  |
| Under-provision in respect of prior year | <u>13,998</u>           | <u>–</u>                |
| Income tax expense                       | <u><u>46,866</u></u>    | <u><u>27,631</u></u>    |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 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% (2017: 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% (2017: 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:

|  | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit from continuing operations before income tax expense                                | <u>141,281</u>                 | <u>148,033</u>          |
| Tax calculated at the statutory tax rate applicable to profits in the respective countries | <b>38,606</b>                  | 39,018                  |
| Tax effect of share of profit of associates  | <b>(1,533)</b>                 | (1,931)                 |
| Tax effect of differentiated EIT rate  | <b>(8,420)</b>                 | (18,335)                |
| Tax effect of expenses not deductible for tax purposes                                     | <b>4,334</b>                   | 12,478                  |
| Tax effect of revenue not taxable for tax purposes   | <b>(119)</b>                   | (2,602)                 |
| Utilisation of tax losses previously not recognised  | –                              | (997)                   |
| Under-provision in previous year   | <u>13,998</u>                  | –                       |
| Income tax expense   | <u><u>46,866</u></u>           | <u><u>27,631</u></u>    |

## 8. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

|   | 2018                                    |                                 |   | 2017                                    |                                 |   |
|---|---|---------------------------------|---|---|---------------------------------|---|
|   | Before-tax<br>amount<br><i>HK\$'000</i> | Tax benefits<br><i>HK\$'000</i> | Net-of-tax<br>amount<br><i>HK\$'000</i> | Before-tax<br>amount<br><i>HK\$'000</i> | Tax benefits<br><i>HK\$'000</i> | Net-of-tax<br>amount<br><i>HK\$'000</i> |
| Items that may be reclassified<br>subsequently to profit or loss: |   |                                 |   |   |                                 |   |
| Exchange differences on translating<br>foreign operations         | (65,922)                                | -                               | (65,922)                                | 62,592                                  | -                               | 62,592                                  |
| Share of other comprehensive<br>income of associates              | (4,519)                                 | -                               | (4,519)                                 | 5,150                                   | -                               | 5,150                                   |
|   | <u>(70,441)</u>                         | <u>-</u>                        | <u>(70,441)</u>                         | <u>67,742</u>                           | <u>-</u>                        | <u>67,742</u>                           |

## 9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2018 (2017: Nil).

## 10. EARNINGS PER SHARE

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

### Earnings

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Earnings for the purposes of basic and diluted earnings per share | <u>90,960</u>           | <u>116,081</u>          |

### Number of shares

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Issued Share Capital at 1 January   | 1,313,095               | 1,133,095               |
| Placing of new shares   | <u>-</u>                | <u>180,000</u>          |
| Issued Share Capital at 31 December   | <u>1,313,095</u>        | <u>1,313,095</u>        |
| Weighted average number of ordinary share for the purposes of<br>basic and diluted earnings per share calculation | <u>1,313,095</u>        | <u>1,224,820</u>        |

No diluted earnings per share is calculated for the year ended 31 December 2018 as there was no potential diluted ordinary share in existence.

## 11. PROPERTY, PLANT AND EQUIPMENT

|   | Buildings<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Furniture<br>and fixtures<br>HK\$'000 | Electrical<br>appliances<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Power<br>plants<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------|------------------------------------|---------------------------------------|--------------------------------------|---------------------------------|-------------------------------|-----------------------------|---|-------------------|
| <b>Cost or valuation:</b>   |                       |                                    |                                       |                                      |                                 |                               |                             |   |                   |
| At 1 January 2017   | -                     | -                                  | 463                                   | 3,709                                | 299                             | 2,355                         | 161,631                     | 125,840                                 | 294,297           |
| Additions   | 21,719                | -                                  | -                                     | 740                                  | 9                               | 151                           | 2,156                       | 501,963                                 | 526,738           |
| Written off/disposal  | -                     | -                                  | -                                     | (81)                                 | -                               | -                             | -                           | -                                       | (81)              |
| Transfer  | -                     | -                                  | -                                     | -                                    | -                               | -                             | 143,986                     | (143,986)                               | -                 |
| Disposal of subsidiaries  | -                     | -                                  | -                                     | -                                    | (48)                            | -                             | -                           | (5,341)                                 | (5,389)           |
| Exchange alignments   | 821                   | -                                  | 40                                    | 321                                  | -                               | 191                           | 18,271                      | 27,321                                  | 46,965            |
| <b>At 31 December 2017 and<br/>1 January 2018</b>   |                       |                                    |                                       |                                      |                                 |                               |                             |   |                   |
|   | 22,540                | -                                  | 503                                   | 4,689                                | 260                             | 2,697                         | 326,044                     | 505,797                                 | 862,530           |
| Additions   | -                     | 2,138                              | 22                                    | 2,701                                | 14                              | 703                           | 2,020                       | 285,503                                 | 293,101           |
| Written off/disposal  | -                     | -                                  | -                                     | (60)                                 | -                               | -                             | -                           | -                                       | (60)              |
| Transfer  | -                     | 37,639                             | -                                     | 72                                   | -                               | -                             | 734,161                     | (771,872)                               | -                 |
| Exchange alignments   | (1,134)               | (1,573)                            | (26)                                  | (342)                                | -                               | (162)                         | (46,081)                    | (5,632)                                 | (54,950)          |
| At 31 December 2018   | 21,406                | 38,204                             | 499                                   | 7,060                                | 274                             | 3,238                         | 1,016,144                   | 13,796                                  | 1,100,621         |
| <b>Accumulated depreciation<br/>and impairment:</b>   |                       |                                    |                                       |                                      |                                 |                               |                             |   |                   |
| At 1 January 2017   | -                     | -                                  | 270                                   | 1,673                                | 90                              | 1,169                         | 8,765                       | -                                       | 11,967            |
| Charge for the year   | 41                    | -                                  | 88                                    | 473                                  | 45                              | 461                           | 16,635                      | -                                       | 17,743            |
| Written off/disposal  | -                     | -                                  | -                                     | (77)                                 | -                               | -                             | -                           | -                                       | (77)              |
| Deficit on revaluation  | -                     | -                                  | -                                     | -                                    | (5)                             | -                             | -                           | -                                       | (5)               |
| Disposal of subsidiaries  | 2                     | -                                  | 29                                    | 150                                  | -                               | 109                           | 1,314                       | -                                       | 1,604             |
| At 31 December 2017 and<br>1 January 2018   | 43                    | -                                  | 387                                   | 2,219                                | 130                             | 1,739                         | 26,714                      | -                                       | 31,232            |
| Charge for the year   | 300                   | 3,432                              | 54                                    | 828                                  | 50                              | 350                           | 53,869                      | -                                       | 58,883            |
| Written off/disposal  | -                     | -                                  | -                                     | (57)                                 | -                               | -                             | -                           | -                                       | (57)              |
| Exchange alignments   | (14)                  | (136)                              | (22)                                  | (142)                                | -                               | (100)                         | (3,473)                     | -                                       | (3,887)           |
| At 31 December 2018   | 329                   | 3,296                              | 419                                   | 2,848                                | 180                             | 1,989                         | 77,110                      | -                                       | 86,171            |
| <b>Net book value:</b>  |                       |                                    |                                       |                                      |                                 |                               |                             |   |                   |
| At 31 December 2018   | 21,077                | 34,908                             | 80                                    | 4,212                                | 94                              | 1,249                         | 939,034                     | 13,796                                  | 1,014,450         |
| At 31 December 2017   | 22,497                | -                                  | 116                                   | 2,470                                | 130                             | 958                           | 299,330                     | 505,797                                 | 831,298           |
| <b>The balances at end of the<br/>reporting period include<br/>assets held under finance<br/>leases as follows:</b> |                       |                                    |                                       |                                      |                                 |                               |                             |   |                   |
| <b>Net book value:</b>  |                       |                                    |                                       |                                      |                                 |                               |                             |   |                   |
| At 31 December 2018   | -                     | -                                  | -                                     | -                                    | -                               | -                             | 127,116                     | -                                       | 127,116           |
| At 31 December 2017   | -                     | -                                  | -                                     | -                                    | -                               | -                             | 143,616                     | -                                       | 143,616           |

## 12. PREPAID LAND LEASE PAYMENTS

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Carrying amount at the beginning of the year | 23,076                  | 2,747                   |
| Additions                                    | 5,435                   | 20,750                  |
| Amortised for the year                       | (2,573)                 | (1,370)                 |
| Exchange alignments                          | (1,274)                 | 949                     |
|  | <u>24,664</u>           | <u>23,076</u>           |
| Carrying amount at the end of the year       | 24,664                  | 23,076                  |
| Current portion included in prepayments      | (3,508)                 | (2,037)                 |
|  | <u>21,156</u>           | <u>21,039</u>           |
| Non-current portion                          | <u>21,156</u>           | <u>21,039</u>           |

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

|                    | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| PRC                |                         |                         |
| Medium term leases | 19,957                  | 16,950                  |
| Short term leases  | 4,707                   | 6,126                   |
|                    | <u>24,664</u>           | <u>23,076</u>           |

## 13. OTHER FINANCIAL ASSETS (NON-CURRENT)

|                                | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Available-for-sale investments | –                       | 29,273                  |
| Financial assets at FVTPL      | 27,861                  | –                       |
|                                | <u>27,861</u>           | <u>29,273</u>           |

Financial assets at FVTPL represent unlisted equity investments. The fair value of unlisted equity investment is determined based on transaction price and factors or events that have occurred after the acquisition date. Since there is no significant change in market condition or the performance and operation of the investee, the Directors considered the fair value of the unlisted equity securities is approximately the transaction price.

## 14. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018 are as follows:

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

<sup>@</sup> Unless otherwise stated, the place of operations is the place of incorporation.

\* Ordinary shares

*Note: All PRC subsidiaries are corporations with limited liability.*

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.

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.

## 15. INTEREST IN ASSOCIATES

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Share of net assets (including goodwill) | <u>100,492</u>          | <u>95,781</u>           |

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.)                   | <i>Note (i)</i> 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 equipment 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) | <i>Note (ii)</i> PRC. Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC  | 47.13%   |

*Note (i):* 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 equipment, 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<br>Maintenance Co., Ltd |                 | Zhong He Qiqihar Solar<br>Power Generation<br>Company Limited |                 |
|--|--|-----------------|---|-----------------|
|  | 2018   | 2017            | 2018  | 2017            |
|  | <i>HK\$'000</i>                                | <i>HK\$'000</i> | <i>HK\$'000</i>   | <i>HK\$'000</i> |
| As at 31 December  |  |                 |   |                 |
| Current assets   | 436,527  | 444,976         | 2,109   | 6,351           |
| Non-current assets   | 187,301  | 142,049         | 24,877  | 26,019          |
| Current liabilities  | (56,647)                                       | (53,883)        | (14,244)  | (19,201)        |
| Non-current liabilities                                    | —  | —               | —   | —               |
| Year ended 31 December                                     |  |                 |   |                 |
| Revenue  | 1,053,177                                      | 801,005         | 3,373   | 3,221           |
| Profit from continuing operations                          | 86,677   | 77,651          | 245   | 685             |
| Other comprehensive income                                 | (29,125)                                       | 32,638          | (672)   | 936             |
| Total comprehensive income                                 | 57,552   | 110,289         | (427)   | 1,621           |
| Dividends received from associate                          | 3,393  | 3,111           | —   | —               |
| Reconciled to the Group's interests<br>in the associates   |  |                 |   |                 |
| Gross amounts of net assets of<br>the associates           | 567,181  | 533,142         | 12,742  | 13,169          |
| Group's effective interest                                 | 14.43%   | 14.43%          | 47.13%  | 47.13%          |
| Group's share of net assets of<br>the associates           | 81,845   | 76,933          | 6,005   | 6,206           |
| Goodwill   | 12,642   | 12,642          | —   | —               |
| Carrying amount in the consolidated<br>financial statement | 94,487   | 89,575          | 6,005   | 6,206           |

## 16. INVENTORIES

|                | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Finished goods | <u>6,483</u>            | <u>–</u>                |

## 17. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

Amounts represent the Group's rights to consideration from customers for construction work computed but not billed at the end of the reporting date under such contracts. Any amounts previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customers.

|                                       | 31 December<br>2018<br><i>HK\$'000</i> | 1 January<br>2018<br><i>HK\$'000</i> | 31 December<br>2017<br><i>HK\$'000</i> |
|---------------------------------------|--|--------------------------------------|--|
| Contract assets arising from:         |  |                                      |  |
| Construction contracts                | 184,018                                | 380,473                              | –                                      |
| Less: Allowance for impairment losses | <u>(1,902)</u>                         | <u>(1,902)</u>                       | <u>–</u>                               |
|                                       | <u>182,116</u>                         | <u>378,571</u>                       | <u>–</u>                               |

Typical payment terms which impact on the amount of contract assets are as follows:

#### *Construction contracts*

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

|                 | <i>HK\$'000</i> |
|-----------------|-----------------|
| Within one year | <u>184,018</u>  |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix as at 31 December 2018:

|                               |                 |
|-------------------------------|-----------------|
|                               | <b>2018</b>     |
| Expected credit loss rate (%) | <u>0.5%</u>     |
|                               | <i>HK\$'000</i> |
| Gross carrying amount         | 184,018         |
| Expected credit losses        | <u>1,902</u>    |

**(b) Contract liabilities**

Contract liabilities represent the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customer.

|                                    | <b>31 December<br/>2018<br/><i>HK\$'000</i></b> | 1 January<br>2018<br><i>HK\$'000</i> | 31 December<br>2017<br><i>HK\$'000</i> |
|------------------------------------|---|--------------------------------------|--|
| Contract liabilities arising from: |   |                                      |  |
| Construction contracts             | <u>92,312</u>                                   | <u>10,691</u>                        | <u>–</u>                               |

Typical payment terms which impact on the amount of contract liabilities are the receipts in advance for EPC contracts from the customers.

The following table shows how much of the revenue recognised during the year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

|  | <b>2018</b><br><i>HK\$'000</i> |
|--|--------------------------------|
| Balance as at 1 January  | 10,691                         |
| Decrease as a result of revenue recognised during the year   | (10,691)                       |
| Increase as a result of consideration received from the customers under construction contracts during the year | <u>92,312</u>                  |
| Balance as at 31 December  | <u><u>92,312</u></u>           |

*Note:* The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as “Amounts due from customers for contract work” (note 21) and “receipts in advance” (note 26) have been reclassified to “Contract assets” and “Contract liabilities” (note 17) respectively.

## 18. 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. Trade receivables are non-interest bearing.

|                                       | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------|-------------------------|
| Trade receivables                     | 1,437,201                      | 1,337,673               |
| Bills receivables                     | <u>10,225</u>                  | <u>267,654</u>          |
|                                       | 1,447,426                      | 1,605,327               |
| Less: Allowance for impairment losses | <u>(16,025)</u>                | <u>–</u>                |
|                                       | <u><u>1,431,401</u></u>        | <u><u>–</u></u>         |

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

|                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| 0 – 90 days    | <b>464,605</b>                 | 1,105,070               |
| 91 – 180 days  | <b>126,867</b>                 | 147,455                 |
| 181 – 365 days | <b>534,762</b>                 | 215,799                 |
| >365 days      | <b>321,192</b>                 | 137,003                 |
|                | <b>1,447,426</b>               | 1,605,327               |

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

|                               | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-------------------------------|--------------------------------|-------------------------|
| Neither past due nor impaired | <b>1,071,519</b>               | 1,216,956               |
| 0 – 90 days past due          | <b>94,970</b>                  | 201,926                 |
| 91 – 180 days past due        | <b>213,931</b>                 | 46,712                  |
| 181 – 365 days past due       | <b>50,981</b>                  | 139,733                 |
|                               | <b>1,431,401</b>               | 1,605,327               |

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\$10,652,000 (2017: HK\$32,050,000) which represents amounts due from fellow subsidiaries and an associate of the Company arising from EPC and consultancy operations.

As at 31 December 2018, retention held by customers for contract work amounted to approximately HK\$22,903,000 (2017: HK\$96,619,000). The retention receivables are unsecured, interest-free and recoverable at the end of the retention period of individual contracts, ranging from three to six months from the date of the completion of the respective project.

## 19. LOAN RECEIVABLES

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loan receivable comprise:                       |                         |                         |
| Within 1 year                                   | 9,681                   | 6,594                   |
| In the second to fifth years, inclusive         | 26,816                  | 26,975                  |
| After 5 years                                   | <u>11,386</u>           | <u>14,387</u>           |
| Total loan receivable                           | 47,883                  | 47,956                  |
| Deduct: Portion classified under current assets | <u>(9,681)</u>          | <u>(6,594)</u>          |
| Non-current assets                              | <u><u>38,202</u></u>    | <u><u>41,362</u></u>    |

Loan receivable as at 31 December 2018 represented loans to a third parties which were secured, interest bearing at 6% to 7% (2017: 7%) per annum and repayable in three to eight years (2017: nine years).

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Prepayments       | 97,220                  | 148,440                 |
| Deposits          | 19,166                  | 84,684                  |
| Other receivables | <u>216,271</u>          | <u>72,175</u>           |
|                   | <u><u>332,657</u></u>   | <u><u>305,299</u></u>   |

As at 31 December 2018, included in other receivables of approximately HK\$59,945,000 (RMB\$50,000,000) represented the deposit paid for the loan of approximately HK\$119,890,000 (RMB100,000,000) borrowed from 中核投資有限公司 (transliterated as China Nuclear Investment Company Limited), an intermediate holding company of the Company.

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.

## 21. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Contract cost incurred plus recognised profits | 1,692,075               | 1,382,025               |
| Less: progress billing                         | <u>(1,508,057)</u>      | <u>(1,001,552)</u>      |
|  | <u><b>184,018</b></u>   | <u><b>380,473</b></u>   |
| Represented by:                                |                         |                         |
| Amounts due from customers for contract work   | <u>–</u>                | <u>380,473</u>          |
| Contract assets ( <i>note 17(a)</i> )          | <u><b>184,018</b></u>   | <u>–</u>                |

## 22. 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 ranging from seven to eight years with interest rate ranging from 5.3% to 5.4% (2017: 5.3% to 5.4%) per annum.

|   | Minimum lease payments  |                         | Present value of minimum<br>lease payments |                         |
|---|-------------------------|-------------------------|--|-------------------------|
|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i>                    | 2017<br><i>HK\$'000</i> |
| Finance lease receivables comprise:     |                         |                         |  |                         |
| Within one year                         | 80,394                  | 77,628                  | 56,870                                     | 52,372                  |
| In the second to fifth years, inclusive | 340,132                 | 322,207                 | 280,175                                    | 251,855                 |
| After five years                        | <u>125,016</u>          | <u>200,741</u>          | <u>118,793</u>                             | <u>187,090</u>          |
|   | 545,542                 | 600,576                 | <u><b>455,838</b></u>                      | <u><b>491,317</b></u>   |
| Less: unearned finance income           | <u>(89,704)</u>         | <u>(109,259)</u>        |  |                         |
| Total net finance lease receivables     | <u><b>455,838</b></u>   | <u><b>491,317</b></u>   |  |                         |
|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |  |                         |
| Analysed for reporting purposes as:     |                         |                         |  |                         |
| Current assets                          | 56,870                  | 52,372                  |  |                         |
| Non-current assets                      | <u>398,968</u>          | <u>438,945</u>          |  |                         |
|   | <u><b>455,838</b></u>   | <u><b>491,317</b></u>   |  |                         |

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

### 23. PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK\$302,455,000 (2017: HK\$194,260,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carry interest at fixed rates ranging from 0.3% to 1.95% per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Pledged bank deposits denominated in RMB amounted to approximately HK\$302,455,000 (2017: HK\$194,260,000) as at 31 December 2018. The RMB is not freely convertible into other currencies.

### 24. CASH AND CASH EQUIVALENTS

**Cash and cash equivalents comprise:**

|                        | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|------------------------|--------------------------------|-------------------------|
| Cash and bank balances | <u><b>415,874</b></u>          | <u>320,285</u>          |

At 31 December 2018, cash and cash equivalents with banks in the PRC amounted to approximately HK\$311,062,000 (2017: HK\$264,462,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

### 25. TRADE AND BILLS PAYABLES

|                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Trade payables | <b>876,593</b>                 | 1,168,954               |
| Bills payables | <u><b>477,401</b></u>          | <u>862,305</u>          |
|                | <u><b>1,353,994</b></u>        | <u>2,031,259</u>        |

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

|                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| 0 – 90 days    | <b>332,791</b>                 | 1,375,190               |
| 91 – 180 days  | <b>216,373</b>                 | 79,407                  |
| 181 – 365 days | <b>690,327</b>                 | 492,028                 |
| >365 days      | <b>114,503</b>                 | 84,634                  |
|                | <b>1,353,994</b>               | 2,031,259               |

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

## 26. OTHER PAYABLES AND ACCRUALS

|                     | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------|--------------------------------|-------------------------|
| Receipts in advance | –                              | 10,691                  |
| Other payables      | <b>189,887</b>                 | 234,418                 |
| Accruals            | <b>29,659</b>                  | 11                      |
|                     | <b>219,546</b>                 | 245,120                 |

As at 31 December 2018, included in other payables of (i) approximately HK\$10,874,000 (RMB9,550,000) (2017: approximately HK\$11,449,000 (RMB9,550,000)) 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) approximately HK\$51,237,000 (RMB45,000,000) (2017: HK\$119,890,000 (RMB100,000,000)) which represents an unsecured interest bearing loan from 中核投資有限公司 (transliterated as China Nuclear Investment Company Limited), an intermediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum.

As at 31 December 2017, included in other payables of approximately HK\$59,945,000 (RMB50,000,000) represents an loan from immediate holding company of the Company, which was unsecured and bearing interest at prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum.

## 27. BANK AND OTHER BORROWINGS

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Current</b>                                   |                         |                         |
| Short-term bank loans, secured                   | 559,347                 | 217,281                 |
| Short-term bank loans, unsecured                 | 468,500                 | 60,000                  |
| Long-term bank loans, secured, current portion   | 177,012                 | 26,653                  |
| Long-term bank loans, unsecured, current portion | –                       | 250,000                 |
| Other borrowing, secured, current portion        | 29,513                  | 20,105                  |
|  | <u>1,234,372</u>        | <u>574,039</u>          |
| <b>Non-current</b>                               |                         |                         |
| Long-term bank loans, secured                    | 204,963                 | 243,187                 |
| Other borrowing, secured                         | 237,135                 | 214,879                 |
|  | <u>442,098</u>          | <u>458,066</u>          |
| Total bank and other borrowings                  | <u><u>1,676,470</u></u> | <u><u>1,032,105</u></u> |

Bank and other borrowings are secured by (i) corporate guarantee provided by the subsidiaries and fellow subsidiaries of the Company; and (ii) finance lease receivables amounted to HK\$280,169,000 (2017: HK\$331,570,000).

All bank loans bear interest at floating rates, with effective interest rates ranging from 2.0% to 5.9% (2017: 1.9% to 4.9%) per annum. The carrying amounts of bank borrowings approximate their fair values.

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

|      | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|------|-------------------------|-------------------------|
| HK\$ | 410,000                 | 310,000                 |
| RMB  | 1,012,957               | 577,957                 |
| USD  | 214,500                 | 106,640                 |
| EUR  | 39,013                  | 37,508                  |
|      | <u>1,676,470</u>        | <u>1,032,105</u>        |

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

|   | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| On demand or within one year                      | <b>1,234,372</b>               | 324,039                 |
| More than one year, but not exceeding two years   | <b>305,798</b>                 | 302,686                 |
| More than two years, but not exceeding five years | <b>78,855</b>                  | 360,015                 |
| After five years                                  | <b>57,445</b>                  | 45,365                  |
|   | <b>1,676,470</b>               | 1,032,105               |

## 28. OBLIGATION UNDER FINANCE LEASE

The Group has an obligation under finance lease on certain property, plant and equipment in the PRC. The lease is classified as finance lease and has remaining lease term of six years with interest rate at 5.1% per annum.

|   | <b>Minimum lease payments</b>  |                         | <b>Present value of minimum lease payments</b> |                         |
|---|--------------------------------|-------------------------|--|-------------------------|
|   | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> | <b>2018</b><br><i>HK\$'000</i>                 | 2017<br><i>HK\$'000</i> |
| Amounts payable under finance lease:    |                                |                         |  |                         |
| Within one year                         | <b>18,094</b>                  | 19,012                  | <b>13,381</b>                                  | 13,378                  |
| In the second to fifth years, inclusive | <b>72,800</b>                  | 76,472                  | <b>61,017</b>                                  | 61,004                  |
| After five years                        | <b>27,496</b>                  | 48,189                  | <b>26,348</b>                                  | 45,078                  |
|   | <b>118,390</b>                 | 143,673                 | <b>100,746</b>                                 | 119,460                 |
| Less: future finance charges            | <b>(17,644)</b>                | (24,213)                |  |                         |
| Total obligation under finance lease    | <b>100,746</b>                 | 119,460                 |  |                         |

|                                     | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Analysed for reporting purposes as: |                         |                         |
| Current liabilities                 | 13,381                  | 13,378                  |
| Non-current liabilities             | <u>87,365</u>           | <u>106,082</u>          |
|                                     | <u><u>100,746</u></u>   | <u><u>119,460</u></u>   |

The Group's obligation under finance lease is denominated in Renminbi ("RMB").

## 29. BUSINESS ACQUISITION DURING THE YEAR

On 18 July 2018, the Group acquired 60% of the voting equity instruments of 江蘇中核寶原建設有限公司, a company whose principal activity is provision of construction services, at a consideration of approximately HK\$1,241,000 (RMB1,090,000). The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

The provisional fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

|   | <i>HK\$'000</i>     |
|---|---------------------|
| Trade and bills receivables                           | 228                 |
| Contract assets                                       | 51,878              |
| Prepayment, deposits and other receivables            | 7,806               |
| Trade and bills payables                              | (49,327)            |
| Other payables and accruals                           | (7,592)             |
| Tax payable   | <u>(843)</u>        |
| The provisional fair value of consideration transfer: | 2,150               |
| Non-controlling interests                             | <u>(909)</u>        |
| Total consideration                                   | <u><u>1,241</u></u> |
| Satisfied by:   |                     |
| Cash  | <u><u>1,241</u></u> |

No goodwill is recognised from the above acquisition.

Had the business combination taken place on 1 January 2018, revenue and net profit of the Group for the year ended 31 December 2018 would have been approximately HK\$2,310,227,000 and HK\$96,246,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Investee been completed on 1 January 2018 nor are they intended to be a projection of future results.

### 30. 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 2018 and 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Within one year                         | 8,177                   | 7,048                   |
| In the second to fifth years, inclusive | <u>7,558</u>            | <u>4,739</u>            |
|   | <u><u>15,735</u></u>    | <u><u>11,787</u></u>    |

### 31. CAPITAL COMMITMENT

As at 31 December 2018, the Group did not have any capital commitments (2017: Nil).

### 32. 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

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Transaction with immediate holding company<br>– Loan interest expense ( <i>note (i)</i> )   | <u>869</u>              | <u>–</u>                |
| Transaction with intermediate holding company<br>– Loan interest expense ( <i>note (ii)</i> )   | <u>4,031</u>            | <u>503</u>              |
| Transaction with immediate holding company and the<br>ultimate holding company's indirect joint venture<br>– Loan interest income ( <i>note (iii)</i> ) | <u>–</u>                | <u>4,068</u>            |

*Notes:*

- (i) In 2017, the Group borrowed from the immediate holding company of the Company with the sum of approximately HK\$59,945,000 (RMB50,000,000) which is unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum. The loan was fully repaid during the year.
- (ii) In 2017, the Group borrowed from 中核投資有限公司 (transliterated as China Nuclear Investment Company Limited), an intermediate holding company of the Company with the sum of approximately HK\$119,890,000 (RMB100,000,000) which is unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum and repayable on demand. The Group repaid RMB55,000,000 during the year.
- (iii) In 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 approximately HK\$111,125,000 (RMB100,000,000) 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 PBOC 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. The loan was fully repaid in 2017.

**c. Compensation of key management personnel of the Group:**

|   | <b>2018</b>            | 2017            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Short term employee benefits                        | <b>7,984</b>           | 6,223           |
| Pension scheme contribution                         | <b>108</b>             | 84              |
| Total compensation paid to key management personnel | <b>8,092</b>           | 6,307           |

## **CORPORATE GOVERNANCE**

The board (the “**Board**”) of directors (the “**Director**”) of China Nuclear Energy Technology Corporation Limited (the “**Company**”) has committed to achieving high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

To the best knowledge and belief of the Directors, the Company has complied with all applicable code provisions of the CG Code throughout the year ended 31 December 2018.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2018.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted its own code of conduct regarding Directors’ dealings in the Company’s securities (the “**Code of Conduct**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct and the Model Code throughout the year ended 31 December 2018.

The Company has also established written guidelines no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## **AUDIT COMMITTEE**

The Company has an audit committee (the “**Audit Committee**”) which was established in compliance with rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and risk management and internal controls.

The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, BDO Limited, to the amounts set out in the audited financial statements.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018.

## **ANNUAL GENERAL MEETING**

The annual general meeting ("AGM") of the Company will be held on Friday, 17 May 2019 at 3:00 pm. Notice of AGM will be published and issued to shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM to be held on Friday, 17 May 2019, the register of members of the Company will be closed from Tuesday, 14 May 2019 to Friday, 17 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 May 2019.

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

Hong Kong, 14 March 2019

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