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 2019

FINANCIAL HIGHLIGHTS

	Financial year ended		
	2019	2018	Change
Year ended 31 December	***HK$'000***	*HK$'000*	
Revenue	**2,892,578**	2,256,268	28.2%
Profit for the year	**104,021**	94,415	10.2%
Basic and diluted earnings per share *(HK cents per share)*	**7.37**	6.93	6.3%
	2019	2018	
As at 31 December	***HK$'000***	*HK$'000*	
Total assets	**5,686,376**	4,338,666	31.1%
Net assets	**936,878**	881,669	6.3%

BUSINESS REVIEW

For the year ended 31 December 2019, overall revenue increased by approximately 28.2% to HK$2,892,578,000 (2018: HK$2,256,268,000), primarily generated by the engineering, procurement and construction ("**EPC**") and consultancy and general construction business segment. The Group's profit for the year was HK$104,021,000 (2018: HK$94,415,000), representing an increase of approximately 10.2% as compared to that of last year. The increase in profit was mainly due to the power generation segment of the Group which brings in positive impact, mainly from the contribution of Jiangsu Taizhou photovoltaic power stations and certain photovoltaic power stations operated during the year, these Group's self-owned photovoltaic power stations have formed certain scale and generated stable revenue. This business segment recorded an increase of net profit of 39.0% as compared with 2018.

EPC and Consultancy and General Construction

In 2019, photovoltaic power and wind power entered a grid-parity and competitive bidding era, and gradually manipulated their development onto the right track. The Group enhanced its market development efforts to seize this opportunity. Revenue of the EPC and consultancy and general construction segment was recognised based on stage of completion of the projects. Segment sales to external customers increased by approximately 33.3% to HK$2,306,824,000 (2018: HK$1,731,036,000), the improvement of segment revenue was primarily attributable to projects with significant percentage of completion were recognised during the year. Nevertheless, the grid-parity and competitive bidding system facilitates reduction in overall costs of photovoltaic projects. The EPC and consultancy and general construction segment recorded segment result (before tax and finance cost) of HK$139,795,000 (2018: HK$166,307,000) this year, representing a year-on-year decrease of approximately 15.9%. The Group has effectively coped with the "grid-parity" pressure through project management enhancement and cost control.

In 2019, the Group continues to actively diversify its EPC and consultancy and general construction segment to new business portfolios in other renewable energy segments such as wind power and other general engineering, procurement and construction segment.

The newly acquired construction and engineering company in 2018 which qualified in building and municipal public works, being granted with a number of governmental housing projects and municipal engineering projects by virtue of its numerous building and installation construction qualifications, also contributed significantly to this business segment in 2019, with revenue of HK$568,916,000 (2018: HK$185,292,000), representing an increase of more than 200% as compared to last year.

Manufacturing and Trading

The module plant of the Group in Peixian of Xuzhou commenced its operation in 2018 and recorded segment sales to external customers of HK$388,658,000 (2018: HK$377,539,000), representing an increase of approximately 2.9%, and segment results (before tax and finance cost) of HK$1,114,000 (2018: HK$9,893,000), representing a decrease of approximately 88.7%, for the year ended 31 December 2019. The module plant was principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules. This business segment also faced challenges during 2019, mainly due to the relative decrease in number of sales contracts for solar photovoltaic modules, which led to a relative increase in costs. However, with the commencement of production, the accumulation of production experience and performance and more normative efforts being devoted to the module plant, the module plant has obtained CQC certification, Frontrunner certification, ISO and OHSAS certifications and also implemented the ERP system to further enhance its market competitiveness and lay a solid foundation for its subsequent increased production orders and market exploitation.

Power Generation

As at 31 December 2019, the Group owned and operated a total installed capacity of 163.39MW solar photovoltaic power stations and rooftop distributed solar photovoltaic power facilities in Jiangsu, Hebei and Yunnan, generating electricity income for the Group. In 2019, the Group participated in the construction and development of wind power projects in Liangji Town and Weiji Town in Jiangsu Province, the PRC with a total capacity of 145MW. Details of the wind power projects were included in the circular of the Company dated 27 November 2019. The wind power projects were still under construction and development during the year, it is expected to generate revenue and contribute the power generation segment in 2020. This segment achieved an impressive year-on-year revenue growth of approximately 42.4%, contributing HK$169,803,000 (2018: HK$119,206,000) to the Group's revenue in 2019 and segment result (before tax and finance cost) increased approximately 27.6% to HK$74,008,000 (2018: HK$58,001,000).

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 board of 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 2019, the Group's finance leasing business recorded segment sales to external customers of HK$27,293,000 (2018: HK$28,487,000) 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 2019, there was no default repayment by customers recorded for the Group's financing segment.

Business Prospect

Being one of the seasoned players of EPC and consultancy in PRC new energy-based 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 solar photovoltaic power projects and is searching for other potential wind 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 endeavour 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 28.2% from HK$2,256,268,000 for the year ended 31 December 2018 to HK$2,892,578,000 for the year ended 31 December 2019. The increase was primarily due to additional revenue generated from the business segments of power generation and EPC and consultancy and general construction during the year. Profit attributable to owners of the Company amounted to HK$96,820,000, which represented a year-on-year increase of 6.4% when compared with 2018. Basic earnings per share for the year ended 31 December 2019 was at HK7.37 cents when compared with HK6.93 cents recorded for the year ended 31 December 2018.

Revenue

During the year under review, the Group achieved revenue of HK$2,892,578,000 (2018: HK$2,256,268,000), representing an increase of 28.2% as compared to that of last year. Composition of revenue for the year ended 31 December 2019 and 2018 is shown in the following table:

Year ended 31 December

	2019		2018	
	HK$'000	**Percentage of the Group's total revenue**	*HK$'000*	Percentage of the Group's total revenue
EPC and consultancy and general construction	**2,306,824**	**79.8%**	1,731,036	76.7%
Power generation	**169,803**	**5.8%**	119,206	5.3%
Financing	**27,293**	**1.0%**	28,487	1.3%
Manufacturing and trading	**388,658**	**13.4%**	377,539	16.7%
Total	**2,892,578**	**100.0%**	2,256,268	100.0%

For the year ended 31 December 2019, EPC and consultancy and general construction segment remained the principal source of the Group's revenue which contributed HK$2,306,824,000 (2018: HK$1,731,036,000), representing an increase of approximately 33.3% as compared to that of 2018. The increase in revenue was attributable to EPC and consultancy and general construction projects with significant percentage of completion were recognised during the year. Manufacturing and trading segment became the second largest revenue generator of the Group since its commencement of operation in 2018 and achieved a revenue of HK$388,658,000 (2018: HK$377,539,000), contributing to 13.4% (2018: 16.7%) of the Group's overall revenue for the year. Benefited from an addition of 7.39MW self-owned and self-operated solar power facilities connected to the national grid in 2019 and the existing solar power facilities have formed certain scale, revenue derived from power generation segment achieved a growth of approximately 42.4% to HK$169,803,000 (2018: HK$119,206,000). Revenue from financing segment dropped approximately 4.2% to HK$27,293,000 (2018: HK$28,487,000) as the Group has focused on intragroup financial leasing projects during the year.

Profit

Profit for the year ended 31 December 2019 amounted to HK$104,021,000 (2018: HK$94,415,000), representing an increase of approximately 10.2% as compared to that of 2018. The increase in profit was mainly due to the power generation segment of the Group which brings in positive impact, mainly from the contribution of Jiangsu Taizhou photovoltaic power stations and certain photovoltaic power stations operated during the year, these Group's self-owned photovoltaic power stations have formed certain scale and generated stable revenue. This business segment recorded an increase of net profit of 39.0% as compared with 2018. The net profit margin of the Group decreased to 3.6% (2018: 4.2%). 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 2019 increased by approximately 6.4% to HK$96,820,000 (2018: HK$90,960,000) and basic earnings per share was HK7.37 cents (2018: HK6.93 cents).

Other income and gains

Other income and gains for the year ended 31 December 2019 amounted to HK$10,904,000 (2018: HK$3,487,000) which was primarily derived from interest and sundry income. Details of other income and gains are set out in note 4 to the financial statements.

Cost of sales and construction costs

Cost of sales and construction costs for the year ended 31 December 2019 amounted to HK$1,795,521,000 (2018: HK$1,692,097,000) and HK$741,299,000 (2018: HK$200,870,000) respectively, representing corresponding increase of 6.1% and 269.0%. Such increase was primarily due to EPC and consultancy and general construction projects of larger scale were secured and completed during the year which increased the respective projects cost of sales and construction costs.

Staff Costs

The decrease in staff costs by approximately 9.6% to HK$48,651,000 (2018: HK$53,833,000) was due to cost control, salary adjustment for new staff, and competitiveness of labour force market conditions.

Depreciation

Depreciation of the Group increased by approximately 53.0% to HK$90,071,000 (2018: HK$58,883,000) as a result of the increase in number of solar photovoltaic power plants and facilities invested and constructed by the Group 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, research and development fees and travelling expenses which amounted to HK$63,742,000 (2018: HK$63,171,000) for the year ended 31 December 2019, representing an increase of approximately 0.9% as compared to that of last year.

Finance Costs

Finance costs primarily represented by interest expenses on bank and other borrowings. Finance costs for the year ended 31 December 2019 decreased by approximately 14.6% to HK$53,169,000 (2018: HK$62,243,000) which was mainly due to lower average interest rate, the decrease in interest on lease liabilities upon the settlement of previous year's finance lease in current year and the decrease in average outstanding bank and other borrowings during the year. Taking into account the capital intensive nature of the energy industry whereby (i) the Group enlarged its investment in possessing and operating power stations and facilities in PRC for power generation income; and (ii) the business practice of the EPC market in PRC that the Group is required to pay upfront the expenses for purchasing parts, components and equipment for customers, as a result, the bank and other borrowings secured by the Group increased for the expansion of EPC and consultancy and general construction and power generation businesses.

Income tax expense

For the year ended 31 December 2019, income tax expense of the Group decreased by approximately 47.7% to HK$24,507,000 (2018: HK$46,866,000). The decrease was mainly due to an under-provision in respect of 2017 recognised during 2018 and higher enterprise income tax rate of 25% in 2018 of a subsidiary, which accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and authorities in the PRC for a term of three years from 2017 to 2019. This subsidiary was unable to fulfill the basic annual requirement for the entitlement of the reduced 15% enterprise income tax rate during 2017 and 2018. During the year, the Group has engaged a PRC tax adviser to determine the subsidiary's eligibility for the reduced 15% enterprise income tax rate. According to the tax report, it is probable that the subsidiary fulfilled the basic annual requirement and eligible for the reduced 15% enterprise income tax rate for the year ended 31 December 2019. The effective tax rate applicable to the profit of the Group for the year ended 31 December 2019 was 19.1% (2018: 33.2%).

Financial Position

As at 31 December 2019, total assets of the Group were HK$5,686,376,000 (2018: HK$4,338,666,000), representing an increase of approximately 31.1% as compared to that of 2018. In particular, current assets increased by approximately 53.6% to HK$4,206,117,000 (2018: HK$2,737,537,000) and non-current assets decreased by approximately 7.5% to HK$1,480,259,000 (2018: HK$1,601,129,000). After a vigorous increase of property, plant and equipment in 2018 for the development of self-owned and self-operated rooftop distributed photovoltaic power generation facilities, the growth of assets for the Group slowed down during the year.

Total liabilities at 31 December 2019 were HK$4,749,498,000 (2018: HK$3,456,997,000), an increase by approximately 37.4% as compared to that of 2018. In particular, current liabilities at 31 December 2019 were HK$3,962,554,000 (2018: HK$2,927,534,000), an increase of approximately 35.4% as compared to that of 2018, which was principally due to the increase in bank and other borrowings and trade and bills payables. Non-current liabilities were HK$786,944,000 (2018: HK$529,463,000), an increase of approximately 48.6% as compared to that of 2018 as a result of the increase in long-term bank and other borrowings.

Total equity attributable to owners of the Company as at 31 December 2019 was HK$928,762,000 (31 December 2018: HK$866,872,000), an increase of 7.1% as compared with that of 2018, primarily resulting from the contribution of the total comprehensive income for the year.

Liquidity, Financial Resources and Gearing

As at 31 December 2019, net current assets of the Group amounted to HK$243,563,000 (2018: net current liabilities of HK$189,997,000). Besides, the Group maintained cash and cash equivalents of HK$448,553,000 (2018: HK$415,874,000), of which approximately 2% was in Hong Kong dollars, 75% was in RMB, 22% was in United States dollars and 1% was in Eurodollars. (31 December 2018: approximately 25% was in Hong Kong dollars, 61% was in RMB, 14% was in United States dollars). As at 31 December 2019, the Group had outstanding bank and other borrowings of HK$2,484,520,000 (2018: HK$1,676,470,000), of which approximately 18% was in Hong Kong dollars, 72% was in RMB, 8% was in United States dollars and 2% was in Eurodollars (31 December 2018: approximately 24% was in Hong Kong dollars, 61% was in RMB, 13% was in United States dollars and 2% was in Eurodollars). All of the Group's borrowings were arranged on floating rate basis with effective interest rates ranged from 2.0% to 6.3% per annum (2018: ranged from 2.0% to 5.9% 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 banks. Under the Hong Kong Accounting Standards, the Group 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 2019 in accordance with the settlement term. Of the total bank and other borrowings as at 31 December 2019, HK$1,699,801,000 (31 December 2018: HK$1,234,372,000) was loans repayable within one year and the balance of HK$784,719,000 (31 December 2018: HK$442,098,000) was repayable more than one year.

As at 31 December 2019, included in other payables of approximately HK$100,575,000 (equivalent to RMB90,000,000) (2018: approximately HK$51,237,000 (equivalent to RMB45,000,000)) which represents an unsecured interest bearing loan from 中核投資有限公司 (translated as China Nuclear Investment Company Limited ("CNICL")), 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 The People's Bank of China ("PBOC") multiplied by (1+20%) per annum.

As at 31 December 2018, included in other payables of approximately HK$10,874,000 (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. The amount was fully repaid during the year.

The Group's gearing ratio was 2.77 (2018: 2.09), 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, obligation under finance lease and lease liabilities.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*	**2,892,578**	2,256,268
Other income and gains	*4*	**10,904**	3,487
Cost of sales		**(1,795,521)**	(1,692,097)
Construction costs		**(741,299)**	(200,870)
Staff costs		**(48,651)**	(53,833)
Depreciation		**(90,071)**	(58,883)
Other operating expenses		**(63,742)**	(63,171)
Finance costs	*5*	**(53,169)**	(62,243)
Share of results of associates, net		**17,499**	12,623
Profit before income tax expense	*6*	**128,528**	141,281
Income tax expense	*7*	**(24,507)**	(46,866)
Profit for the year		**104,021**	94,415
Other comprehensive income for the year, net of tax	*8*		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(24,597)**	(65,922)
Share of other comprehensive income of associates		**(1,871)**	(4,519)
		(26,468)	(70,441)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Total comprehensive income for the year		**77,553**	23,974
Profit for the year attributable to:			
Owners of the Company		**96,820**	90,960
Non-controlling interests		**7,201**	3,455
		104,021	94,415
Total comprehensive income attributable to:			
Owners of the Company		**77,553**	21,830
Non-controlling interests		**–**	2,144
		77,553	23,974
Earnings per share			
– basic and diluted (HK cents per share)	*10*	**7.37**	6.93

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**946,290**	1,014,450
Prepaid land lease payments	*12*	**–**	21,156
Right-of-use assets	*27*	**28,217**	–
Financial assets at fair value through profit or loss	*13*	**28,139**	27,861
Interest in associates	*15*	**110,735**	100,492
Finance lease receivables	*21*	**333,930**	398,968
Loan receivables	*19*	**32,948**	38,202
		1,480,259	1,601,129
Current assets			
Inventories	*16*	**4,875**	6,483
Trade and bills receivables	*18*	**1,591,104**	1,431,401
Loan receivables	*19*	**15,167**	9,681
Prepayments, deposits and other receivables	*20*	**758,419**	332,657
Contract assets	*17(a)*	**848,636**	182,116
Finance lease receivables	*21*	**57,644**	56,870
Pledged bank deposits	*22*	**481,719**	302,455
Cash and cash equivalents	*23*	**448,553**	415,874
		4,206,117	2,737,537
Less: Current liabilities			
Trade and bills payables	*24*	**1,890,080**	1,353,994
Other payables and accruals	*25*	**309,834**	219,546
Contract liabilities	*17(b)*	**45,384**	92,312
Bank and other borrowings	*26*	**1,699,801**	1,234,372
Obligation under finance lease	*27*	**–**	13,381
Lease liabilities	*27*	**4,338**	–
Tax payable		**13,117**	13,929
		3,962,554	2,927,534
Net current assets/(liabilities)		**243,563**	(189,997)
Total assets less current liabilities		**1,723,822**	1,411,132

	Notes	**2019** HK$'000	2018 HK$'000
Less: Non-current liabilities			
Obligation under finance lease	*27*	**–**	87,365
Bank and other borrowings	*26*	**784,719**	442,098
Lease liabilities	*27*	**2,225**	–
		786,944	529,463
Net assets		**936,878**	881,669
Capital and reserves			
Share capital		**131,309**	131,309
Reserves		**797,453**	735,563
Equity attributable to owners of the Company		**928,762**	866,872
Non-controlling interests		**8,116**	14,797
Total equity		**936,878**	881,669

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

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 2019, 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 中國核工業集團有限公司 (transliterated as "China National Nuclear Corporation") ("CNNC") 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 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering and Construction Group Corporation Limited") ("CNECG")) that CNECG and CNNC have entered into a merger agreement, pursuant to which CNECG was merged with and into CNNC (the "Merger"). As a result of the Merger, CNECG was dissolved and deregistered and CNNC survived, and all of the assets, liabilities, businesses, contracts, qualifications and other rights and obligations of CNECG vested 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, CNECG, 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 was 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.

On 17 May 2019, the Company is informed by China Nuclear Investment Company Limited (中核投資有限公司, "CNICL"), which is the controlling shareholder of China He (HK), that CNICL has completed the procedures on the industrial and commercial registration (the "Registration") for the change of shareholder as part of the procedures under the Merger. Following the completion of the Registration, the entire equity interests of CNICL are held by CNNC and China He (HK) has become an indirect wholly-owned subsidiary of CNNC whereby SASAC remains the de facto controller of the Company.

As at the date of this announcement, China He (HK), is interested in 400,000,000 ordinary shares of the Company, representing approximately 30.46% of the issued shares 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 HKFRSs – effective 1 January 2019

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

A. HKFRS 16 "Leases"

The impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 "Operating Leases-Incentives" ("HK(SIC)-Int 15") and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" ("HK(SIC)-Int 27"). From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets	166,217
Right-of-use assets presented in property, plant and equipment	(127,116)
Right-of-use assets presented in prepaid land lease payments (non-current)	(21,156)
Prepayments, deposits and other receivables*	(5,310)
Lease liabilities (non-current)	94,039
Lease liabilities (current)	19,342
Obligation under finance lease (non-current)	(87,365)
Obligation under finance lease (current)	(13,381)

* *Prepayments, deposits and other receivables included HK$3,508,000 of current portion of prepaid land lease payment which is reclassified as right-of-use assets as at 1 January 2019.*

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 31 December 2018	15,735
Less: short-term leases for which lease terms end within 31 December 2019	(2,231)
Less: leases of low-value assets	(88)
Less: future interest expenses	(781)
Operating lease liabilities recognised as at 1 January 2019	12,635
Add: obligation under finance lease recognised as at 31 December 2018	100,746
Total lease liabilities as of 1 January 2019	113,381

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 5.2%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, buildings which is held for own use would continue to be accounted for under HKAS 16 "Property, Plant and Equipment" ("HKAS 16") and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased majority of its solar power plants which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

B. 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.

C. 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 ("FVOCI") if specified conditions are met – instead of at fair value through profit or loss ("FVTPL").

D. Amendments to HKAS 19 – Plan Amendments, Curtailments or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

E. Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 "Financial Instruments" ("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 "Investment in Associates".

F. 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.

G. ***Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11 "Joint Arrangement"***

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 "Joint Arrangement" 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.

H. ***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 HKAS 12 "Income Taxes" 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.

I. ***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 HKAS 23 "Borrowing Costs" 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.

(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 consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 "Insurance Contracts"

HKFRS 17 "Insurance Contracts" will replace HKFRS 4 "Insurance Contracts" 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 consolidated 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 (2018: 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 and general construction segment comprises the Group's EPC and consulting services operations relating to construction of photovoltaic power plant and general construction services;
- 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 2019 except for the interest in associates amounted to HK$110,735,000 (2018: HK$100,492,000), property, plant and equipment amounted to HK$946,290,000 (2018: HK$1,014,450,000), right-of-use assets amounted to HK$28,217,000 (2018: HK$Nil) and prepaid land lease payments amounted to HK$Nil (2018: HK$21,156,000) 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 and general construction segment of HK$725,928,000 and HK$178,731,000 (2018: HK$457,610,000 and HK$190,842,000) arose from the Group's first and second largest customers. For the year ended 31 December 2019, except for the above first and second largest customers, there was one customer (2018: no customer) of the Group's EPC and consultancy and general construction segment with revenue represents more than 10% of the Group's revenue.

	EPC and Consultancy and General Construction HK$'000	Power Generation HK$'000	Financing HK$'000	Manufacturing and trading business HK$'000	All other Segments HK$'000	Total HK$'000
Year ended 31 December 2019						
Segment revenue:						
Sales to external customers	**2,306,824**	**169,803**	**27,293**	**388,658**	**–**	**2,892,578**
Intersegment sales	**–**	**–**	**46,623**	**–**	**–**	**46,623**
Other income and gains	**1,210**	**1,672**	**34**	**653**	**–**	**3,569**
Reportable segment revenue	**2,308,034**	**171,475**	**73,950**	**389,311**	**–**	**2,942,770**
Reconciliation:						
Elimination of intersegment sales						**(46,623)**
Consolidated revenue						**2,896,147**
Segment results	**139,795**	**74,008**	**(25,726)**	**1,114**	**(32,328)**	**156,863**
Reconciliation:						
Bank interest income						**7,335**
Finance costs						**(53,169)**
Share of results of associates, net						**17,499**
Profit before income tax expense						**128,528**
Income tax expense						**(24,507)**
Profit for the year						**104,021**

	EPC and Consultancy and General Construction HK$'000	Power Generation HK$'000	Financing HK$'000	Manufacturing and trading business HK$'000	All other Segments HK$'000	Total HK$'000
Year ended 31 December 2018						
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
Reportable segment revenue	1,731,884	119,206	56,279	377,539	2	2,284,910
Reconciliation:						
Elimination of intersegment sales						(27,789)
Consolidated revenue						2,257,121
Segment results	166,307	58,001	(16,665)	9,893	(29,269)	188,267
Reconciliation:						
Bank interest income						2,634
Finance costs						(62,243)
Share of results of associates, net						12,623
Profit before income tax expense						141,281
Income tax expense						(46,866)
Profit for the year						94,415

	EPC and Consultancy and General Construction *HK$'000*	Power Generation *HK$'000*	Financing *HK$'000*	Manufacturing and trading business *HK$'000*	All other Segments *HK$'000*	Total *HK$'000*
At 31 December 2019						
Segment assets	**3,224,619**	**1,557,091**	**698,386**	**73,019**	**22,526**	**5,575,641**
Reconciliation:						
Unallocated assets						**110,735**
Total assets						**5,686,376**
Segment liabilities	**2,635,343**	**377,472**	**965,789**	**106,905**	**663,989**	**4,749,498**
Reconciliation:						
Unallocated liabilities						**–**
Total liabilities						**4,749,498**
Other segment information						
Depreciation	**771**	**73,530**	**107**	**5,277**	**60**	**79,745**
Depreciation of right-of-use assets	**3,987**	**3,152**	**–**	**374**	**2,813**	**10,326**
Additions to property, plant and equipment	**1,179**	**69,730**	**17**	**316**	**75**	**71,317**

Included in the unallocated assets, there are interest in associates amounted to HK$110,735,000. Details of the interest in associates are set out in note 15.

	EPC and Consultancy and General Construction HK$'000	Power Generation HK$'000	Financing HK$'000	Manufacturing and trading business HK$'000	All other Segments HK$'000	Total HK$'000
At 31 December 2018						
Segment assets	2,026,079	1,322,815	675,646	89,379	124,255	4,238,174
Reconciliation:						
Unallocated assets						100,492
Total assets						4,338,666
Segment liabilities	1,809,675	173,683	769,097	27,740	676,802	3,456,997
Reconciliation:						
Unallocated liabilities						–
Total liabilities						3,456,997
Other segment information						
Depreciation	774	54,381	101	3,570	57	58,883
Amortisation of prepaid land lease payments	–	2,182	–	391	–	2,573
Additions to property, plant and equipment	2,243	287,472	198	3,173	14	293,100

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

4. REVENUE, OTHER INCOME AND GAINS

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

	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	**1,658,448**	1,790,500
Construction contract revenue	**955,987**	279,114
Service income	**84,207**	40,783
Finance lease interest income	**20,720**	22,961
Loan interest income	**3,413**	3,704
Sales of electricity	**169,803**	119,206
	2,892,578	2,256,268
Timing of revenue recognition		
At a point in time	**1,658,448**	1,790,500
Over time	**1,234,130**	465,768
	2,892,578	2,256,268
Other income and gains:		
Bank interest income	**7,335**	2,634
Others	**3,569**	853
	10,904	3,487

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**51,627**	56,673
Interest on finance lease	**–**	5,570
Interest on lease liabilities	**1,542**	–
	53,169	62,243

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Minimum lease payments under operating leases:		
Land and buildings	**–**	10,584
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**46,738**	47,193
Pension scheme contributions	**1,913**	6,640
Total staff costs	**48,651**	53,833
Depreciation of property, plant and equipment	**79,745**	58,883
Depreciation of right-of-use assets	**10,326**	–
	90,071	58,833
Amortisation of prepaid land lease payments*	**–**	2,573
Auditor's remuneration*	**1,980**	1,980

* Items included in other operating expenses

7. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Current tax for the year		
Hong Kong	**–**	–
Other than Hong Kong	**24,507**	32,868
Under-provision in respect of prior year	**–**	13,998
Income tax expense	**24,507**	46,866

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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% (2018: 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% enterprise income tax rate in the period from 2017-2019.

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

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax expense	**128,528**	141,281
Tax calculated at the statutory tax rate applicable to profits in the respective countries	**29,494**	38,606
Tax effect of share of profit of associates	**(4,403)**	(1,533)
Tax effect of differentiated EIT rate	**(6,956)**	(8,420)
Tax effect of expenses not deductible for tax purposes	**8,091**	4,334
Tax effect of revenue not taxable for tax purposes	**(1,719)**	(119)
Under-provision in respect of prior year	**–**	13,998
Income tax expense	**24,507**	46,866

8. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

		2019			2018	
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
	Before-tax amount	**Tax benefits**	**Net-of-tax amount**	Before-tax amount	Tax benefits	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	**24,597**	**–**	**24,597**	(65,922)	–	(65,922)
Share of other comprehensive income of associates	**1,871**	**–**	**1,871**	(4,519)	–	(4,519)
	26,468	**–**	**26,468**	(70,441)	–	(70,441)

9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2019 (2018: Nil).

10. EARNINGS PER SHARE

Earnings

	2019	2018
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**96,820**	90,960

Number of shares

	2019	2018
	'000	*'000*
Issued Share Capital at 1 January and 31 December	**1,313,095**	1,313,095
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	**1,313,095**	1,313,095

No diluted earnings per share is calculated for the year ended 31 December 2019 as there was no potential diluted ordinary share in existence.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Electrical appliances *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Solar power plants *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost or valuation:									
At 1 January 2018	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 as originally presented	21,406	38,204	499	7,060	274	3,238	1,016,144	13,796	1,100,621
Initial application of HKFRS 16	–	–	–	–	–	–	(142,437)	–	(142,437)
Restated balance as at 1 January 2019	21,406	38,204	499	7,060	274	3,238	873,707	13,796	958,184
Additions	–	60	80	1,565	11	159	20,294	49,148	71,317
Written off/disposal	–	–	–	–	–	–	(41,953)	(843)	(42,796)
Transfer	–	(2,030)	–	–	–	–	159,799	(15,332)	142,437
Exchange alignments	(397)	(671)	(9)	(153)	–	(62)	(18,649)	(714)	(20,655)
At 31 December 2019	21,009	35,563	570	8,472	285	3,335	993,198	46,055	1,108,487
Accumulated depreciation and impairment:									
At 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 as originally presented	329	3,296	419	2,848	180	1,989	77,110	–	86,171
Initial application of HKFRS 16	–	–	–	–	–	–	(15,321)	–	(15,321)
Restated balance as at 1 January 2019	329	3,296	419	2,848	180	1,989	61,789	–	70,850
Charge for the year	1,078	4,295	37	928	41	269	73,097	–	79,745
Written off/disposal	–	–	–	–	–	–	(1,165)	–	(1,165)
Transfer	–	–	–	–	–	–	15,321	–	15,321
Exchange alignments	(21)	(121)	(9)	(66)	–	(40)	(2,297)	–	(2,554)
At 31 December 2019	1,386	7,470	447	3,710	221	2,218	146,745	–	162,197
Net book value:									
At 31 December 2019	19,623	28,093	123	4,762	64	1,117	846,453	46,055	946,290
At 31 December 2018	21,077	34,908	80	4,212	94	1,249	939,034	13,796	1,014,450
The balances at end of the reporting period include assets held under finance leases as follows:									
Net book value:									
At 31 December 2019	–	–	–	–	–	–	–	–	–
At 31 December 2018	–	–	–	–	–	–	127,116	–	127,116

12. PREPAID LAND LEASE PAYMENTS

	2019	2018
	HK$'000	*HK$'000*
At 31 December 2018 as original presented	**24,664**	–
Initial application of HKFRS 16	**(24,664)**	–
Restated balances of 1 January	**–**	23,076
Additions	**–**	5,435
Amortisation	**–**	(2,573)
Exchange alignments	**–**	(1,274)
At 31 December	**–**	24,664
Current portion included in prepayments	**–**	(3,508)
Non-current portion	**–**	21,156

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

	2019	2018
	HK$'000	*HK$'000*
PRC		
Medium-term leases	**–**	19,957
Short-term leases	**–**	4,707
	–	24,664

13. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2019	2018
	HK$'000	*HK$'000*
Financial assets at FVTPL	**28,139**	27,861

Financial assets at FVTPL represent unlisted equity investments (2018: unlisted equity investments).

14. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2019 are as follows:

Name of subsidiary	Place of incorporation and operations@	Nominal value of issued capital/ registered and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Guoxin Energy Limited	Hong Kong	HK$1,000* (Note 2)	–	100%	Investment holding
CNI (Nanjing) Energy Development Company Limited	PRC (Note 1)	RMB250,000,000*	–	100%	EPC and consultancy operations
南京中核能源工程有限公司	PRC (Note 1)	RMB250,000,000*	–	100%	EPC and consultancy operations
核建融資租賃(深圳)有限公司	PRC (Note 1)	HK$240,000,000*	–	100%	Financing
泰州核潤新能源有限公司	PRC (Note 1)	USD20,000,000*	–	100%	Solar power generation

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

* Ordinary shares

Note 1: All PRC subsidiaries are corporations with limited liability.

Note 2: On 30 April 2019, the shareholdings of Guoxin Energy Limited increased from 80.90% to 100%. In the step-acquisition, the Group recognised directly in equity the difference between the amounts by which the non-controlling interests were adjusted and the fair value of consideration paid or received, and attribute it to the owners of the Company.

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

	2019	2018
	HK$'000	*HK$'000*
Share of net assets (including goodwill)	**110,735**	100,492

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. ("CNI Maintenance Co."))	*Note (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)	*Note (ii)*	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): According to the articles of CNI Maintenance Co., the Company has a right to appoint a director who represents the Company in the board of directors' meeting of CNI Maintenance Co.. Although the Group's ownership in CNI Maintenance Co. is less than 20%, the Group has significant influence over 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 Maintenance Co., Ltd		Zhong He Qiqihar Solar Power Generation Company Limited	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December				
Current assets	**545,482**	436,527	**3,104**	2,109
Non-current assets	**186,217**	187,301	**20,964**	24,877
Current liabilities	**(94,759)**	(56,647)	**(10,952)**	(14,244)
Non-current liabilities	**–**	–	**–**	–
Year ended 31 December				
Revenue	**1,140,319**	1,053,177	**3,686**	3,373
Profit	**119,241**	86,677	**619**	245
Other comprehensive income	**(12,166)**	(29,125)	**(245)**	(672)
Total comprehensive income	**107,075**	57,552	**374**	(427)
Dividends received from associate	**5,385**	3,393	**–**	–
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associates	**636,940**	567,181	**13,116**	12,742
Group's effective interest	**14.43%**	14.43%	**47.13%**	47.13%
Group's share of net assets of the associates	**91,911**	81,845	**6,182**	6,005
Goodwill	**12,642**	12,642	**–**	–
Carrying amount in the consolidated financial statements	**104,553**	94,487	**6,182**	6,005

16. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Finished goods	**4,875**	6,483

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 2019	31 December 2018
	HK$'000	*HK$'000*
Contract assets arising from:		
Provision of EPC and consultancy and general construction services	**852,900**	184,018
Less: Impairment losses	**(4,264)**	(1,902)
	848,636	182,116

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

The Group's contracts with customers for the provision of EPC and consultancy and general construction services 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 2019 is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**848,636**	182,116

Movement in the loss allowance in respect of contract assets during the year is as follow:

	2019	2018
	HK$'000	*HK$'000*
Impact of initial application of HKFRS 9	**–**	1,902
At beginning of year	**1,902**	–
Impairment losses	**2,362**	–
At end of year	**4,264**	1,902

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.

(b) Contract liabilities

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

	31 December	31 December
	2019	2018
	HK$'000	HK$'000
Contract liabilities arising from:		
Provision of EPC and consultancy		
and general construction services	**45,384**	92,312

Typical payment terms which impact on the amount of contract liabilities are the receipts in advance for the provision of EPC and consultancy and general construction services.

All the contract liabilities as at 31 December 2018 are recognised as revenue during the year ended 31 December 2019. The Group expects that the contract liabilities as at 31 December 2019 will be recognised as revenue within a year or less.

18. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30-180 days with its customers for EPC and consultancy and general construction 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.

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**954,357**	1,437,201
Bills receivables	**654,253**	10,225
	1,608,610	1,447,426
Less: Impairment losses	**(17,506)**	(16,025)
	1,591,104	1,431,401

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

	2019	2018
	HK$'000	*HK$'000*
0-90 days	**609,832**	464,605
91-180 days	**235,549**	126,867
181-365 days	**590,628**	534,762
>365 days	**172,601**	321,192
	1,608,610	1,447,426

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

Included in trade and bills receivables was an amount of approximately HK$Nil (2018: HK$10,652,000) which represents amounts due from fellow subsidiaries of the Company arising from EPC and consultancy and general construction operations.

As at 31 December 2019, retention held by customers for contract work amounted to approximately HK$65,491,000 (2018: HK$22,903,000). 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

	2019	2018
	HK$'000	*HK$'000*
Loan receivables comprise:		
Within 1 year	**15,167**	9,681
In the second to fifth years, inclusive	**25,125**	26,816
After 5 years	**7,823**	11,386
Total loan receivables	**48,115**	47,883
Deduct: Portion classified under current assets	**(15,167)**	(9,681)
Non-current assets	**32,948**	38,202

Loan receivables as at 31 December 2019 represented loans to third parties which were secured, interest bearing at 6% to 7% (2018: 6% to 7%) per annum and repayable in two to seven years (2018: three to eight years).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**503,550**	97,220
Deposits	**28,544**	19,166
Other receivables	**226,325**	216,271
	758,419	332,657

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. 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% (2018: 5.3% to 5.4%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**77,684**	80,394	**57,644**	56,870
In the second to fifth years, inclusive	**332,968**	340,132	**289,390**	280,175
After five years	**45,877**	125,016	**44,540**	118,793
	456,529	545,542	**391,574**	455,838
Less: unearned finance income	**(64,955)**	(89,704)		
Total net finance lease receivables	**391,574**	455,838		

	2019	2018
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**57,644**	56,870
Non-current assets	**333,930**	398,968
	391,574	455,838

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

22. PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$481,719,000 (2018: HK$302,455,000) 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 3% (2018: 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$481,719,000 (2018: HK$302,455,000) as at 31 December 2019. Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**448,553**	415,874

At 31 December 2019, cash and cash equivalents with banks in the PRC amounted to approximately HK$314,066,000 (2018: HK$311,062,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

24. TRADE AND BILLS PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**1,056,740**	876,593
Bills payables	**833,340**	477,401
	1,890,080	1,353,994

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

	2019	2018
	HK$'000	*HK$'000*
0-90 days	**563,027**	332,791
91-180 days	**451,114**	216,373
181-365 days	**799,742**	690,327
>365 days	**76,197**	114,503
	1,890,080	1,353,994

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

25. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Other payables	**271,918**	189,887
Accruals	**37,916**	29,659
	309,834	219,546

As at 31 December 2019, included in other payables of approximately HK$100,575,000 (RMB90,000,000) (2018: HK$51,237,000 (RMB45,000,000)) which represents unsecured interest bearing borrowings 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 2018, included in other payables of approximately HK$10,874,000 (RMB9,550,000) which represented the non-interest bearing shareholder's loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company. The amount was fully repaid during the year.

26. BANK AND OTHER BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current		
Short-term bank borrowings, secured	**169,755**	559,347
Short-term bank borrowings, unsecured	**636,354**	468,500
Long-term bank borrowings, secured, current portion	**74,344**	177,012
Long-term bank borrowings, unsecured, current portion	**5,588**	–
Other borrowings, secured, current portion	**813,760**	29,513
	1,699,801	1,234,372
Non-current		
Long-term bank borrowings, secured	**628,607**	204,963
Other borrowings, secured	**156,112**	237,135
	784,719	442,098
Total bank and other borrowings	**2,484,520**	1,676,470

(i) The bank and other borrowings were secured by (i) corporate guarantee provided by subsidiaries of the Company (2018: subsidiaries and fellow subsidiaries of the Company); (ii) finance lease receivables amounted to HK$238,363,000 (2018: HK$280,169,000); (iii) property, plant and equipment amounted to HK$Nil (2018: HK$127,116,000); (iv) trade receivables amounted to HK$22,350,000 (2018: HK$Nil); (v) pledged bank deposits amounted to HK$481,719,000 (2018: HK$302,455,000); and (vi) the share capital of a subsidiary (2018: Nil).

(ii) All bank and other borrowings bear interest at floating rates, with effective interest rates ranging from 2.0% to 6.3% per annum (2018: 2.0% to 5.9% per annum). The carrying amounts of bank and other borrowings approximate to their fair values.

(iii) As at 31 December 2019, included in other borrowings of (i) approximately HK$385,538,000 (RMB345,000,000) (2018: HK$Nil) which represents secured interest bearing borrowing from 中核建融資租賃股份有限公司 (transliterated as China Nuclear Engineering and Construction Financial Leasing Co., Ltd. ("CNECFL")), a fellow subsidiary of the Company. The borrowing is secured by certain trade receivables of the Group amounting to HK$22,350,000 and bearing interest at 5.8% per annum; and (ii) approximately HK$29,842,000 (RMB26,704,000) (2018: HK$Nil) which represents a unsecured interest bearing borrowing from CNECFL. The interest rate of the borrowing was 5.8% per annum.

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

	2019	2018
	HK$'000	*HK$'000*
HK$	**450,000**	410,000
RMB	**1,776,093**	1,012,957
United States dollars ("USD")	**207,127**	214,500
Euros ("EUR")	**51,300**	39,013
	2,484,520	1,676,470

As at 31 December 2019, the Group had undrawn bank loans facilities of RMB261,154,000 (approximately HK$295,950,000) (2018: RMB313,000,000 (approximately HK$356,382,000)).

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

	2019	2018
	HK$'000	*HK$'000*
On demand or within one year	**1,699,801**	1,234,372
More than one year, but not exceeding two years	**390,487**	305,798
More than two years, but not exceeding five years	**377,967**	78,855
After five years	**16,265**	57,445
	2,484,520	1,676,470

27. LEASES

Leases

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019. The accounting policies applied subsequent to the date of initial application, 1 January 2019.

Nature of leasing activities (in the capacity as lessee)

The group leases a number of properties in the jurisdictions from which it operates. The periodic rent is fixed over the lease term.

The values in the table below reflect the current proportions of lease payments that are fixed.

	Lease contracts	**Fixed monthly payments**
	Number	*HK$'000*
31 December 2019		
Property leases with fixed payments	4	40 to 252

Right-of-use assets

	Leasehold land	**Buildings**	**Solar Power Plant**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Initial application of HKFRS 16 and restated balances at 1 January 2019	24,664	14,437	127,116	166,217
Transfer to property, plant and equipment	–	–	(127,116)	(127,116)
Depreciation	(3,526)	(6,800)	–	(10,326)
Exchange alignments	(408)	(150)	–	(558)
At 31 December 2019	20,730	7,487	–	28,217

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019	1 January 2019
	HK$'000	*HK$'000*
Ownership interests in leasehold land of amortised cost with remaining lease term of:		
– Between 10 and 50 years	**15,126**	**19,957**
– Less than 10 years	**5,604**	**4,707**
	20,730	**24,664**
Solar power plant carried at depreciated cost	**–**	**127,116**
Other properties leased for own use, carried at depreciation cost with remaining lease term of:		
– Less than 10 years	**7,487**	**12,635**

Lease liabilities

	Buildings	Solar Power Plant	Total
	HK$'000	*HK$'000*	*HK$'000*
Initial application of HKFRS 16 and restated at 1 January 2019	12,635	100,746	113,381
Interest expenses	324	1,218	1,542
Payments of lease liabilities	(6,255)	(101,491)	(107,746)
Exchange alignments	(141)	(473)	(614)
At 31 December 2019	6,563	–	6,563

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 *HK$'000*	Interest 31 December 2019 *HK$'000*	Present value 31 December 2019 *HK$'000*
Not later than one year	**4,675**	**337**	**4,338**
Later than one year but not later than two years	**2,337**	**112**	**2,225**
	7,012	**449**	**6,563**

	Minimum lease payments 1 January 2019 *HK$'000*	Interest 1 January 2019 *HK$'000*	Present value 1 January 2019 *HK$'000*
Not later than one year	**24,385**	**5,043**	**19,342**
Later than one year and not later than two years	**77,587**	**12,135**	**65,452**
Later than two years and not later than five years	**29,866**	**1,279**	**28,587**
	131,838	**18,457**	**113,381**

At 31 December 2018, the Group had 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 and interest rate at 5.2% per annum.

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

	Minimum lease payments	Interest	Present value
	31 December 2018	**31 December 2018**	**31 December 2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	18,094	4,713	13,381
Later than one year and not later than two years	72,800	11,783	61,017
Later than two years and not later than five years	27,496	1,148	26,348
	118,390	17,644	100,746

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases.

The present value of future lease payments are analysed as:

	2019	2018
	HK$'000	*HK$'000*
Current liabilities	**4,338**	13,381
Non-current liabilities	**2,225**	87,365
	6,563	100,746

	2019
	HK$'000
Short-term lease expense	**2,231**
Low-value lease expense	**88**

Operating leases – lessee

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

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases failing due as follows:

	2018
	HK$'000
Minimum leases payments	10,584

The total future minimum lease payments are due as follows:

	2018
	HK$'000
Not later than one year	8,177
Later than one year and not later than two years	7,558
	15,735

28. CAPITAL COMMITMENT

As at 31 December 2019, the Group did not have any capital commitments (2018: HK$Nil).

29. 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

	2019	2018
	HK$'000	*HK$'000*
Transaction with immediate holding company		
– Loan interest expense (note (i))	**–**	869
Transaction with intermediate holding company		
– Loan interest expense (note (ii))	**3,092**	4,031
Transaction with a fellow subsidiary		
– Handling fee expense (note (iii))	**9,137**	–
– Loan interest expense (note (iii))	**4,577**	–

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 amounts were fully repaid in 2018.

(ii) 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$100,575,000 (RMB90,000,000) which was unsecured, interest bearing at the prevailing benchmark leading interest rate to promulgated by PBOC multiplied by (1+20%) per annum and repayable on demand.

(iii) The Group borrowed from CNECFL, a fellow subsidiary of the Company, with the sum of approximately HK$385,538,000 (RMB345,000,000) which was secured bearing interest at 5.8% per annum and repayable on demand. The handling fee expense represents 1.7% on the principal of the borrowing.

The Group borrowed from CNECFL, a fellow subsidiary of the Company, with the sum of approximately HK$29,842,000 (RMB26,704,000) which was unsecured, bearing interest at 5.8% per annum. The handling fee expense represents 2.4% on the principal of the borrowing.

b. Compensation of key management personnel of the Group:

	2019	2018
	HK$'000	*HK$'000*
Short-term employee benefits	**9,881**	9,215
Pension scheme contribution	**173**	171
Total compensation paid to key management personnel	**10,054**	9,386

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 2019, save and except for the deviation from code provision A.6.7.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should generally attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors of the Company were unable to attend the general meetings of the Company held on 4 April 2019, 17 May 2019 and 17 December 2019 respectively due to their other business engagements.

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 2019.

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 2019.

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 2019.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on Tuesday, 26 May 2020 at 10:00 am. 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 Tuesday, 26 May 2020, the register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, 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 branchshare registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 20 May 2020.

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

Hong Kong, 24 March 2020

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, Mr. Fu Zhigang (Chief Executive Officer), Ms. Jian Qing, Mr. Li Jinying, Mr. Tang Jianhua (Chief Operation Officer), Mr. Wu Yuanchen; and the independent non-executive directors of the Company are Mr. Chan Ka Ling Edmond, Mr. Kang Xinquan, Mr. Tian Aiping and Mr. Wang Jimin.