



**中國核能科技集團有限公司**

China Nuclear Energy Technology Corporation Limited

Stock Code : 611

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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 Operating Officer*)  
Mr Wu Yuanchen

### Independent Non-executive Directors

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

### AUDIT COMMITTEE

Mr Chan Ka Ling Edmond (*Chairman*)  
Mr Li Dakuan  
Mr Tian Aiping  
Mr Wang Jimin

### NOMINATION COMMITTEE

Mr Zhao Yixin (*Chairman*)  
Ms Jian Qing  
Mr Chan Ka Ling Edmond  
Mr Li Dakuan  
Mr Tian Aiping  
Mr Wang Jimin

### REMUNERATION COMMITTEE

Mr Chan Ka Ling Edmond (*Chairman*)  
Mr Zhao Yixin  
Mr Liu Genyu  
Mr Li Dakuan  
Mr Tian Aiping  
Mr Wang Jimin

### COMPANY SECRETARY

Ms Chu Lai Shan Sammie

## PRINCIPAL BANKERS

China Everbright Bank Co., Ltd. Hong Kong Branch  
OCBC Wing Hang Bank Limited  
Industrial Bank Co., Ltd. Hong Kong Branch  
Bank of China (Hong Kong) Limited  
Bank SinoPac Hong Kong Branch  
The Hongkong and Shanghai Banking Corporation Limited  
China Construction Bank Corporation (Hong Kong Branch)

## AUDITOR

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## HONG KONG SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HONG KONG PRINCIPAL OFFICE

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

## STOCK CODE

611

## WEBSITE

[www.cnetcl.com](http://www.cnetcl.com)

# Chairman's Statement

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Nuclear Energy Technology Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you this annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2018.

## FINANCIAL RESULTS

This year, overall revenue of the Group increased by approximately 14.9% to HK\$2,256,268,000 (2017: HK\$1,963,381,000) and profit for the year decreased by approximately 21.6% to HK\$94,415,000 (2017: HK\$120,402,000) as compared to that of 2017. Basic earnings per share for 2018 was HK6.93 cents (2017: HK9.48 cents). Total operating expenses (inclusive of cost of sales, construction costs, staff costs and other operating expenses) increased by approximately 12.3% to HK\$2,009,971,000 as the Group has started its manufacturing and trading business during the year which involved higher cost of sales. Finance costs increased by approximately 172.6% to HK\$62,244,000 (2017: HK\$22,832,000). Share of results of the Group's associates increased by approximately 9.5% to HK\$12,623,000 (2017: HK\$11,528,000) as compared to that of 2017.

The Board did not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

## BUSINESS OVERVIEW

The year of 2018 is full of challenges, especially to the PRC solar photovoltaic industry. China's National Development and Reform Commission, Ministry of Finance and National Energy Board issued a statement on 31 May 2018 halting all subsidies for utility-scale solar projects in favour of competitive bidding and greatly reducing feed-in-tariffs. As one of the key players in the solar photovoltaic power industry, the Group's performance for the year was inevitably affected by the unexpected change of government policy and therefore certain reported solar photovoltaic projects of the Group were forced to halt or defer. Profit for the Group was further pressurised by the increase in PRC enterprise income tax rate and the heightened finance cost.

The engineering, procurement and construction and consultancy segment of the Group faced strong head wind during the year. Despite the uncertainties in the external environment, this business segment recorded a growth of segment result (before finance cost and taxation) by approximately 9.8% notwithstanding a decrease in segment sale to external customer by approximately 7.9%. The Group's first thermal power engineering, procurement and construction project in Inner Mongolia is expected to be completed this year. To cope with the slowdown of domestic economic growth and the uncertainties of the PRC government policy, the Group strived to achieve sustainable development through diversification. This year, the Group's module plant in Xuzhou commenced its operation which contributed to approximately 16.7% of the Group's revenue. The power generation segment further broadened the Group's income source which achieved a year-on-year growth in sales to external customers and segment result (before finance cost and taxation) of approximately 129.1% and 89.1% respectively. As at 31 December 2018, the Group owned and operated a total of 156MW on-grid solar photovoltaic stations and facilities spreading Jiangsu, Hebei and Yunnan. During the year, the Group's finance lease segment emphasized on the provision of financial leasing services to intragroup companies.



## Chairman's Statement

### OUTLOOK

Solar photovoltaic is still one of the essential elements of low-carbon strategy in China for realising its commitment to reducing emissions and increasing the proportion of non-fossil fuel energy in the overall mix to 15% by 2020. On 9 January 2019, a notification from the National Development and Reform Commission and National Energy Agency revealed that no annual quota limit will be applied for solar and wind grid-parity projects developed without central government subsidies for the next two years in selected regions. The Group will grasp this chance to actively explore opportunities to enlarge our market share in the solar power segment tapping our advancement of technology and seasoned experience. On the other hand, business diversification remains our key strategy for business expansion and risks mitigation. The Group endeavours to explore opportunities to extend our business to other renewable energy sectors such as thermal and wind power in China and the overseas.

It is a long road to achieve business expansion and diversification which require the Group to invest extensively in order to cultivate new businesses and as such, the gearing ratio of the Group is inevitably hindered. The Board will strictly monitor the liquidity risk facing the Group so as to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions and to improve the collection cycle of the Group's trade and other receivables. Apart from getting resources, the Group also takes approach of economising by implementing measures to control costs.

中國核工業集團有限公司 (transliterated as China National Nuclear Corporation Limited) ("**CNNC**") and 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering and Construction Group Corporation Limited) ("**CNECG**"), which is the Company's controlling shareholder, had entered into a merger agreement whereby CNECG will be merged with and into CNNC. It is anticipated that the Group will be benefited from the synergies of business combination through the merger of these two Chinese conglomerates.

Looking forward, the business environment for the Group is expected to be challenging in the face of keen competition, less favourable government policies and inflating costs. With our seasoned management team and dedicated workforce, we have confident that the Group will overcome these short-term challenges and achieve a better economic performance in future. In the meantime, we will continue to leverage our resources to improve our profitability and take prudent measures to control our operating costs. Besides, the Group will keep exploring opportunities with the aim of delivering sustainable long-term value for our shareholders and other stakeholders.

### APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors, our staff, shareholders and stakeholders for their continuous contributions and support to the Group.

**Zhao Yixin**  
*Chairman*

Hong Kong, 14 March 2019

# Directors' Report

The board (the “**Board**”) of directors (the “**Directors**”) of China Nuclear Energy Technology Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present this annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in note 20 to the financial statements.

## BUSINESS REVIEW

For the year ended 31 December 2018, overall revenue increased by 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 had 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 by 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.



## Directors' Report

### 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 OEM services during the year and planned to explore overseas market and to strengthen its internal management. 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.

### Power Generation

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. 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.

### Environmental Policy and Performance

As a company focused on renewable energy development, environmental conservation is always one of the Group's concerns. Although the Group does not establish a formal environmental policy, various measures have been implemented to encourage in compliance with environmental legislation and promote awareness towards environmental protection to the employees. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. The Group will review its environmental practices periodically and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

In accordance with Rule 13.91 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange"), the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

## Directors' Report

### Compliance with Relevant Laws and Regulations

During the year ended 31 December 2018, there was no evidence of non-compliance with the relevant laws and regulations that have significant impacts on the Group as far as the Board is aware.

### Relationship with Employees, Customers and Suppliers

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Employee handbook outlined terms and conditions of employment, expectations for employees' behaviour and service delivery, employees' rights and benefits. We provide ongoing training and development opportunities to enhance employees' career progression.

The Group appreciates the importance of maintaining good relationship with its customers and suppliers to meet its immediate and long-term business goals. The Group values the feedback from customers through regular communication and addressing their concerns in a timely manner. For suppliers, the Group assures their performance for delivering quality sustainable products and services.

During the year ended 31 December 2018, there is no circumstance of any event between the Group and its employees, customers and suppliers which will have a significant impact on the Group's business and on which the Group's success depends.

### 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 solar photovoltaic power and 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 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.



## Directors' Report

### Financial Results

Year ended 31 December	2018	2017	Changes	
	HK\$'000	HK\$'000	HK\$'000	Percentage
Revenue	<b>2,256,268</b>	1,963,381	292,887	14.9%
Other income and gains	<b>3,487</b>	3,345	142	4.2%
Cost of sale	<b>(1,692,097)</b>	(1,422,320)	(269,777)	19.0%
Construction costs	<b>(200,870)</b>	(273,854)	72,984	-26.7%
Staff costs	<b>(53,833)</b>	(39,002)	(14,831)	38%
Depreciation	<b>(58,883)</b>	(17,743)	(41,140)	231.9%
Other operating expenses	<b>(63,171)</b>	(54,450)	(8,721)	16.0%
Finance costs	<b>(62,243)</b>	(22,832)	(39,411)	172.6%
Loss of disposal of a subsidiary	–	(20)	20	-100.0%
Share of results of associates, net	<b>12,623</b>	11,528	1,095	9.5%
Profit before income tax expense	<b>141,281</b>	148,033	(6,752)	-4.6%
Income tax expense	<b>(46,866)</b>	(27,631)	(19,235)	69.6%
Profit for the year	<b>94,415</b>	120,402	(25,987)	-21.6%

### 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 year. Composition of revenue for the year ended 31 December 2018 and 2017 is shown in the following table:

Year ended 31 December	2018		2017	
	HK\$'000	Percentage of the Group's total revenue	HK\$'000	Percentage of the Group's total revenue
EPC and consultancy	<b>1,731,036</b>	<b>76.7%</b>	1,880,031	95.8%
Power generation	<b>119,206</b>	<b>5.3%</b>	52,037	2.6%
Financing	<b>28,487</b>	<b>1.3%</b>	31,313	1.6%
Manufacturing and trading	<b>377,539</b>	<b>16.7%</b>	–	–
Total	<b>2,256,268</b>	<b>100.0%</b>	1,963,381	100.0%

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 decreased 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 additional solar power plants and facilities of the Group being connected to the national grid during the year, revenue derived from power generation segment 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.

## Directors' Report

### Profit

Profit for the year ended 31 December 2018 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 from 15% to 25% as 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); (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. Details of other income and gains are set out in note 7 to the financial statements.

### 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 in cost of sales was mainly due to the commencement of the 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, 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 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\$63,171,000 (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.

## Directors' Report

### 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 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. 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 by 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 income tax expenses for PRC 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 HK\$'000	2017 HK\$'000	Changes HK\$'000	%
Non-current assets	1,601,129	1,457,698	143,431	9.8%
Current assets	2,737,537	2,864,610	(127,073)	-4.4%
<b>Total assets</b>	<b>4,338,666</b>	4,322,308	16,358	0.4%
Non-current liabilities	529,463	564,148	(34,685)	-6.1%
Current liabilities	2,927,534	2,883,447	44,087	1.5%
<b>Total liabilities</b>	<b>3,456,997</b>	3,447,595	9,402	0.3%
Net assets	881,669	874,713	6,956	0.8%
Share capital	131,309	131,309	–	N/A
Reserves	735,563	731,660	3,903	0.5%
Equity attributable to:				
– owners of the Company	866,872	862,969	3,903	0.5%
– non-controlling interests	14,797	11,744	3,053	26.0%
<b>Total equity</b>	<b>881,669</b>	874,713	6,956	0.8%

## Directors' Report

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 solar photovoltaic power generation facilities of 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 with that of 2017, primarily resulting from the contribution of the total comprehensive income for the year.

### Capital Raising Exercise

On 23 November 2017, the Company and its substantial shareholder, China He Investment (Hong Kong) Company Limited ("**China He (HK)**") entered into an underwriting agreement (the "**Underwriting Agreement**") whereby China He (HK) agreed to underwrite an open offer (the "**Open Offer**") proposed by the Company on the basis of one offer share for every eight existing shares of the Company held on the record date. The Open Offer involved the allotment and issuance of 164,136,774 offer shares at a price of HK\$1.36 per offer share. The Open Offer and the Underwriting Agreement was terminated on 24 January 2018.

### 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 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 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.



## Directors' Report

As at 31 December 2018, included in other payables of (i) approximately HK\$10,874,000 (equivalent to RMB9,550,000) (2017: approximately HK\$11,449,000 (equivalent to 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 (equivalent to 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 promulgated by People's Bank of China ("PBOC") multiplied by (1+20%) per annum, (iii) approximately HK\$51,237,000 (equivalent to RMB45,000,000) (2017: approximately HK\$119,890,000 (equivalent to RMB100,000,000)) 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 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.

### Charge on Assets

As at 31 December 2018, the Group had bills receivable, finance lease receivables and pledged bank deposits amounting to HK\$10,225,000 (2017: HK\$267,654,000), HK\$455,838,000 (2017: HK\$491,317,000) and HK\$302,455,000 (2017: HK\$194,260,000) respectively which have been pledged to secure banking facilities granted to the Group. Moreover, the finance leases obligations of the Group were secured by certain property, plant and equipment amounted to HK\$127,116,000 (2017: HK\$143,616,000). Certain assets of the Company was charged in respect of a bank loan of HK\$100,000,000 (2017: Nil) secured by the Company during the year.

Save as disclosed above, the Group had no other charges on its assets as at 31 December 2018 (2017: Nil).

### Capital Structure

The Group generally finances its operations with internally generated resources, bank borrowings and capital raising activities. The liquidity and financing requirements of the Group are reviewed regularly.

As the Group's bank balances and cash are mainly denominated in Hong Kong dollars, RMB and United States dollars, the Directors considered the Group was exposed to limited exchange risk. During the year, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 31 December 2018 (2017: Nil).

The Group will monitor closely the exchange rate risk arising from the Group's existing operations and any new investments in future and will implement necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

### Capital Expenditure and Commitments

During the year ended 31 December 2018, the Group had capital expenditure of HK\$293,100,000 (2017: HK\$405,438,000) which was used for the acquisition of property, plant and equipment.

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

## Directors' Report

### Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies, and Future Plans for Material Investments or Capital Assets

Save for the above-mentioned and those disclosed in notes 18, 20, 21, 35 and 36 to the consolidated financial statements of this annual report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year ended 31 December 2018.

### Specific Performance Obligations on Controlling Shareholder

On 9 June 2017, the Company, as borrower, entered into a facility agreement (the "**CEB Facility Agreement**") with China Everbright Bank, as lender, pursuant to which a term loan facility of up to HK\$250,000,000 or its equivalent in USD (the "**CEB Facility**") has been granted to the Company for a term of 24 months from the first drawdown date. The CEB Facility (a) is interest bearing and unsecured, (b) the principal of the loan is repayable in one lump sum at maturity, and (c) contain repayment on demand clause at the discretion of China Everbright Bank. Pursuant to the CEB Facility Agreement, the controlling shareholder of the Company, 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering and Construction Group Corporation Limited) ("**CNECG**") is required, at all times, to remain as the single largest shareholder of the Company (directly or indirectly) owning not less than 30% of the issued share capital of the Company, otherwise it will cause an event of default and China Everbright Bank shall have the right to cancel the total facility commitments and declare that all or part of the CEB Facility, all accrued interest and all other sums payable under the CEB Facility Agreement be immediately due and repayable.

On 28 February 2018, the Company, as borrower, entered into a facility letter (the "**IBC Facility Letter**") with Industrial Bank Co., Ltd., Hong Kong Branch, as lender, pursuant to which a revolving loan facility of up to HK\$100,000,000 (the "**IBC Facility**") was made available to the Company within twelve months from and inclusive of the date of the IBC Facility Letter. Pursuant to the terms of the IBC Facility Letter, among others, the Company has undertaken to procure that CNECG maintains its direct or indirect shareholdings in the Company of not less than 30% and remains as a single major shareholder of the Company so long as the IBC Facility is made available or any sum thereunder are outstanding, otherwise it will constitute an event of default. On the occurrence of an event of default, Industrial Bank Co., Ltd., Hong Kong Branch shall be entitled to (a) make a demand for immediate repayment of the Company's indebtedness, liabilities and/or obligations; and/or (b) terminate or cancel all or any part of the credit and other facilities and accommodation granted to the Company.

On 1 June 2018, the Company, as borrower, entered into a general banking facility (the "**General Facility Letter**") with a licensed bank in Hong Kong, as lender, pursuant to which the licensed bank has agreed to make available a facility up to the aggregate notional amounts of USD20,000,000 (the "**General Facility**") to the Company for (a) term loan repayable in 36 months after the date of advance; (b) spot or forward foreign exchange contracts (deliverable and/or non-deliverable) up to one year; or (c) interest rate derivatives contracts up to three years. The interest rate for term loan shall be charged at 1.3% per annum over London Interbank Offered Rate based on an interest period of three months. Pursuant to the terms of the General Facility Letter, among others, the Company has undertaken to procure that (i) 中國核工業集團有限公司 (translated as China National Nuclear Corporation) ("**CNNC**") maintains its unencumbered beneficial shareholding in the Company of not less than 30.46% upon completion of the reorganisation of CNECG and CNNC; and (ii) CNECG remains as the largest shareholder of the Company. The General Facility shall be subject to the overriding right of the licensed bank at any time to request immediate repayment and/or satisfaction by the Company of all debts, liabilities and outstanding amounts owing to the bank on demand.

As at 31 December 2018, the amount of loan outstanding under the CEB Facility, IBC Facility and the General Facility was HK\$250,000,000 (31 December 2017: HK\$250,000,000), HK\$100,000,000 (31 December 2017: HK\$Nil) and USD20,000,000 (31 December 2017: USDNil) respectively. As at the date of this report, CNECG, through China He (HK), is interested in approximately 30.46% of the issued shares of the Company and remained the single largest shareholder of the Company.

## Directors' Report

### Financial Ratios

The following table shows the key financial ratios indicating the performance of the Group for the last five financial years:

Year ended 31 December	2018	2017	2016	2015	2014
Net profit margin (%) <sup>1</sup>	4	6	4	1	(18)
Return on assets (%) <sup>2</sup>	2	3	3	0.5	(11)

  

As at 31 December	2018	2017	2016	2015	2014
Gearing ratio <sup>3</sup>	2.09	1.54	1.40	0.76	0.08
Current ratio <sup>4</sup>	0.94	0.99	1.25	1.16	2.96

Notes:

- 1 Net profit margin = Net profit/Revenue x 100%
- 2 Return on assets = Net profit/Total assets x 100%
- 3 Gearing ratio = Total debt (Comprises convertible bonds, loans included in other payables and accruals, bank and other borrowings and obligation under finance lease)/total equity
- 4 Current ratio = Current assets/Current liabilities

Net profit margin decreased mainly due to the sudden change of PRC government policies in respect of solar photovoltaic industry and the commencement of manufacturing and trading business.

Return on assets dropped slightly. The increase in gearing ratio and the decrease in current ratio were mainly due to the increase in bank and other borrowings and obligations under finance leases.

### EVENTS AFTER THE REPORTING PERIOD

On 23 January 2019, 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited) (a non-wholly-owned subsidiary of the Company) ("**Nanjing CNI**") entered into a factoring contract (the "**Nanjing Factoring Contract**") with 中核建融租賃股份有限公司 (transliterated as China Nuclear E&C Financial Leasing Co., Ltd.) ("**CNECFL**"), pursuant to which CNECFL provides Nanjing CNI with accounts receivable factoring services in a factoring credit limit of RMB435,000,000. On the same date, 核建融資租賃(深圳)有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co. Ltd.) (a wholly-owned subsidiary of the Company) ("**Shenzhen CNEC**"), entered into a factoring contract (the "**Shenzhen Factoring Contract**") with CNECFL, pursuant to which CNECFL provides Shenzhen CNEC with accounts receivable factoring services in a factoring credit limit of RMB29,950,000. The Nanjing Factoring Contract, the Shenzhen Factoring Contract and the transactions contemplated thereunder were approved by the independent shareholders at a special general meeting held on 4 April 2019.

## Directors' Report

### RISK AND UNCERTAINTIES

The principal risks and uncertainties facing the Group in its operations are outlined as below. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas.

Principal Risks	Description	Key Mitigations
Business and strategic risk	The risk of material adverse changes to the Group's business performance, development prospects and/or ability to deliver its strategy, caused by changes in the business, economic, competitive, regulatory or political environment in which the Group operates.	<ul style="list-style-type: none"><li>• Proactive monitoring of PRC solar power industry trends, competitors and innovations;</li><li>• Proactive monitoring of and preparation for global and local changes in regulations affecting the Group; and</li><li>• Responsive project controls to allow strategic flexibility and dedicated strategy resources.</li></ul>
Foreign currency risk	The Group's business mainly operates in the mainland China, accordingly, its revenue and transactions arising from its operations were generally settled in Renminbi. As the Group's reporting currency is Hong Kong dollars, any fluctuations in the value of Renminbi against Hong Kong dollars could affect the Group's performance.	<ul style="list-style-type: none"><li>• Proactive monitoring closely the exchange rate trend; and</li><li>• Responsive implementation of hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.</li></ul>
Credit Risk	The risk that a counterparty will not settle an obligation in full value, either when due or at any time thereafter.	<ul style="list-style-type: none"><li>• Default management and recovery procedures in place;</li><li>• Established credit risk management function; and</li><li>• Conduct credit checked on new customers.</li></ul>
Liquidity risk	The risk of being unable to settle obligations as they fall due whether relating to the Group's cash flow requirements and/or regulatory requirements.	<ul style="list-style-type: none"><li>• Regularly monitor the Group's liquidity requirements so as to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions (when applicable).</li></ul>
Operational risk	The risk of material delay in the Group's project which may put burdens on billings, material and labour costs that adversely affects the Group's revenue and financial performance.	<ul style="list-style-type: none"><li>• Implement stringent budget control management; and</li><li>• Comprehensive project planning to avoid design error or faulty contractual management or other defaults.</li></ul>
Legal and compliance risk	The risk of loss resulting from breach of or non-compliance with applicable laws, regulations or contractual obligations.	<ul style="list-style-type: none"><li>• Where necessary, expert legal advice sought and compliance reviews conducted on business activities and new initiatives; and</li><li>• Legal review of contracts.</li></ul>

The Group is committed to monitor and manage its risks in order to identify and assess risks of major projects and key businesses at all levels. Through risk reports on weaknesses and potential risks, the Group supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.



### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2018 is as follows:

	Percentage of the Group's total revenue	
	2018	2017
The largest customer	20%	20%
Five largest customers in aggregate	45%	67%

	Percentage of the Group's total purchase	
	2018	2017
The largest supplier	24%	16%
Five largest suppliers in aggregate	47%	46%

So far as the Directors are aware, the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's total number of issued shares) do not have any interest in these major customers and suppliers during the year.

### RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Directors did not declare any interim or final dividend for the year ended 31 December 2018 (2017: Nil).

## Directors' Report

### DONATIONS

The Group did not make any charitable donations during the year (2017: Nil).

### DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

### USE OF PROCEEDS

The Company has completed the placement (the "Share Placement") of 180,000,000 shares at HK\$1.01 per share to independent third parties on 29 June 2017. Net proceeds raised from the Share Placement was approximately HK\$179,073,000 and the usages of which up to 31 December 2018 were as follows:

Intended applications	Actual net proceeds raised on	Balance as at	Amount utilised	Balance as at
	29 June 2017 HK\$'000	1 January 2018 HK\$'000	during the year HK\$'000	31 December 2018 HK\$'000
Repayment of bank loan	50,000	—	—	—
Supplementing the registered capital of an indirect wholly-owned subsidiary of the Company	110,000	—	—	—
General working capital	19,073	13,073	13,073	—
Total	179,073	13,073	13,073	—

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment are set out in note 16 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## Directors' Report

### DIRECTORS

The Directors who held offices during the year ended 31 December 2018 and up to the date of this report were:

#### Executive Directors:

Mr Zhao Yixin (*Chairman*) (appointed on 23 January 2019)  
Mr Liu Genyu (*Vice Chairman*)  
Mr Chung Chi Shing  
Mr Fu Zhigang (*Chief Executive Officer*) (appointed on 4 April 2019)  
Ms Jian Qing  
Mr Li Jinying  
Mr Tang Jianhua (*Chief Operating Officer*)  
Mr Wu Yuanchen (appointed on 28 November 2018)  
Mr Ai Yilun (*former Chairman*) (resigned on 23 January 2019)  
Mr Bai Xuefei (resigned on 17 January 2018)  
Mr Li Feng (resigned on 28 November 2018)  
Mr Zhang Rui (*former Chief Executive Officer*) (appointed on 17 January 2018 and resigned on 4 April 2019)

#### Independent Non-executive Directors:

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

Pursuant to the bye-laws of the Company (the "**Bye-laws**"), all directors shall retire from office as Directors at the forthcoming annual general meeting of the Company (the "**AGM**") and, being eligible, have offered themselves for re-election at the AGM.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers all such Directors are independent.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiary was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at 31 December 2018.

### MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 31 December 2018.

### DIRECTORS' SERVICE CONTRACTS

All Directors have entered into letters of appointment or service contracts with the Company. As at 31 December 2018, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiary which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' Report

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section "Material Related Party Transactions" in note 41 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year ended 31 December 2018 or at any time during the year ended 31 December 2018.

### COMPETING INTERESTS

None of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

On 31 December 2018, CNE New Energy Limited (中國核能新能源有限公司) (a wholly-owned subsidiary of the Company) ("**CNE New Energy**"), entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Triple Delight Limited ("**Triple Delight**"), pursuant to which CNE New Energy has conditionally agreed to acquire and Triple Delight has conditionally agreed to sell 191 shares of Guoxin Energy Limited (a non-wholly-owned subsidiary of the Company) ("**Guoxin Energy**"), representing 19.1% of the total number of issued shares in Guoxin Energy (the "**Acquisition**") at a total consideration of RMB19,873,000 (equivalent to HK\$22,681,000) (the "**Consideration**"). In addition, under the Sale and Purchase Agreement, CNE New Energy has conditionally agreed to repay the outstanding shareholder's loan in the amount of RMB9,550,000 (equivalent to HK\$10,899,000) (the "**Shareholder's Loan**") due from Guoxin Energy to Triple Delight for and on behalf of Guoxin Energy and Triple Delight has conditionally agreed with such repayment arrangement. On 29 March 2019, CNE New Energy, Triple Delight and Guoxin Energy entered into an extension letter to extend the long stop date to on or before 4 April 2019. On 1 April 2019, the parties to the Sale and Purchase Agreement entered into of a supplemental agreement, pursuant to which (i) the consideration for the Acquisition be adjusted from RMB19,873,000 (equivalent to approximately HK\$22,681,000) to RMB19,577,405 (equivalent to approximately HK\$22,343,873); and (ii) the remaining balance of the consideration for the Acquisition in the amount of RMB9,640,905 (equivalent to approximately HK\$11,003,373) be settled by way of bank transfer by the Purchaser payable to the Vendor on the completion date. The Completion took place on 1 April 2019 immediately after the entering into of the Supplemental Agreement.

The related party transactions disclosed in notes (i) and (ii) to note 41(a) to the consolidated financial statements were connected transaction under Chapter 14A of the Listing Rules. The Directors considered that the financial assistance received by the Group from its substantial shareholders (as defined under the Listing Rules) (a) was conducted on normal commercial terms or better; and (b) was not secured by the assets of the Group, the transactions contemplated thereunder were fully exempt from the disclosure and reporting requirements under rule 14A.90 of the Listing Rules.

Save as disclosed in the section "Material Related Party Transactions" in note 41 to the consolidated financial statements and the aforementioned, the Group did not enter into any connected or continuing connected transactions during the year ended 31 December 2018 which were required to be disclosed in accordance with Chapter 14A of the Listing Rules.

## Directors' Report

### SHARE OPTIONS

During the year ended 31 December 2018, the Company did not adopt and/or maintain a share option scheme. At no time during the year ended 31 December 2018 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or its subsidiary a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2018, none of the Director nor chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (a) as recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2018, the following persons or entities, other than a Director or chief executive of the Company, had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

#### Long Positions in Shares and Underlying Shares of the Company

Substantial shareholders	Note	Capacity	Number of shares/ underlying shares held	Percentage of shares of the Company in issue
CNECG	1	Interest in controlled corporation	400,000,000	30.46%
CNICT	1	Interest in controlled corporation	400,000,000	30.46%
China He (HK)	1	Beneficial owner	400,000,000	30.46%
Zhao Xu Guang ("Mr Zhao")	2	Interest in controlled corporation	84,676,000	6.45%

Note:

1. China He (HK) is a wholly-owned subsidiary of CNICT, which in turn is wholly-owned by CNECG, which is a state-owned enterprise established in the PRC, being ultimately held by 國務院國有資產監督管理委員會 (translated as State-owned Assets Supervision and Administration Commission of the State Council). As at 31 December 2018, China He (HK) held 400,000,000 shares and accordingly, both CNICT and CNECG were deemed to be interested in the same block of Shares which was registered under China He (HK) by virtue of SFO.
2. Mr Zhao was beneficially interested in the entire issued share capital of Prosper Alliance Investments Limited and Rui Tong Investments Limited which in turn were directly interested in 60,000,000 Shares and 24,676,000 Shares respectively. By virtue of SFO, Mr Zhao was deemed to be interested in 84,676,000 Shares.

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any person or entity who had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO.

## Directors' Report

### PROFILE OF THE DIRECTORS

#### Executive Directors

##### Zhao Yixin

Mr Zhao Yixin, aged 43, has been appointed as the chairman of the board and the executive director of the Company since 23 January 2019. Mr Zhao is currently the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee"). He graduated from 武漢大學 (translated as Wuhan University) with a bachelor's degree in ideological and political education in 1997. He further obtained a master's degree in economics from 首都經濟貿易大學 (translated as Capital University of Economics and Business) in 2004. Mr Zhao was recognised as a senior economist in business administration by 中國核工業建設集團公司 (translated as China Nuclear Engineering and Construction Corporation) (now known as CNECG) in 2014. Mr Zhao is currently the party committee secretary and chairman of CNICL, a controlling shareholder (as defined in the Listing Rules) of the Company. From August to December 2018, he was the party branch secretary and deputy director (department level) of the operation management department of CNNC. From June 2013 to August 2018, Mr Zhao served as deputy director of operation planning department of CNECG, a controlling shareholder of CNICL, and successively as deputy director and director of strategic planning department of CNECG. From June 2013 to December 2017, he also served as deputy director of operation planning department of 中國核工業建設股份有限公司 (translated as China Nuclear Engineering & Construction Corporation Limited) ("CNECC") and successively as director of operation planning department of CNECC.

##### Liu Genyu

Mr Liu Genyu, aged 55, has been the vice chairman of the Board and the executive Director since 30 June 2017. He is also a member of the Remuneration Committee. Mr Liu graduated from Tsinghua University with an Executive Master degree of Business and Administration (EMBA). Mr Liu is currently an independent non-executive director of China Boqi Environmental (Holding) Co., Ltd (stock code: 2377). Mr Liu was the chief executive officer and executive director of Huazhong In-Vehicle Holdings Company Limited (stock code: 6830) from 4 January 2016 to 1 September 2017 and was re-designated as a non-executive director on 1 September 2017 to 31 August 2018. He was also an executive director of China Power Clean Energy Development Company Limited (formerly known as China Power New Energy Development Company Limited, a company listed on the main board of the Exchange with stock code: 735) from 2008 to 2012 and held the position of chief executive officer of the company at various points in time during 2008 to 2012. Mr Liu had also served in positions including the deputy general manager of Chongqing Jiulong Electric Power Co., Ltd. (currently known as 國家電投集團遠達環保股份有限公司 (translated as State Power Investment Corporation Yuanda Environmental Protection Co., Ltd.) (a company listed on the Shanghai Stock Exchange with stock code: 600292)) from 2002 to 2006.

##### Chung Chi Shing

Mr Chung Chi Shing, aged 53, has been the executive Director since 1 December 2010. He held various directorships successively non-executive director, executive director and chairman in Value Convergence Holdings Limited (a company listed on the main board of the Exchange with stock code: 821) from March 2015 to March 2018 and is currently its honourable chairman. He was also an executive director and chief executive officer of Central China Enterprises Limited (currently known as Asia Energy Logistics Group Limited, stock code: 351) from 2000 to 2004, a director of Vega Science & Technology (HK) Co., Limited (printed circuit board drilling machine manufacturer) from 2007 to 2012, and an executive director of GCL New Energy Holdings Limited (a company listed on the main board of the Exchange with stock code: 451) from 2011 to 2014. Mr Chung has over 24 years of experience in corporate and investment management.



## Directors' Report

### Jian Qing

Ms Jian Qing, aged 47, has been the executive Director since 19 October 2009. She is also a member of the Nomination Committee. Ms Jian has been involved in the identifying suitable investments opportunities for the Company through her business network. Ms Jian graduated from Jilin University in the PRC with a bachelor's degree in Economics. She also holds a master's degree in Business Administration from the Lawrence Technological University in the United States. She has more than 20 years of experience in different areas of securities and financial management, which was gained from working at a number of securities companies in the PRC and Hong Kong.

### Li Jinying

Mr Li Jinying, aged 62, has been the executive Director since 8 April 2016. Mr Li graduated from Tsinghua University with a bachelor degree in engineering majoring in Applied Chemistry in 1982 and subsequently acquired a master degree in Science at 中國原子能科學研究院(transliterated as China Institute of Atomic Energy) ("CIAE") in 1991. He has been engaged in nuclear scientific research and management for more than 30 years. He was previously the deputy chief engineer of CNECG from 2016 to 2017 and the deputy general manager of new energy department of China Resources Power Holdings Company Limited from 2012 to 2016. He also held different positions in China Resources New Energy Group Company Limited from 2011 to 2012 including cadre and deputy general manager. He served as head of integrated planning department in CNNC from 2005 to 2011 and was appointed as associate dean of China Institute of Atomic Energy from 2000 to 2005.

### Tang Jianhua

Mr Tang Jianhua, aged 48, has been the executive Director since 30 June 2017 and the chief operating officer since 28 May 2018. He was also appointed as the executive Director from 14 July 2015 to 8 April 2016. Mr Tang graduated from Nanjing University of Science and Technology with a bachelor degree in Industrial Automation Instrumentation in 1995. He was also qualified as Class One Registered Architects conferred by State Construction Administrative Department and a Project Management Professional conferred by Project Management Institute. He has been the general manager of Nanjing CNI and the president of 中核(南京)能源發展有限公司(transliterated as CNI (Nanjing) Energy Development Company Limited) since October 2014. He is also an assistant to general manager of CNICL. Mr Tang joined 中核華譽工程有限責任公司(transliterated as China Nuclear Huayu Project Co., Ltd) (formerly known as 儀徵化纖安裝檢修工程公司(transliterated as Yizheng Huaxian Installation Maintenance and Engineering Company)) from August 1995 to October 2014, during which he had held different positions including deputy general manager in 2012 and became the party secretary and disciplinary committee secretary in 2013. Mr Tang is currently a director of certain subsidiaries of the Company.

### Wu Yuanchen

Mr Wu, aged 36, has appointed as the executive Director since 28 November 2018. Mr Wu graduated from 西安交通大學(translated as Xi'an Jiaotong University), majoring in nuclear engineering and technology, and received a bachelor degree in engineering in 2005. He further obtained a master degree in management from 中國人民大學(translated as Renmin University of China) in 2011. Mr Wu was recognised as an engineer in nuclear engineering by 中國核工業中原建設有限公司(transliterated as China Nuclear Industry Zhongyuan Construction Co. Ltd.) in 2010. Mr Wu is currently the deputy general manager of CNICL, a controlling shareholder (as defined in the Listing Rules) of the Company. Besides, he was appointed as the party sub-division secretary of 中核新能源投資有限公司(translated as China Nuclear New Energy Investment Co., Ltd.), an associate (as defined in the Listing Rules) of CNICL, from May 2017 to January 2019. From December 2015 to September 2017, he served as an assistant to general manager of CNICL. From March 2016 to August 2016, he was head of secretarial division of the general office of CNECG and division head of president office of CNECC, which were a controlling shareholder of the Company and an associate of CNECG respectively. Prior to that, Mr Wu served as head of the general office of CNECG, and successively as secretary to president of CNECC and division head of president office of CNECG during the period from January 2011 to March 2016. He held the position of board secretary of 中核能源科技有限公司(translated as China Nuclear Energy Science and Technology Co., Ltd.), an associate of CNECG, from October 2007 to June 2014. Mr Wu acted as an executive Director for the period from 14 December 2016 to 30 June 2017.

## Directors' Report

### Fu Zhigang

Mr Fu Zhigang, aged 48, has been the executive Director and the chief executive officer of the Company since 4 April 2019. Mr Fu obtained a bachelor's degree in financial management from Central University of Finance and Economics in the PRC. He is also qualified as an accountant conferred by the Ministry of Finance of the PRC. He has been a deputy chief accountant and a director of finance department of CNICL, a controlling shareholder of the Company since August 2016. During the period from January 2006 to May 2016, Mr Fu worked for CNICL where he had held different positions including deputy manager and manager of finance department, deputy financial controller, deputy chief accountant and director of finance department. He was also a financial controller of 中核新能源投資有限公司 (translated as China Nuclear New Energy Investment Co. Limited) from August 2013 to April 2014. Mr Fu was appointed as an executive director of the Company in December 2013 and was further appointed as a chief executive officer of the Company in July 2014 where he resigned from both positions in September 2016.

### Independent non-executive Directors

#### Chan Ka Ling Edmond

Mr Chan Ka Ling Edmond, aged 60, has been the independent non-executive Director since 15 July 1992. He is also the Chairman of each of the audit committee of the Company (the "**Audit Committee**") and Remuneration Committee, and a member of the Nomination Committee. Mr Chan is a partner of Chan and Chan, Certified Public Accountants. He is a Certified Public Accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also a director of Kreston CAC CPA Limited. Mr Chan was an independent non-executive director of Loco Hong Kong Holdings Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8162) from July 2014 to April 2017.

#### Li Dakuan

Mr Li Dakuan, aged 63, has been the independent non-executive Director since 8 April 2016. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He graduated from 中共中央黨校函授學院 (transliterated as Correspondence College at the Party School of the Central Committee of Communist Party of China) in 1997. He is qualified as a senior economist in the PRC. Mr Li was the general manager of each of 秦山核電有限公司 (translated as Qinshan Nuclear Power Co., Ltd.) ("**Qinshan Nuclear Co.**"), 核電秦山聯營有限公司 (transliterated as Nuclear Power Qinshan Joint Venture Co., Ltd.) and 秦山第三核電有限公司 (translated as Third Qinshan Nuclear Power Co., Ltd.) ("**Third Qinshan Co.**") from April 2013 to April 2016 as well as the party secretary of 秦山核電基地 (translated as Nuclear Power Base) from March 2011 to April 2016. He previously worked for Third Qinshan Co. for more than 12 years starting from November 1998, during which he had held the positions of general manager, party secretary, discipline secretary and labour personnel director. Prior to that, he had served as the deputy director of the Labour Personnel Department of Qinshan Nuclear Co. from June 1997 to November 1998.

#### Tian Aiping

Mr Tian Aiping, aged 68, has been the independent non-executive Director since 14 July 2015. He is also member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He completed 第一期稽查特派員專業 (會計與財務管理) 人選培訓班 (translated as Inspector Training Programme in Accounting and Financial Management) in Tsinghua University's School of Economics and Management in 1998 and graduated from 包頭鋼鐵學院 (transliterated as Baotou School of Steel and Iron) (currently known as Inner Mongolia University of Science & Technology) in the PRC in 1985. He is also qualified as a senior economist conferred by the Ministry of Metallurgical Industry of the PRC in 1996 and the supervisor of the key State-owned Large Enterprises conferred by the SASAC in 2005. He was the general secretary of the Stainless Steel Council of China Special Steel Enterprises Association. Mr Tian was previously the vice supervisor and the secretary of Party Branch of the SASAC of the State Council Office No.47. Prior to that, Mr Tian held different positions including assistant to inspectors of 國務院稽查特派員總署第11辦事處 (translated as State Council Compliance Inspectors' General Office No. 11) and vice commissioner of the Metallurgical Industry Department of Taiyuan Iron & Steel (Group) Co., Ltd. Mr Tian completed his retirement procedure with SASAC in 2011.





## Directors' Report

### Wang Jimin

Mr Wang Jimin, aged 54, has been the independent non-executive Director since 28 February 2014. He is also member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He obtained a postgraduate certificate in accountancy from Central University of Finance and Economics (中央財經大學) (formerly known as Central Institute of Finance and Banking (中央財政金融學院) in the PRC. He has been a partner of an accountant firm, Asia Pacific (Group) CPAs, in Shenzhen, the PRC, specialising in corporate listings, capital operation and mergers and acquisitions, since 2002. Prior to this, Mr Wang was a manager of Finance and Accounting Division of Guangdong International Trust and Investment Corporation, Shenzhen Branch from May 1996 to October 2002. He was also a project manager and assistant manager in 深圳蛇口信德會計師事務所 (transliterated as Shenzhen Shekou Xinde Certified Public Accountants) from October 1993 to May 1996 and worked with 吉林省信託投資公司 (transliterated as Jilin Province Trust and Investment Company) from December 1991 to October 1993.

### CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Material Related Party Transactions" in note 41 to the consolidated financial statements, no Directors or any controlling shareholders of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or its subsidiaries was a party during the year ended 31 December 2018.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company maintained a sufficient public float as required under the Listing Rules.

### SHARE CAPITAL

During the year ended 31 December 2018, neither the Company nor its subsidiaries has purchased, sold or redeemed any shares of the Company.

As at 31 December 2018, the total number of issued shares of the Company was 1,313,094,192 of HK\$0.01 each (31 December 2017: 1,313,094,192 shares of HK\$0.01 each).

### FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 140 of this annual report.

### CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.



## Directors' Report

### EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, total number of employees of the Group was 406 (2017: 274). During the year ended 31 December 2018, staff costs (including Directors' emoluments) amounted to HK\$53,833,000 (2017: HK\$39,002,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

### PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

### AUDITORS

The financial statements for the year ended 31 December 2018 have been audited by BDO Limited. BDO Limited will retire as auditor at the conclusion of the forthcoming annual general meeting and will offer itself for re-appointment.

By Order of the Board

**China Nuclear Energy Technology Corporation Limited**

**Zhao Yixin**

*Chairman and Executive Director*

Hong Kong, 14 March 2019



# Corporate Governance Report

China Nuclear Energy Technology Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is committed to enhancing the corporate governance and transparency of the Group by applying the principles in the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Exchange**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements and to fulfill its commitment to maintain a high standard of corporate governance. 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.

## DIRECTORS’ 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.

## THE BOARD

The Board guides and monitors the business and affairs of the Company to enhance long-term shareholders’ value. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company’s circumstances and to ensure processes and procedures are in place to achieve the Company’s corporate governance objectives.

### Chairman and Chief Executive Officer

The positions of the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”) (being defined as chief executive in the CG Code) are held separately by Mr Zhao Yixin and Mr Fu Zhigang with a view to maintain effective division of responsibilities between the Chairman and the CEO. The Chairman provides leadership and is responsible for the effective functioning and operation of the Board and the overall strategy of the Group. The CEO, with the assistance of other members of the Board and the senior management, focuses on the overall management, operation and business development of the Group and ensures corporate governance compliance. This segregation of roles ensures the reinforcement of their independence, accountability and responsibility. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

# Corporate Governance Report

## Board Composition

As at the date of this report, the Board comprises eight executive Directors (the “**Executive Directors**”) and four independent non-executive Directors (the “**Independent Non-executive Directors**”), namely:

### Executive Directors:

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  
 Mr Fu Zhigang (*Chief Executive Officer*)

### Independent Non-executive Directors:

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

The composition of the Board is reviewed regularly to ensure that it has a good balance of expertise, skills and experience which can meet the requirements of the business of the Company. The Board includes four Independent Non-executive Directors, amongst whom Mr Chan Ka Ling Edmond is a certified public accountant in Hong Kong. Mr Chan possesses extensive experience in the accountancy profession and has appropriate accounting and related financial management expertise. The biographical details of the Directors are set out under the section headed “Profile of the Directors” under the “Directors’ Report” in this annual report.

During the year ended 31 December 2018, the Executive Directors and the Independent Non-executive Directors provided the Group with wide range of valuable business experience, knowledge and professionalism. The active participation of the Independent Non-executive Directors in the Board and Board committees meetings brought independent judgement on issues relating to the Group’s strategy, performance and management process, taking into account the interests of the shareholders of the Company (the “**Shareholders**”).

The nomination committee of the Company (the “**Nomination Committee**”) adopted a board diversity policy in 2019 which sets out the approach to achieve diversity on the Board. The Company recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates’ merits and contributions to the Board. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure its effectiveness from time to time. The Company considers that the current Board composition is characterised by diversity. The composition of the Board members is as follows:

#### Designation



#### Gender



#### Length of Board Service



#### Age



ED: Executive Directors  
 INED: Independent Non-executive Directors



## Corporate Governance Report

### Responsibilities of the Board

The Board is responsible for the leadership and control of the Company. The Board determines the overall strategies, monitors and controls operation and financial performance, sets objectives and business development plans and makes key decisions of the Company. The day-to-day management and operation are delegated to the Executive Directors and senior management. The delegated functions are closely supervised by the Board to ensure effectiveness and alignment with the overall strategies of the Company. Approvals are obtained from the Board prior to any significant transactions to be entered into by the senior management.

The Board is also entrusted with the overall responsibility of developing, maintaining and reviewing sound and effective corporate governance policies within the Group and is committed to ensuring that an effective corporate governance is put in place to continuously review and improve the corporate governance practices within the Group.

Save as disclosed in the section headed "Profile of the Directors" under the "Directors' Report" in this annual report, there is no financial, business, family or other material relationships among members of the Board and between the Chairman and the CEO.

Regular Board meetings in each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the Chairman and the CEO in preparing the agenda for meetings and ensures all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). All minutes and resolutions are kept by the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

Whereas a Director has conflict of interest in a matter to be considered by the Board and the Board has determined it is material, such matter will then be dealt with by the Board at a duly convened Board meeting. The bye-laws of the Company (the "**Bye-laws**") stipulates that save for the exceptions as provided therein, a Director shall abstain from voting and shall not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his associates have a material interest.

Each Director can have access to Board papers and other related materials and have access to the advice and services of the Company Secretary. The Board and individual Director also have separate and independent access to the senior management of the Company. Directors are continuously updated with the major developments of the Listing Rules and other applicable regulatory requirements so as to ensure the Company's compliance with and upkeep of good corporate governance practices. In addition, Directors are allowed to seek independent professional advice in appropriate circumstances for discharging their duties at the expense of the Company.

### Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board and the Nomination Committee have reviewed the independence of the Independent Non-executive Directors and considered all Independent Non-executive Directors are independent within the definition of the Listing Rules.

All Independent Non-executive Directors were appointed with specific terms and are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

## Corporate Governance Report

### Directors Commitments and Continuous Professional Development

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2018. Directors have disclosed to the Company the number and nature of offices held in Hong Kong and overseas listed public companies or organisations (if any).

Each newly appointed Director receives an induction at his appointment to ensure that he has proper understanding of the operations and business of the Group and is fully aware of his responsibilities and obligations under the Listing Rules, applicable laws and other relevant statutory requirements. Directors are continually provided with updates on statutory and regulatory developments, evolution of the business environment so as to facilitate them to discharge their duties.

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with code provision A.6.5 of the CG Code during year ended 31 December 2018:

	Corporate governance/ updates on laws, rules and regulations	Accounting/financial/ management or other professional skills
<b>Executive Directors</b>		
Mr Liu Genyu	●	
Mr Chung Chi Shing	●	
Ms Jian Qing	●	
Mr Li Jinying	●	
Mr Tang Jianhua	●	
Mr Wu Yuanchen (appointed on 28 November 2018)	●	
Mr Ai Yilun (resigned on 23 January 2019)	●	
Mr Bai Xuefei (resigned on 17 January 2018)	●	
Mr Li Feng (resigned on 28 November 2018)	●	●
Mr Zhang Rui (appointed on 17 January 2018 and resigned on 4 April 2019)	●	
<b>Independent Non-executive Directors</b>		
Mr Chan Ka Ling Edmond	●	●
Mr Li Dakuan	●	
Mr Tian Aiping	●	
Mr Wang Jimin	●	●

### Directors and Officers Policy

During the year ended 31 December 2018, appropriate insurance coverage on directors' and officers' liabilities has been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

### AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference specifying its authority and duties which is available on the websites of the Exchange and the Company. As at the date of this report, the Audit Committee consists four Independent Non-executive Directors, whose names and biographies are set out in the section of “Directors Report” in this Annual Report.

The terms of reference of the Audit Committee are of no less exacting terms than those as set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of internal audit function, audit plan and relationship with and appointment of external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2018, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems and internal audit function, scope of work and appointment of external auditors and the other matters in accordance with the Audit Committee’s written terms of reference. The Audit Committee also met the external auditors once without the presence of the Executive Directors during the year.

### NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference specifying its authority and duties which is available on the website of the Exchange and the Company. As at the date of this report, the Nomination Committee comprised six members, amongst whom four are Independent Non-executive Directors and two are Executive Director, whose names and biographies are set out in the section of “Directors Report” in this Annual Report.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

With the aim to build up a strong and diverse Board, the Nomination Committee would identify suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be the board members, and would recommend the Board on relevant matters relating to the appointment or reappointment of Directors, if necessary. The Nomination Committee applied the objective criteria in determining the suitability of a proposed candidate as a Director including his reputation for integrity, his accomplishment and experience in the industry, his commitment in respect of available time and relevant interest, diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; his ability to assist and support management and make significant contributions to the Company’s success; and the compliance with the independence criteria as prescribed under the Listing Rules for the appointment of an independent non-executive Director.

Selection of the suitable candidate is based on a majority vote and the view of each committee member will be sought before voting commences. The chairman of the Nomination Committee will present the proposal (with the voting results) and recommendations to the Board.

## Corporate Governance Report

For the year ended 31 December 2018, the Nomination Committee held three meetings to review the structure and diversity of the Board, the term of appointment of all Directors, and the independence of Independent Non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors taking into account their experience and qualifications. On 15 March 2018, the Nomination Committee, having reviewed the Board's composition, nominated all Directors to the Board for it to recommend to Shareholders for re-election at the annual general meeting held on 30 May 2018. The nominations were made in accordance with the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity. The Nomination Committee had also taken into account the respective contributions of the Directors to the Board and their commitment to their roles, and, as for independent non-executive Directors, it was satisfied with their independence having regard to the criteria laid down in the main board Listing Rules. Each Nomination Committee member had been abstained from voting at the Nomination Committee meeting when his own nomination was being considered. The Nomination Committee also nominated Mr Zhang Rui and Mr Wu Yuanchen to the Board for the replacement of the resigned Mr Bai Xuefei and Mr Li Feng as Executive Directors on 17 January 2018 and 28 November 2018 respectively, having considered the Board's composition and the diversity objective criteria.

Pursuant to the Bye-laws, any Director appointed to fill a casual vacancy should be subject to re-election by the shareholders of the Company at the next general meeting of the Company after their appointments, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation (but will be eligible for re-election) such that all Directors should be subject to retirement by rotation at least once every 3 years.

Details of the procedures for Shareholders to propose a person for election as a Director are outlines in the "Procedures for Shareholders to Propose a Person for Election as a Director" which is also available on the website of the Company.

### REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established with written terms of reference specifying its authority and duties which is available on the website of the Company. As at the date of this report, the Remuneration Committee comprised six members, amongst whom four are Independent Non-executive Directors and two are Executive Directors, whose names and biographies are set out in the section of "Directors' Report" in this Annual Report.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration.

The remuneration package of each Director is determined by reference to the prevailing market conditions, his duties and responsibilities to the Company and the Company's remuneration policy.

During the year ended 31 December 2018, the Remuneration Committee held four meetings to recommend the terms for new appointment of Directors, and review the remuneration of the Directors, and make recommendations to the Board having taken into consideration of the current market condition and the results of the Group.



## Corporate Governance Report

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2018 is set out below:

	Number of Individuals
Nil – HK\$1,000,000	2
HK\$1,000,000 – HK\$2,000,000	3

Further particulars of Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 10 and 11 respectively to the consolidated financial statements.

Minutes of the Board and Board Committees meetings have been recorded in sufficient details including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and Board Committees are sent to all Directors or Committee members for comments and records respectively within a reasonable time after the meeting.

### BOARD AND COMMITTEES MEETINGS

During the year ended 31 December 2018, the Company held ten Board meetings, two Audit Committee meetings, three Nomination Committee meetings, four Remuneration Committee meetings and two general meetings. The individual attendance record of each Director at the Board meetings, Board Committees meetings and general meetings during the financial year is set out below and is presented by reference to the number of meetings held during their tenure:

Director	Number of meetings attended/held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Shareholder
Mr Liu Genyu	7/10			3/4	2/2
Mr Chung Chi Shing	9/10				2/2
Ms Jian Qing	10/10		3/3		2/2
Mr Li Jinying	8/10				1/2
Mr Tang Jianhua	8/10				2/2
Mr Wu Yuanchen <sup>1</sup>	2/10				0/2
Mr Chan Ka Ling Edmond	7/10	2/2	3/3	3/4	1/2
Mr Li Dakuan	8/10	2/2	3/3	4/4	0/2
Mr Tian Aiping	8/10	2/2	3/3	4/4	2/2
Mr Wang Jimin	8/10	2/2	3/3	4/4	0/2
Mr Ai Yilun <sup>2</sup>	8/10				1/2
Mr Bai Xuefei <sup>3</sup>	0/10				0/2
Mr Li Feng <sup>4</sup>	6/10				1/2
Mr Zhang Rui <sup>5</sup>	10/10				1/2

## Corporate Governance Report

Note:

- 1 Mr Wu Yuanchen was appointed as the Executive Director with effect from 28 November 2018.
- 2 Mr Ai Yilun resigned as the Chairman and Executive Director and ceased to be the chairman of Nomination Committee and a member of Remuneration Committee with effect from 23 January 2019.
- 3 Mr Bai Xuefei resigned as the Executive Director and co-CEO with effect from 17 January 2018.
- 4 Mr Li Feng resigned as the Executive Director with effect from 28 November 2018.
- 5 Mr Zhang Rui was appointed as the Executive Director and the CEO from 17 January 2018 to 4 April 2019.

### COMPANY SECRETARY

The Company Secretary, who is a full-time employee of the Company, is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain sound and effective risk management and internal control systems of the Company in order to manage rather than eliminate risks of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss. The Group maintains an internal audit function. Audit plans, risk assessments and regular internal audit reports are presented to and reviewed by the Audit Committee, who reports the findings to the Board. For the year ended 31 December 2018, the Board through the Audit Committee had conducted an annual review on the systems of internal control and risk management of the Company. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Company's control environment and processes.

### AUDITORS' REMUNERATION

An analysis of the remuneration in respect of audit and non-audit services provided by the independent auditor of the Company, BDO Limited, for the years ended 31 December 2018 and 2017 is as follows:

Year ended 31 December	2018 HK\$'000	2017 HK\$'000
Services rendered:		
Audit	1,980	1,830
Non-audit	–	200
Total	1,980	2,030

### DIVIDEND POLICY

The Company adopted a dividend policy in 2019 setting out the factors in determination of dividend payment of the Company which included the Company's actual and expected financial performance, retained earnings and distributable reserves of the Company, the Group's working capital requirements, the Group's liquidity position, the general economic conditions and any other factors that the Board deems appropriate. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

Having considered the factors as set out the dividend policy, the Board did not recommend the payment of a final dividend for the year ended 31 December 2018.

### SHAREHOLDERS' RIGHTS TO CONVENE A SPECIAL GENERAL MEETING

In accordance with the Bye-laws and the Companies Act 1981 of Bermuda (the "**Companies Act**"), each general meeting, other than an annual general meeting, shall be called a special general meeting. General meetings may be held in any part of the world as may be determined by the Board. The Board may whenever it thinks fit call special general meetings.

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

### SHAREHOLDERS' RIGHTS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Pursuant to the Bye-laws, no person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

### PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES AND PROPOSALS TO THE BOARD

To foster regular and contribute a two-way communication, the Board welcomes any enquiries and proposals from the Shareholders and other stakeholders. Shareholders and other stakeholders may at any time send their enquiries, concerns and proposals to the Board by addressing to the Company Secretary by post to Unit 2801, 28/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or by email to [info@cnetcl.com](mailto:info@cnetcl.com).

Shareholders may also make enquiries to the Board at the general meetings of the Company.



## Corporate Governance Report

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Board and senior management recognise the responsibility of safeguarding the interest of the Shareholders and providing transparent and real-time disclosure of information of the Company so as to keep the Shareholders and investors abreast of the Company's position and help them to make informed investment decision.

Information of the Company and the Group are delivered to the Shareholders through various channels, which include annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the websites of the Company and the Exchange.

The Company holds an annual general meeting every year as an appropriate media for direct communication between the Board and the Shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

For the year ended 31 December 2018, there had been no significant change in the Company's constitutional documents including the Bye-laws.

# Independent Auditor's Report



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## TO THE SHAREHOLDERS OF CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Nuclear Energy Technology Corporation Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 41 to 139, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report

### KEY AUDIT MATTERS (CONTINUED)

#### Revenue Recognition From Engineering, Procurement and Construction ("EPC") And Consultancy Segment

Refer to notes 6 and 7 to the consolidated financial statements and the accounting policies under note 4(m).

Key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2018, the Group has recognised revenue from the provision of EPC and consultancy services of HK\$1,731,036,000, of which majority of revenue of HK\$1,412,961,000 and HK\$279,114,000 are recognised from sales of goods and construction contract revenue respectively.</p>	<p>Our procedures in relation to a sample of revenue transactions arising from the sales of goods in the provision of EPC and consultancy services included:</p> <ul style="list-style-type: none"><li>• understanding and testing the key controls over the recognition of sales of goods;</li><li>• checking the terms set out in the contract agreements; and assessing whether control of the goods of the revenue recognised have been transferred to the customers by reviewing the relevant documents, including delivery notes and acknowledgement to receipts;</li><li>• assessing whether specific revenue transactions around the financial year end had been recognised in the appropriate period in accordance with the terms of sales as set out in the contract agreements, by comparing the transactions selected with relevant underlying documentation, including goods delivery notes or confirmations from customers; and</li><li>• inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.</li></ul>
<p>Sales of goods were recognised when customers obtain control of the goods when the goods are delivered to and have been accepted.</p>	
<p>Construction contract revenue was recognised according to the percentage of completion of the construction works on each contract, which was estimated based on the actual costs incurred to date compare with the total budgeted cost for each contract.</p>	<p>Our procedures in relation to a sample of revenue transactions arising from the construction contract revenue in the provision of EPC and consultancy services included:</p> <ul style="list-style-type: none"><li>• understanding and testing the key controls over the recognition of construction contract revenue;</li><li>• reading signed contract agreements to identify contractual arrangements;</li><li>• obtaining evidence regarding the stage of completion of contract activity (including, where relevant, completion certificates and progress reports issued by architects appointed by customers and agreed between the Group and customers);</li><li>• reconciling the amount of construction costs incurred by reference to the stage of completion of contract activity stated in progress reports; and</li><li>• reconciling the amount of revenue recognised based on the proportion of construction costs incurred.</li></ul>
<p>Determination of the total budgeted costs requires significant management judgement and estimation.</p>	
<p>Revenue is also one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could recorded in the incorrect period or be subject to manipulation.</p>	



## Independent Auditor's Report

### OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.





## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO Limited**

Certified Public Accountants

**Amy Yau Shuk Yuen**

Practising Certificate No. P06095

Hong Kong, 14 March 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	7	2,256,268	1,963,381
Other income and gains	7	3,487	3,345
Cost of sales		(1,692,097)	(1,422,320)
Construction costs		(200,870)	(273,854)
Staff costs		(53,833)	(39,002)
Depreciation		(58,883)	(17,743)
Other operating expenses		(63,171)	(54,450)
Finance costs	8	(62,243)	(22,832)
Loss on disposal of a subsidiary	35	–	(20)
Share of results of associates, net		12,623	11,528
Profit before income tax expense	9	141,281	148,033
Income tax expense	12	(46,866)	(27,631)
<b>Profit for the year</b>		<b>94,415</b>	120,402
<b>Other comprehensive income for the year, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising during the year		(65,922)	62,592
Share of other comprehensive income of associates		(4,519)	5,150
		(70,441)	67,742
<b>Total comprehensive income for the year</b>		<b>23,974</b>	188,144

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Profit for the year attributable to:</b>			
Owners of the Company		90,960	116,081
Non-controlling interests		3,455	4,321
		<b>94,415</b>	120,402
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		21,830	182,473
Non-controlling interests		2,144	5,671
		<b>23,974</b>	188,144
Earnings per share			
– basic and diluted (HK cents per share)	15	6.93	9.48

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

# Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	1,014,450	831,298
Prepaid land lease payments	17	21,156	21,039
Available-for-sale investments	18	—	29,273
Financial assets at fair value through profit or loss	18	27,861	—
Interest in associates	21	100,492	95,781
Finance lease receivables	28	398,968	438,945
Loan receivables	25	38,202	41,362
		<b>1,601,129</b>	1,457,698
<b>Current assets</b>			
Inventories	22	6,483	—
Trade and bills receivables	24	1,431,401	1,605,327
Loan receivables	25	9,681	6,594
Prepayments, deposits and other receivables	26	332,657	305,299
Contract assets	23(a)	182,116	—
Amounts due from customers for contract work	27	—	380,473
Finance lease receivables	28	56,870	52,372
Pledged bank deposits	29	302,455	194,260
Cash and cash equivalents	30(a)	415,874	320,285
		<b>2,737,537</b>	2,864,610
<b>Less: Current liabilities</b>			
Trade and bills payables	31	1,353,994	2,031,259
Other payables and accruals	32	219,546	245,120
Contract liabilities	23(b)	92,312	—
Bank and other borrowings	33	1,234,372	574,039
Obligation under finance lease	34	13,381	13,378
Tax payable		13,929	19,651
		<b>2,927,534</b>	2,883,447
<b>Net current liabilities</b>		<b>(189,997)</b>	(18,837)
<b>Total assets less current liabilities</b>		<b>1,411,132</b>	1,438,861

## Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Less: Non-current liabilities</b>			
Obligation under finance lease	34	87,365	106,082
Bank and other borrowings	33	442,098	458,066
		529,463	564,148
<b>Net assets</b>		881,669	874,713
<b>Capital and reserves</b>			
Share capital	37	131,309	131,309
Reserves	38	735,563	731,660
<b>Equity attributable to owners of the Company</b>		866,872	862,969
<b>Non-controlling interests</b>		14,797	11,744
<b>Total equity</b>		881,669	874,713

On behalf of the directors

**Chung Chi Shing**  
Director

**Jian Qing**  
Director

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company							Total equity HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance 1 January 2017	113,309	1,366,220	(62,938)	2,686	(917,854)	501,423	7,366	508,789
Profit for the year	—	—	—	—	116,081	116,081	4,321	120,402
Other comprehensive income for the year:								
Exchange differences on translating foreign operation	—	—	61,242	—	—	61,242	1,350	62,592
Share of other comprehensive income of associates	—	—	5,150	—	—	5,150	—	5,150
Total comprehensive income for the year	—	—	66,392	—	116,081	182,473	5,671	188,144
Disposal of a subsidiary (note 35)	—	—	(21)	—	21	—	(1,293)	(1,293)
Placing of new shares	18,000	161,073	—	—	—	179,073	—	179,073
Balance at 31 December 2017	131,309	1,527,293	3,433	2,686	(801,752)	862,969	11,744	874,713
Balance 1 January 2018	131,309	1,527,293	3,433	2,686	(801,752)	862,969	11,744	874,713
Changes on initial application of HKFRS 9 (see note 2(a)A)	—	—	—	—	(17,927)	(17,927)	—	(17,927)
Restated balance at 1 January 2018	131,309	1,527,293	3,433	2,686	(819,679)	845,042	11,744	856,786
Profit for the year	—	—	—	—	90,960	90,960	3,455	94,415
Other comprehensive income for the year:								
Exchange differences on translating foreign operations	—	—	(64,611)	—	—	(64,611)	(1,311)	(65,922)
Share of other comprehensive income of associates	—	—	(4,519)	—	—	(4,519)	—	(4,519)
Total comprehensive income for the year	—	—	(69,130)	—	90,960	21,830	2,144	23,974
Acquisition of a subsidiary (note 36)	—	—	—	—	—	—	909	909
Balance at 31 December 2018	131,309	1,527,293	(65,697)	2,686	(728,719)	866,872	14,797	881,669

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense		<b>141,281</b>	148,033
Adjustments for:			
Finance costs	8	<b>62,243</b>	22,832
Interest income		<b>(2,634)</b>	(1,530)
Depreciation	16	<b>58,883</b>	17,743
Amortisation of prepaid land lease payments	17	<b>2,573</b>	1,370
Share of results of associates, net		<b>(12,623)</b>	(11,528)
Written off of property, plant and equipment	9	—	1
Loss on disposal of subsidiaries	35	—	20
Operating cash flow before working capital changes		<b>249,723</b>	176,941
(Increase)/decrease in inventories		<b>(6,750)</b>	415
Decrease/(increase) in trade and bills receivables		<b>80,572</b>	(209,792)
(Increase)/decrease in loan receivables		<b>(2,435)</b>	69,315
Increase in prepayments, deposits and other receivables		<b>(34,106)</b>	(163,769)
Decrease in contract assets		<b>238,629</b>	—
Increase in amounts due from customers for contract work		—	(275,669)
Decrease/(increase) in finance lease receivables		<b>11,211</b>	(354,401)
Decrease/increase in trade and bills payables		<b>(650,124)</b>	588,493
Increase in other payables and accruals		<b>102,079</b>	17,854
Increase in contract liabilities		<b>96,111</b>	—
Decrease in amounts due to customers for contract work		—	(11,016)
Cash used in operations		<b>84,910</b>	(161,629)
Profits tax paid		<b>(53,431)</b>	(19,576)
Net cash inflows/(outflows) from operating activities		<b>31,479</b>	(181,205)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from investing activities</b>			
Purchase of items of property, plant and equipment		(293,100)	(405,438)
Proceeds from disposal of property, plant and equipment		3	3
Interest received		2,634	1,530
Prepaid land lease payments	17	(5,435)	(20,750)
Net proceeds from disposal of subsidiaries	35	—	495
Purchase of available-for-sale investments		—	(29,273)
Dividend received from an associate	21	3,393	3,111
Acquisition of a subsidiary	36	(1,241)	—
<b>Net cash outflows from investing activities</b>		<b>(293,746)</b>	<b>(450,322)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(62,243)	(22,832)
Increase in pledged bank deposits		(122,821)	(194,260)
Repayment to intermediate holding company	32	(65,200)	115,524
Repayment to immediate holding company	32	(59,945)	57,762
Repayment to a fellow subsidiary	32	—	(17,329)
Proceeds from issuance of shares	37	—	179,073
Proceeds from new bank and other borrowings		867,658	964,765
Repayment of bank and other borrowings		(176,631)	(651,581)
Repayment of obligation under finance lease		(13,228)	(6,190)
<b>Net cash inflows from financing activities</b>		<b>367,590</b>	<b>424,932</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>105,323</b>	<b>(206,595)</b>
Cash and cash equivalents at the beginning of the year		320,285	472,711
Effect of foreign exchange rate changes		(9,734)	54,169
<b>Cash and cash equivalents at the end of the year</b>		<b>415,874</b>	<b>320,285</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	30(a)	415,874	320,285

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 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有限公司 (transliterated as “China Nuclear Engineering and Construction Group Corporation Limited”) (“**CNECG**”) 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 CNECG that CNECG and 中國核工業集團有限公司 (transliterated as China National Nuclear Corporation) (“**CNNC**”) has entered into a merger agreement, pursuant to which CNECG will be merged with and into CNNC (the “**Merger**”). As a result of the Merger, CNECG will be dissolved and deregistered and CNNC will survive, and all of the assets, liabilities, businesses, contracts, qualifications and other rights and obligations of CNECG 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, 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 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### *Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKAS 28, Investments in Associates and Joint Ventures (Continued)*

The adoption of these amendments has no impact on these consolidated 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:

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss (“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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9 – Financial Instruments (Continued)

###### (i) Classification and measurement of financial instruments (Continued)

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 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9 – Financial Instruments (Continued)

###### (i) Classification and measurement of financial instruments (Continued)

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9 – Financial Instruments (Continued)

###### (i) Classification and measurement of financial instruments (Continued)

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. 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 are no significant changes in the performance and operations of the investees, the directors of the Company considered that the fair value of these unlisted equity investments are approximate to their carrying amounts.

The following table summarises 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:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as	Carrying amount as
			at 1 January 2018 under HKAS 39	at 1 January 2018 under HKFRS 9
			HK\$’000	HK\$’000
Unlisted equity investments	Available-for-sale investments (at cost)	FVTPL	29,273	29,273
Trade and bills receivables	Loans and receivables (note 2(a)A(iii)(l))	Amortised cost	1,605,327	1,589,302
Deposits and other receivables	Loans and receivables	Amortised cost	156,859	156,859
Loan receivables	Loans and receivables	Amortised cost	47,956	47,956
Amounts due from customers for contract work*	Loans and receivables (note 2(a)A(iii)(l))	Amortised cost	380,473	378,571
Pledged bank deposits	Loans and receivables	Amortised cost	194,260	194,260
Cash and cash equivalents	Loans and receivables	Amortised cost	320,285	320,285

\* Amounts due from customers for contract work of HK\$380,473,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see below note 2(a)B Revenue from Contracts with Customers).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9 – Financial Instruments (Continued)

###### (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 carrying amount 31 December 2017 HK\$'000	Reclassifications HK\$'000	Remeasurements HK\$'000	HKFRS 9 carrying amount 1 January 2018 HK\$'000
<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
Amounts due from customers for contract work*	380,473	(380,473)	—	—
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 at amortised cost</b>				
Unlisted equity investments	29,273	(29,273)	—	—
<b>Financial assets at FVTPL</b>				
Unlisted equity investments	—	29,273	—	29,273

\* Amounts due from customers for contract work of HK\$380,473,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see below note 2(a)B Revenue from Contracts with Customers).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9 – Financial Instruments (Continued)

###### (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 “ECLs model”. HKFRS 9 requires the Group to recognise ECLs 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 ECLs model but the impairment is immaterial for the current period.

###### (iii) Impairment of financial assets (Continued)

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 ECLs, 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 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9 – Financial Instruments (Continued)

###### (iii) Impairment of financial assets (Continued)

###### Measurement of ECLs (Continued)

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 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECLs 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 past due	91-180 days past due	181-365 days past due	Total
Expected credit loss rate (%)	0.5%	1%	2%	5%	
Gross carrying amount (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 and contract assets upon the transition to HKFRS 9 as of 1 January 2018 were HK\$16,025,000 and HK\$1,902,000 respectively. No loss allowance was further provided for trade and bills receivables and contract assets during the year ended 31 December 2018.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### A. HKFRS 9-Financial Instruments (Continued)

###### (iii) Impairment of deposits and other receivables

###### (II) Impairment of deposits and other receivables

All the Group’s deposits and other receivables are considered to have low credit risk and there has been no significant increase in credit risk since initial recognition, therefore 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:

	HK\$’000
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	17,927

###### (iv) 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### **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 for customers 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

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

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

The amount by each consolidated financial statements line items affected in the current year 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:

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

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

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/ 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)	Provision of EPC and consultancy services	<p>The Group provides EPC and consultancy 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 consultancy service related to design 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 reclassifications (i) 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; and (ii) from other payables and accruals to contract liabilities since under IFRS 15, if the entity has received consideration from the customers, the entity has an obligation to transfer goods or services to the customers, an entity should recognise a contract liability.</p>
(ii)	Sale of electricity	<p>Sale of electricity is recognised when electricity is supplied to and consumed by the customers. 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>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

#### (a) Adoption of new or revised IFRSs – effective 1 January 2018 (Continued)

##### *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 consolidated 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 consolidated 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 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.

HKFRS 16	Leases <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <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 HKAS 12, Income Taxes <sup>1</sup>
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

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

<sup>2</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 or removed. Early application of the amendments of the amendments continue to be permitted.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

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

##### *HKFRS 16 – Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or 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 39. 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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

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

##### *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 HKAS 28 – Long-term interests in Associates and Joint Ventures*

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (CONTINUED)

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

##### *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.

##### *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.





## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

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

#### (b) Basis of measurement and going concern assumption

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

The consolidated financial statements have been prepared on a going concern basis even though as of 31 December 2018 the Group’s current liabilities exceeded its current assets by HK\$189,997,000. The management is of the opinion that this basis is appropriate because the directors of the Company have carried out a detailed review of the cash flow forecast of the Group, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have been made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise and to classify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statement.

#### (c) Functional and presentation currency

The consolidated financial statements are presented in HK\$, which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the “**Group**”) and all amounts are rounded to the nearest thousand (“**HK\$’000**”) except otherwise indicated.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Business combinations and basis of consolidation

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

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

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

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Subsidiaries

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

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

#### (c) Associates

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Goodwill

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

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

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

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

#### (e) Property, plant and equipment

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Property, plant and equipment (Continued)

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

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

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

Buildings	2.5%
Furniture and fixtures	6-20%
Air-conditioning plant	15-20%
Electrical appliances	10-33%
Office equipment	20%
Motor vehicles	20%
Solar power plants	7%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of relevant lease.

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Leasing

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

##### *The Group as lessor*

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

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

##### *The Group as lessee*

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Impairment of assets (other than financial assets)

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

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

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

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

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

#### (iA) Financial Instruments (accounting policies applied from 1 January 2018)

##### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“**FVTPL**”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

#### (i) Financial assets (Continued)

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at 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.

**Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. 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.

**Fair value through profit or loss ("FVTPL"):** Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

##### *Equity instruments*

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. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are 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. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.





## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (iA) Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

##### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECLs”) on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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 IFRS 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. 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 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 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired 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 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i)A Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

#### (iii) Financial liabilities

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

##### *Financial liabilities at fair value through profit or loss*

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

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

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

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### *Financial liabilities at amortised cost*

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (iA) Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

##### (iv) *Effective interest method*

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

##### (v) *Equity instruments*

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

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

##### (vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i)B Financial instruments (accounting policies applied until 31 December 2017)

##### (i) Financial assets

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

##### *Financial assets at fair value through profit or loss*

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

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

##### *Loans and receivables*

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

##### *Held-to-maturity investments*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (iB) Financial instruments (accounting policies applied until 31 December 2017) (Continued)

##### (i) Financial assets (Continued)

###### *Available-for-sale financial assets*

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

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

##### (ii) Impairment loss on financial assets

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

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

###### *For Loans and receivables or Held-to-maturity investments*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i)B Financial instruments (accounting policies applied until 31 December 2017) (Continued)

##### (ii) Impairment loss on financial assets (Continued)

###### *For Available-for-sale financial assets*

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

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

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

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

##### (iii) Financial liabilities

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

###### *Financial liabilities at fair value through profit or loss*

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i)B Financial instruments (accounting policies applied until 31 December 2017) (Continued)

##### (iii) Financial liabilities (Continued)

###### *Financial liabilities at fair value through profit or loss (Continued)*

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

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

###### *Financial liabilities at amortised cost*

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

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

##### (iv) Effective interest method

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

##### (v) Equity instruments

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i)B Financial instruments (accounting policies applied until 31 December 2017) (Continued)

##### (vi) Derecognition

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

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

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

#### (j) Construction contracts (accounting policies applied until 31 December 2017)

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

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

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

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Inventories

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

#### (l) Cash and cash equivalents

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

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

#### (m) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### (i) Provision of EPC and consultancy services

The Group has determined that for contracts with customers for the provision of EPC and consultancy services, there is generally one performance obligation, which refer to the construction of photovoltaic power plant. 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. Invoices are issued according to contractual terms. Uninvoiced amounts are presented as contract assets.

In some circumstances, the Group provides consultancy service related to design which either included in the above EPC contracts 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. Consultancy service related to design 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.

#### (ii) Sales of goods under manufacturing and trading business

Customers obtain control of the products 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. There is generally one performance obligation. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

#### (iii) Sale of electricity

Sale of electricity is recognised when electricity is supplied to and consumed by the customers. Revenue from sales of electricity is recognised over time on the basis of periodic meter readings.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

##### (iv) Other income

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

##### *Revenue recognition (accounting policies applied until 31 December 2017)*

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when services are provided;
- (c) from the rental income, on a time proportion basis over the lease term;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) sales of electricity is recognised based on the units of electricity sold to customers during the year at an agreed tariff rate.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

##### *Revenue recognition (accounting policies applied until 31 December 2017) (Continued)*

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

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

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

##### *Contract assets and liabilities (accounting policies applied from 1 January 2018)*

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the EPC and consultancy services under such contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Income taxes

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Foreign currency

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Employee benefits

##### (i) Short term employee benefits

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

##### (ii) Pension Scheme

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

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

##### (iii) Termination benefits

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

#### (q) Provisions and contingent liabilities

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.





## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

#### (a) Income taxes

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

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

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

#### (c) Revenue recognition from EPC and consultancy segment

As explained in notes 4(j) and 4(m), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the contract assets as disclosed in note 23 (2017: amounts due from customers for contract work as disclosed in note 27) will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### (d) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

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

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

The Group measures the following item at fair value:

- Revalued land and buildings – Property, Plant and Equipment (note 16); and
- Financial assets at FVIPL (note 18).

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

### 6. SEGMENT REPORTING

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 6. SEGMENT REPORTING (CONTINUED)

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 EPC and consulting services operations relating to construction of 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 HK\$100,492,000 (2017: HK\$95,781,000), property, plant and equipment amounted to HK\$1,014,343,000 (2017: HK\$831,149,000) and prepaid land lease payments amounted to 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 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 6. SEGMENT REPORTING (CONTINUED)

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 6. SEGMENT REPORTING (CONTINUED)

	EPC and Consultancy 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 2017						
Segment revenue:						
Sales to external customers	1,880,031	52,037	31,313	—	—	1,963,381
Intersegment sales	—	—	18,878	—	—	18,878
Other income and gains	1,020	608	1	173	13	1,815
Reportable segment revenue	1,881,051	52,645	50,192	173	13	1,984,074
<i>Reconciliation:</i>						
Elimination of intersegment sales						(18,878)
Consolidated revenue						1,965,196
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						11,528
Profit before income tax						148,033
Income tax expense						(27,631)
Profit for the year						120,402

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 6. SEGMENT REPORTING (CONTINUED)

	EPC and Consultancy HK\$'000	Power Generation HK\$'000	Financing HK\$'000	Manufacturing and trading business HK\$'000	All other Segments HK\$'000	Total HK\$'000
<b>At 31 December 2018</b>						
<b>Segment assets</b>	2,026,079	1,322,815	675,646	89,379	124,255	4,238,174
<i>Reconciliation:</i>						
Unallocated assets						100,492
<b>Total assets</b>						<b>4,338,666</b>
<b>Segment liabilities</b>	1,809,675	173,683	769,097	27,740	676,802	3,456,997
<i>Reconciliation:</i>						
Unallocated liabilities						—
<b>Total liabilities</b>						<b>3,456,997</b>
<b>Other segment information</b>						
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 were set out in note 21.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 6. SEGMENT REPORTING (CONTINUED)

	EPC and Consultancy 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 2017						
Segment assets	2,386,052	1,058,409	636,976	86,074	59,016	4,226,527
<i>Reconciliation:</i>						
Unallocated assets						95,781
<b>Total assets</b>						<b>4,322,308</b>
Segment liabilities	2,201,546	102,925	566,530	49,011	527,583	3,447,595
<i>Reconciliation:</i>						
Unallocated liabilities						—
<b>Total liabilities</b>						<b>3,447,595</b>
Other segment information						
Depreciation	771	16,792	82	41	57	17,743
Amortisation of prepaid land lease payments	—	1,338	—	32	—	1,370
Additions to property, plant and equipment	102	468,266	40	58,321	9	526,738
Written off of property, plant and equipment	1	—	—	—	—	1

Included in the unallocated assets, there are interest in associates amounted to HK\$95,781,000. Details of the interest in associates were set out in note 21.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 7. REVENUE, OTHER INCOME AND GAINS

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

	2018 HK\$'000	2017 HK\$'000
<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
	<b>2,256,268</b>	1,963,381
<b>Timing of revenue recognition</b>		
At a point in time	1,790,500	1,300,536
Over time	465,768	662,845
	<b>2,256,268</b>	1,963,381
<b>Other income and gains:</b>		
Bank interest income	2,634	1,530
Others	853	1,815
	<b>3,487</b>	3,345



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 8. FINANCE COSTS

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

### 9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

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

\* Items included in other operating expenses

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 10. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	2018 HK\$'000	2017 HK\$'000
Fees	675	600
Other emoluments:		
Salaries	5,488	3,426
Housing allowance	1,123	720
Employer's contribution to benefit scheme	149	77
Total directors' emoluments	7,435	4,823

#### a. Independent non-executive directors

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

	2018 HK\$'000	2017 HK\$'000
Mr. Chan Ka Ling, Edmond	150	150
Mr. Wang Jimin	150	150
Mr. Tian Aiping	150	150
Mr. Li Dakuan	150	150
	600	600

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2018 (2017: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 10. DIRECTORS' EMOLUMENTS (CONTINUED)

#### b. Executive directors

	Fees HK\$'000	Salaries HK\$'000	Housing allowance HK\$'000	Employer's contribution to benefit scheme HK\$'000	Total remuneration HK\$'000
<b>Year ended 31 December 2018</b>					
Mr. Zhao Yixin ( <i>Chairman</i> ) (Appointed on 23 January 2019)	–	–	–	–	–
Mr. Ai Yilun ( <i>Former chairman</i> ) (Resigned on 23 January 2019)	–	–	–	–	–
Mr. Liu Genyu ( <i>Vice Chairman</i> )	–	1,800	720	18	2,538
Mr. Zhang Rui ( <i>Chief Executive Officer</i> ) (Appointed on 17 January 2018)	–	700	318	18	1,036
Mr. Bai Xuefei ( <i>Co-Chief Executive Officer</i> ) (Resigned on 17 January 2018)	–	–	15	–	15
Mr. Tang Jianhua ( <i>Chief Operating Officer</i> )	–	1,068	70	77	1,215
Ms. Jian Qing	–	960	–	18	978
Mr. Chung Chi Shing	–	960	–	18	978
Mr. Li Jinying	75	–	–	–	75
Mr. Wu Yuanchen (Appointed on 28 November 2018)	–	–	–	–	–
Mr. Li Feng (Resigned on 28 November 2018)	–	–	–	–	–
	<b>75</b>	<b>5,488</b>	<b>1,123</b>	<b>149</b>	<b>6,835</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 10. DIRECTORS' EMOLUMENTS (CONTINUED)

#### b. Executive directors (continued)

	Fees HK\$'000	Salaries HK\$'000	Housing allowance HK\$'000	Employer's contribution to benefit scheme HK\$'000	Total remuneration HK\$'000
Year ended 31 December 2017					
Mr. Ai Yilun ( <i>Chairman</i> )	–	–	–	–	–
Mr. Liu Genyu ( <i>Appointed on 30 June 2017</i> )	–	905	360	9	1,274
Mr. Bai Xuefei ( <i>Co-Chief Executive Officer</i> ) (Resigned on 17 January 2018)	–	–	326	–	326
Mr. Tang Jianhua ( <i>Appointed on</i> <i>30 June 2017</i> )	–	721	34	32	787
Ms. Jian Qing	–	840	–	18	858
Mr. Chung Chi Shing	–	960	–	18	978
Mr. Li Jinying	–	–	–	–	–
Mr. Wu Yuanchen ( <i>Resigned on</i> <i>30 June 2017</i> )	–	–	–	–	–
Mr. Li Feng	–	–	–	–	–
	–	3,426	720	77	4,223

There was no arrangement under which a director and the chief executive officer waived or agreed to waive any remuneration during the year ended 31 December 2018 (2017: Nil).

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, four (2017: three) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining one (2017: two) individuals were within the following bands.

	Number of employees	
	2018	2017
Nil to HK\$1,000,000	–	1
HK\$1,000,000 to HK\$1,500,000	–	1
HK\$1,500,000 to HK\$2,000,000	1	–
	1	2

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals or directors as an inducement to join or upon joining the Group or as compensation for loss of office.

### 12. INCOME TAX EXPENSE

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

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

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% enterprise income tax rate in the period from 2014-2016.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 12. INCOME TAX EXPENSE (CONTINUED)

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:

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

### 13. OTHER COMPREHENSIVE INCOME

#### Tax effects relating to each component of other comprehensive income

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 14. 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).

### 15. EARNINGS PER SHARE

#### Earnings

	2018 HK\$'000	2017 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	90,960	116,081

#### Number of shares

	2018 '000	2017 '000
Issued Share Capital at 1 January	1,313,095	1,133,095
Placing of new shares	—	180,000
Issued Share Capital at 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	1,224,820

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 16. 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
<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
At 31 December 2017 and 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	293,100
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 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 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>									
<b>At 31 December 2018</b>	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 reporting period include assets held under finance leases as follows:</b>									
<b>Net book value:</b>									
<b>At 31 December 2018</b>	—	—	—	—	—	—	127,116	—	127,116
At 31 December 2017	—	—	—	—	—	—	143,616	—	143,616



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2018, the Group's buildings were situated in the PRC and were used by the Group.

#### Fair value measurement

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

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

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

The fair value of the Group's buildings at 31 December 2018 was arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent professional surveyor and property valuer not connected with the Group. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications.

The fair value of land and buildings is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2018 HK\$'000	2017 HK\$'000
Opening balance (level 3 recurring fair value)	22,497	–
Purchases	–	22,497
Depreciation	(300)	–
Exchange alignments	(1,120)	–
Closing balance (level 3 recurring fair value)	21,077	22,497

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Significant unobservable inputs

Premium/(discount) on quality of properties

#### Range

5% – 10%

Higher premiums or discounts for the quality of the Group's properties compared to recent sales will result in correspondingly higher or lower fair values.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use. Had the revalued properties been measured on cost model, their net book value would have been HK\$21,077,000 (2017: 22,497,000). During the year ended 31 December 2018, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

During the year, no surplus or deficit was arising from revaluation of buildings (2017: Nil).

### 17. PREPAID LAND LEASE PAYMENTS

	2018 HK\$'000	2017 HK\$'000
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
Carrying amount at the end of the year	24,664	23,076
Current portion included in prepayments	(3,508)	(2,037)
Non-current portion	21,156	21,039

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 17. PREPAID LAND LEASE PAYMENTS (CONTINUED)

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

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

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

	2018 HK\$'000	2017 HK\$'000
Available-for-sale investments	—	29,273
Financial assets at FVTPL	27,861	—
	<b>27,861</b>	<b>29,273</b>

Financial assets at FVTPL (2017: available-for-sale investments) represent unlisted equity investments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 19. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current asset</b>			
Investments in subsidiaries	20	464,056	360,114
<b>Current assets</b>			
Amount due from subsidiaries		490,577	456,298
Other receivables		17,165	1,125
Cash and bank balances		98,150	28,797
		605,892	486,220
<b>Less: Current liabilities</b>			
Other payables and accruals		461	461
Bank borrowings		663,513	347,508
		663,974	347,969
<b>Net current (liabilities)/assets</b>		(58,082)	138,251
<b>Total assets less current liabilities</b>		405,974	498,365
<b>Less: Non-current liabilities</b>			
Amounts due to subsidiaries		—	3,860
Other payables		—	59,945
		—	63,805
<b>Net assets</b>		405,974	434,560
<b>Capital and reserves</b>			
Share capital		131,309	131,309
Reserves	38	274,665	303,251
<b>Total equity</b>		405,974	434,560

On behalf of the directors

**Chung Chi Shing**  
Director

**Jian Qing**  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 20. 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 <sup>(Note)</sup>	RMB250,000,000*	—	96.18%	EPC and consultancy operations
南京中核能源工程有限公司	PRC <sup>(Note)</sup>	RMB250,000,000*	—	96.18%	EPC and consultancy operations
核建融資租賃(深圳)有限公司	PRC <sup>(Note)</sup>	HK\$240,000,000*	—	100%	Financing
泰州核潤新能源有限公司	PRC <sup>(Note)</sup>	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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 21. INTEREST IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Share of net assets (including goodwill)	100,492	95,781

Details of the material associates are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of equity attributable to the Group
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.)	Note (i) 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): 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 21. INTEREST IN ASSOCIATES (CONTINUED)

#### Summarised financial information

	China Nuclear Industry Maintenance Co., Ltd		Zhong He Qiqihar Solar Power Generation Company Limited	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
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	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 in the associates				
Gross amounts of net assets of 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 the associates	81,845	76,933	6,005	6,206
Goodwill	12,642	12,642	—	—
Carrying amount in the consolidated financial statement	94,487	89,575	6,005	6,206

### 22. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods	6,483	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 23. 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 2018 HK\$'000	1 January 2018 HK\$'000	31 December 2017 HK\$'000
<i>Contract assets arising from:</i>			
Provision of EPC and consultancy services	184,018	380,473	—
Less: Impairment losses	(1,902)	(1,902)	—
	<b>182,116</b>	378,571	—

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 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 2018 is as follows:

	HK\$'000
Within one year	184,018

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

	2018 HK\$'000
At beginning of year under HKAS 39	—
Impact of initial application of HKFRS 9 (note 2(a)A)	1,902
At beginning of year (restated) and at end of year	<b>1,902</b>

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.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 23. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

#### (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 2018 HK\$'000	1 January 2018 HK\$'000	31 December 2017 HK\$'000
<i>Contract liabilities arising from:</i>			
Provision of EPC and consultancy services	92,312	10,691	—

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

All the contract liabilities as at 1 January 2018 are recognised as revenue during the year ended 31 December 2018. The Group expects that the contract liabilities as at 31 December 2018 will be recognised as revenue within a year or less.

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 27) and "receipts in advance" (note 32) have been reclassified to "Contract assets" and "Contract liabilities" (note 23) respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 24. 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.

	2018 HK\$'000	2017 HK\$'000
Trade receivables	1,437,201	1,337,673
Bills receivables	10,225	267,654
	<b>1,447,426</b>	1,605,327
Less: Impairment losses	(16,025)	—
	<b>1,431,401</b>	—

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:

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

The Group recognised impairment loss based on the accounting policy stated in note 4(i).

Bills receivables are due within six months from date of billing. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in note 42(b).

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 25. LOAN RECEIVABLES

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

Loan receivables as at 31 December 2018 represented loans to 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).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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.

### 27. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2018 HK\$'000	2017 HK\$'000
Contract cost incurred plus recognised profits	1,692,075	1,382,025
Less: progress billing	(1,508,057)	(1,001,552)
	<b>184,018</b>	380,473
Represented by:		
Amounts due from customers for contract work	—	380,473
Contract assets (note 23(a))	<b>184,018</b>	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 28. 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 lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
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	125,016	200,741	118,793	187,090
	<b>545,542</b>	600,576	<b>455,838</b>	491,317
Less: unearned finance income	(89,704)	(109,259)		
Total net finance lease receivables	<b>455,838</b>	491,317		
	2018 HK\$'000	2017 HK\$'000		
Analysed for reporting purposes as:				
Current assets	56,870	52,372		
Non-current assets	398,968	438,945		
	<b>455,838</b>	491,317		

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 29. 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% (2017: 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.

### 30. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2018 HK\$'000	2017 HK\$'000
Cash and bank balances	415,874	320,285

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.

(b) Notes supporting cash flow statement

	2018 HK\$'000	2017 HK\$'000
Significant non-cash transaction is as follows:		
Financing activity		
Assets acquired under finance lease	–	121,300

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 30. CASH AND CASH EQUIVALENTS (CONTINUED)

#### (b) Notes supporting cash flow statement (Continued)

Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings (note 33) HK\$'000	Obligation under finance lease (note 34) HK\$'000	Amount due to a non- controlling interest shareholder (note 32) HK\$'000	Amount due to immediate holding company (note 32) HK\$'000	Amount due to intermediate holding company (note 32) HK\$'000
At 1 January 2018	1,032,105	119,460	11,449	59,945	119,890
Changes from cash flows:					
Proceeds from new bank and other borrowings	867,658	—	—	—	—
Repayment of bank and other borrowings	(176,631)	—	—	—	—
Interest paid on bank and other borrowings	(51,773)	—	—	(869)	(4,031)
Capital element of obligation under finance lease	—	(13,228)	—	—	—
Interest element of obligation under finance lease	—	(5,570)	—	—	—
Repayment to intermediate holding company	—	—	—	—	(65,200)
Repayment to immediate holding company	—	—	—	(59,945)	—
Total changes	639,254	(18,798)	—	(60,814)	(69,231)
Exchange adjustments:	(46,662)	(5,486)	(575)	—	(3,453)
Other changes:					
Finance costs	51,773	5,570	—	869	4,031
As at 31 December 2018	1,676,470	100,746	10,874	—	51,237

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 30. CASH AND CASH EQUIVALENTS (CONTINUED)

#### (b) Notes supporting cash flow statement (Continued)

Reconciliation of liabilities arising from financing activities: (Continued)

	Bank and other borrowings (note 33) HK\$'000	Obligation under finance lease (note 34) HK\$'000	Amount due to a non- controlling interest shareholder (note 32) HK\$'000	Amount due to a fellow subsidiary HK\$'000	Amount due to immediate holding company (note 32) HK\$'000	Amount due to intermediate holding company (note 32) HK\$'000
At 1 January 2017	682,724	—	10,612	16,669	—	—
Changes from cash flows:						
Proceeds from new bank and other borrowings	964,765	—	—	—	—	—
Repayment of bank and other borrowings	(651,581)	—	—	—	—	—
Interest expenses on bank and other borrowings	(19,196)	—	—	—	—	(503)
Capital element of obligation under finance lease	—	(6,190)	—	—	—	—
Interest element of obligation under finance lease	—	(3,133)	—	—	—	—
Borrowing from intermediate holding company	—	—	—	—	—	115,524
Borrowing from immediate holding company	—	—	—	—	57,762	—
Repayment to a fellow subsidiary	—	—	—	(17,329)	—	—
Total changes	293,988	(9,323)	—	(17,329)	57,762	115,021
Exchange adjustments:	36,197	4,350	837	660	2,183	4,366
Other changes:						
Finance costs	19,196	3,133	—	—	—	503
New finance leases	—	121,300	—	—	—	—
Total other changes	19,196	124,433	—	—	—	503
As at 31 December 2017	1,032,105	119,460	11,449	—	59,945	119,890



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 31. TRADE AND BILLS PAYABLES

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

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

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

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

### 32. OTHER PAYABLES AND ACCRUALS

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

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 33. BANK AND OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
<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
	<b>1,234,372</b>	574,039
<b>Non-current</b>		
Long-term bank loans, secured	204,963	243,187
Other borrowing, secured	237,135	214,879
	<b>442,098</b>	458,066
Total bank and other borrowings	<b>1,676,470</b>	1,032,105

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 33. BANK AND OTHER BORROWINGS (CONTINUED)

As at 31 December 2018, the Group had undrawn bank loans facilities of RMB313,000,000 (approximately HK\$356,382,000) (2017: RMB35,000,000 (approximately HK\$41,962,000) and EUR5,000,000 (approximately HK\$46,885,000)).

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 34. 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.

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts payable under finance lease:				
Within one year	18,094	19,012	13,381	13,378
In the second to fifth years, inclusive	72,800	76,472	61,017	61,004
After five years	27,496	48,189	26,348	45,078
	<b>118,390</b>	143,673	<b>100,746</b>	119,460
Less: future finance charges	(17,644)	(24,213)		
Total obligation under finance lease	<b>100,746</b>	119,460		
	<b>2018 HK\$'000</b>	2017 HK\$'000		
Analysed for reporting purposes as:				
Current liabilities	13,381	13,378		
Non-current liabilities	87,365	106,082		
	<b>100,746</b>	119,460		

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 35. DISPOSAL OF SUBSIDIARIES

- (a) The Group disposed a subsidiary, 內蒙古中核龍騰新能源有限公司, on 16 August 2017. The subsidiary did not conduct any business activities during the year.

The net assets of the subsidiary on the date of disposal were as follow:

	2017 HK\$'000
Net assets disposed of:	
Property, plant and equipment	5,384
Prepayments, deposits and other receivables	479
Cash and cash equivalents	830
Trade payables	(384)
Other payables and accruals	(3,671)
	2,638
Non-controlling interests	(1,293)
Loss on disposal of a subsidiary	(20)
	1,325
Total consideration	1,325
Satisfied by:	
Cash	1,325

#### (b) Cash inflow arising from disposal of a subsidiary

	2017 HK\$'000
Cash consideration received	1,325
Bank balance and cash disposal of	(830)
	495

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 36. BUSINESS ACQUISITION DURING THE YEAR

On 18 July 2018, the Group acquired 60% of the voting equity instruments of 江蘇中核實原建設有限公司, 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:

	HK\$'000
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	(843)
<hr/>	
The provisional fair value of consideration transfer:	2,150
Non-controlling interests	(909)
<hr/>	
Total consideration	1,241
<hr/>	
Satisfied by:	
Cash	1,241

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 37. SHARE CAPITAL

#### Ordinary shares

	2018 Number of shares '000	2018 Share capital HK\$'000	2017 Number of shares '000	2017 Share capital HK\$'000
<b>Issued and fully paid:</b>				
At 1 January	1,313,095	131,309	1,133,095	113,309
Placing of new shares (Note (a))	–	–	180,000	18,000
<b>At 31 December</b>	<b>1,313,095</b>	<b>131,309</b>	1,313,095	131,309

Note:

- (a) On 29 June 2017, the Company completed a placement of 180,000,000 ordinary shares under general mandate to certain independent third parties at an issue price of HK\$1.01 each (the "Placing") and recognised an increase in share capital of HK\$18,000,000 and share premium of HK\$161,073,000 (after netting off HK\$2,727,000 share issue expenses). The Company intends to use the net proceeds from the Placing as general working capital of the Company, repayment part of the bank borrowings and supplementing the registered capital of an indirect wholly owned subsidiary of the Company. These shares rank pari passu in all respects with the then existing shares.

### 38. RESERVES

#### (a) The Group

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

#### *Building revaluation reserve*

The building revaluation reserve has been set up and is dealt with in accordance with the accounting policies of "Property, plant and equipment and depreciation" as set out in Note 16.

#### *Exchange reserve*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 38. RESERVES (CONTINUED)

#### (a) The Group (Continued)

##### *Statutory reserve*

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

#### (b) The Company

	Share Premium Account HK\$'000	Contributed Surplus HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
At 1 January 2017	1,366,220	203,630	(1,404,779)	165,071
Total comprehensive income for the year	—	—	(22,893)	(22,893)
Placing of new shares	161,073	—	—	161,073
<b>At 31 December 2017 and 1 January 2018</b>	<b>1,527,293</b>	<b>203,630</b>	<b>(1,427,672)</b>	<b>303,251</b>
Total comprehensive income for the year	—	—	(28,586)	(28,586)
<b>At 31 December 2018</b>	<b>1,527,293</b>	<b>203,630</b>	<b>(1,456,258)</b>	<b>274,665</b>

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 38. RESERVES (CONTINUED)

#### (b) The Company (Continued)

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

### 39. OPERATING LEASE ARRANGEMENTS

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

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

### 40. CAPITAL COMMITMENT

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 41. 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 HK\$'000	2017 HK\$'000
Transaction with immediate holding company – Loan interest expense (note (i))	869	—
Transaction with intermediate holding company – Loan interest expense (note (ii))	4,031	503
Transaction with immediate holding company and the ultimate holding company's indirect joint venture – Loan interest income (note (iii))	—	4,068

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.
- (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\$119,690,000 (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.
- (iii) In 2016, a loan agreement was entered into between 核建融資租賃(深圳)有限公司 (transliterated as CNECF 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.

#### b. Compensation of key management personnel of the Group:

	2018 HK\$'000	2017 HK\$'000
Short term employee benefits	9,215	7,010
Pension scheme contribution	171	116
Total compensation paid to key management personnel	9,386	7,126

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

#### (a) Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets – Loans and receivables</b>		
Trade and bills receivables	1,431,401	1,605,327
Loan receivables	9,681	47,956
Financial assets included in deposits and other receivables	235,437	122,944
Financial lease receivables	455,838	491,317
Contract assets	182,116	—
Amounts due from customers for contract work	—	380,473
Cash and cash equivalents	415,874	320,285
Pledged bank deposits	302,455	194,260
<b>Other Financial assets</b>		
Available-for-sale investments	—	29,273
Financial assets at FVTPL	27,861	—
<b>Financial liabilities – Financial liabilities at amortised cost</b>		
Trade and bills payables	1,353,994	2,031,259
Bank and other borrowings	1,676,470	1,032,105
Financial liabilities included in other payables and accruals	219,546	234,429
Obligation under finance lease	100,746	119,460

Financial instruments not measured at fair value include trade and bills receivables, loan receivables, deposits and other receivables, finance lease receivables, contract assets (2017: amounts due from customers for contract work, pledged bank deposits, cash and cash equivalents, trade and bills payables, bank and other borrowings, other payables and accruals and obligation under finance lease).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (a) Categories of financial instruments (Continued)

Due to their short term nature, the carrying value of trade and bills receivables, deposits and other receivables, contract assets (2017: amounts due from customers for contract work, pledged bank deposits, cash and cash equivalents, trade and bills receivables and other payables and accruals approximates fair value).

#### (b) Financial risk management objectives and policies

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

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

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

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

#### **Market risk**

##### (i) Foreign currency risk management

The Group is exposed to currency risk primarily through bank and other borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros and United States dollars.

Some of the Group's bank and other borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management considers no significant exposure to currency risk because of the Hong Kong dollars pegged to United States dollars.

	2018 Euro'000	2017 Euro'000
Bank and other borrowings	4,358	4,000

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (i) Foreign currency risk management (Continued)

The following table indicates the approximate change in the Group's profit for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the HK\$ strengthens against the relevant currency. For a weakening of the HK\$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2018		2017			
	Increase in foreign exchange rates	Effect on profit for the year and accumulated losses HK\$'000	Effect on other components of equity HK\$'000	Increase in foreign exchange rates	Effect on profit for the year and accumulated losses HK\$'000	Effect on other components of equity HK\$'000
<b>Euro</b>	5%	1,951	—	5%	1,876	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (b) Financial risk management objectives and policies (Continued)

##### *Market risk (Continued)*

##### *(ii) Interest rate risk management*

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

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

	2018		2017	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
<b>Floating rate borrowings</b>				
Bank borrowings (note 33)	4.1	1,409,822	4.1	797,121
Other borrowings (note 33)	5.3	266,648	5.3	234,984
Obligation under finance lease (note 34)	5.2	100,746	5.2	119,460
Loan from an intermediate company (note 32)	5.2	51,237	5.2	119,890
Loan from an immediate holding company (note 32)	—	—	5.2	59,945
		<b>1,828,453</b>		1,331,400
<b>Floating rate loan receivable</b>				
Finance lease receivables (note 28)	5.3	455,838	5.3	(491,317)
		<b>455,838</b>		(491,317)
Total net borrowings		<b>1,372,615</b>		840,083

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (b) Financial risk management objectives and policies (Continued)

##### *Market risk (Continued)*

##### *(ii) Interest rate risk management (Continued)*

The interest rates and terms of repayment of the Group's borrowings are disclosed in note 32, 33 and 34 to the financial statements.

At 31 December 2018, it is estimated that a general increase or decrease of 50 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year and accumulated losses by approximately HK\$5,147,000 (2017: HK\$3,257,000).

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

The analysis is performed on the same basis for 2017.

##### *Credit risk*

The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables loan receivables, finance lease receivables, contract assets (2017: amounts due from customers for contract work), pledged bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and bills receivables, deposits and other receivables and contract assets (2017: amounts due from customers for contract work), individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. In addition, the Group reviews the recoverable amount of each individual trade and bills receivables, deposits and other receivables and contract assets (2017: amounts due from customers for contract work) at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

At the end of reporting period, the Group has a certain concentration of credit risk as 17% (2017: Nil) and 50% (2017: 48%) of the total trade receivables was due from Group's largest customer and the five largest customers respectively. The Group's concentration risk of credit risk by geographical location is mainly in the PRC, which accounted for 100% (2017: 100%) of the total trade receivables.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (b) Financial risk management objectives and policies (Continued)

##### *Credit risk (Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
	HK\$'000	HK\$'000	HK\$'000
Current (not past due)	1,077,604	(6,085)	1,071,519
1 – 90 days past due	96,989	(2,019)	94,970
91 – 180 days past due	214,865	(934)	213,931
181 – 365 days past due	57,968	(6,987)	50,981
	<b>1,447,426</b>	<b>(16,025)</b>	<b>1,431,401</b>

ECLs rates are based on historical loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(i)B(ii)). At 31 December 2017, the ageing analysis of trade and bills receivables that were not considered to be impaired was as follows:

	2017 HK\$'000
Current (not past due)	1,216,956
1 – 90 days past due	201,926
91 – 180 days past due	46,712
181 – 365 days past due	139,733
	<b>1,605,327</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (b) Financial risk management objectives and policies (Continued)

##### *Credit risk (Continued)*

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance in respect of trade receivables during the year is as follow:

	2018 HK\$'000
At beginning of year under HKAS 39	—
Impact of initial application of HKFRS 9 (note 2(a)A)	16,025
At beginning of year (restated) and at end of year	16,025

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

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

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 24.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (b) Financial risk management objectives and policies (Continued)

##### Liquidity risk

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

As indicated in notes 31, 32, 33 and 34, all financial liabilities of the Group were due to be repaid within one year or repayable on demand except for the long term bank and other borrowings of HK\$442,098,000 and non-current portion of obligation under finance lease of HK\$87,365,000.

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

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

	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to less than 2 years HK\$'000	2 to less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted amount HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2018</b>							
Trade and bills payables	1,353,994	—	—	—	—	1,353,994	1,353,994
Financial liabilities included in other payables and accruals	222,135	—	—	—	—	222,135	219,546
Obligation under finance lease	3,301	10,077	14,090	46,914	45,078	119,460	100,746
Bank and other borrowings	212,420	657,626	611,649	264,559	36,106	1,782,360	1,676,470
	<b>1,791,850</b>	<b>667,703</b>	<b>625,739</b>	<b>311,473</b>	<b>81,184</b>	<b>3,477,949</b>	<b>3,350,756</b>
<b>At 31 December 2017</b>							
Trade and bills payables	2,031,259	—	—	—	—	2,031,259	2,031,259
Financial liabilities included in other payables and accruals	46,830	190,948	—	—	—	237,778	234,429
Obligation under finance lease	4,751	14,261	19,052	57,420	48,188	143,672	119,460
Bank and other borrowings	21,862	344,329	328,153	380,973	48,005	1,123,322	1,032,105
	<b>2,104,702</b>	<b>549,538</b>	<b>347,205</b>	<b>438,393</b>	<b>96,193</b>	<b>3,536,031</b>	<b>3,417,253</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (c) Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

#### *Gearing ratio*

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

	2018 HK\$'000	2017 HK\$'000
Debt <sup>#</sup>	1,843,238	1,342,849
Total equity	881,669	874,713
Gearing ratio	2.09	1.54

<sup>#</sup> Total debt comprises loans included in other payables and accruals, bank and other borrowings and obligation under finance lease as detailed in notes 32, 33 and 34.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

### 42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

#### (d) Fair value measurements

The following table presents the fair value of the Group's financial instruments that are measured at fair value at the end of the reporting period:

	<b>2018</b>	2017
	<b>Level 3</b>	Level 3
	<b>HK\$'000</b>	HK\$'000
Financial assets at FVTPL		
– Unlisted equity investments	<b>27,861</b>	–

There was no financial instruments measured at fair value for the year ended 31 December 2017. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

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

The following methods and assumptions were used to estimate the fair values:

The fair value of unlisted equity investments are determined based on transaction price and factors or events that have occurred after the acquisition date. Since there are no significant changes in market condition or the performance and operations of the investees, the directors of the Company considered that the fair value of these unlisted equity investments are approximate to their carrying amounts.

### 43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 March 2019.

## Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated or reclassified as appropriate, is set out below.

### RESULTS

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000	Year ended 31 December 2016 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2014 HK\$'000
<b>Revenue</b>	<b>2,256,268</b>	1,963,381	2,215,305	1,676,330	322,523
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>94,415</b>	120,402	82,539	9,998	(57,195)
Attributable to:					
Owners of the Company	<b>90,960</b>	116,081	78,571	3,559	(40,931)
Non-controlling interests	<b>3,455</b>	4,321	3,968	6,439	(16,264)
	<b>94,415</b>	120,402	82,539	9,998	(57,195)

### ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Total assets	<b>4,338,666</b>	4,322,308	2,596,972	2,105,056	531,810
Total liabilities	<b>(3,456,997)</b>	(3,447,595)	(2,088,183)	(1,630,115)	(134,336)
Non-controlling interests	<b>(14,797)</b>	(11,744)	(7,366)	(576)	10,050
	<b>866,872</b>	862,969	501,423	474,365	407,524