中國核能科技集團有限公司
China Nuclear Energy Technology Corporation Limited
Stock Code: 611

INTERIM REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Ai Yilun (Chairman)
Mr Liu Genyu (Vice Chairman)
Mr Chung Chi Shing
Ms Jian Qing
Mr Li Feng
Mr Li Jinying
Mr Tang Jianhua (Chief Operating Officer)
Mr Zhang Rui (Chief Executive Officer)

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

REMUNERATION COMMITTEE

Mr Chan Ka Ling Edmond (Chairman)
Mr Ai Yilun
Mr Liu Genyu
Mr Li Dakuan
Mr Tian Aiping
Mr Wang Jimin

NOMINATION COMMITTEE

Mr Ai Yilun (Chairman)
Ms Jian Qing
Mr Chan Ka Ling Edmond
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

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China Resources Building
26 Harbour Road
Wanchai
Hong Kong

STOCK CODE

611

WEBSITE

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The board of directors (the "**Board**") of China Nuclear Energy Technology Corporation Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the six months ended 30 June 2017. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the six months ended	
		30 June 2018	30 June 2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,026,496**	371,722
Other revenue and gains		**1,690**	589
Cost of inventories used		**(787,803)**	(253,671)
Construction costs		**(85,834)**	(46,414)
Staff costs		**(19,555)**	(11,779)
Depreciation		**(20,187)**	(6,617)
Other operating expenses		**(38,622)**	(21,246)
Finance costs	*5*	**(25,466)**	(7,720)
Share of results of associates, net		**6,688**	5,701
Profit before income tax expense	*6*	**57,407**	30,565
Income tax expense	*7*	**(29,190)**	(3,741)
Profit for the period		**28,217**	26,824
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the period		**(18,555)**	23,865
Share of other comprehensive income of associates		**(1,180)**	2,704
Total comprehensive income for the period		**8,482**	53,393

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2018

		For the six months ended	
		30 June 2018	30 June 2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**26,916**	25,822
Non-controlling interests		**1,301**	1,002
		28,217	26,824
Total comprehensive income attributable to:			
Owners of the Company		**7,490**	51,792
Non-controlling interests		**992**	1,601
		8,482	53,393
Earnings per share			
– basic and diluted (HK cent per share)	*8*	**2.05**	2.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	916,419	831,298
Prepaid land lease payments		19,942	21,039
Available-for-sale investments		–	29,273
Financial assets at fair value through profit or loss		28,882	–
Interest in associates	11	97,590	95,781
Finance lease receivables		443,947	438,945
Loan receivable		40,786	41,362
		1,547,566	1,457,698
Current assets			
Inventories		48,707	–
Trade and bills receivables	12	1,439,950	1,605,327
Loan receivable		6,502	6,594
Finance lease receivables		58,347	52,372
Prepayments, deposits and other receivables		382,489	305,299
Contract assets		151,978	–
Amount due from customers for contract work		–	380,473
Pledged bank deposits	13	279,614	194,260
Cash and cash equivalents		446,173	320,285
		2,813,760	2,864,610
Less: Current liabilities			
Trade and bills payables	14	1,482,058	2,031,259
Contract liabilities		16,544	–
Other payables and accruals	15	189,338	245,120
Bank and other borrowings	16	1,100,312	574,039
Obligations under finance leases		13,537	13,378
Tax payable		7,593	19,651
		2,809,382	2,883,447

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Net current assets/(liabilities)		**4,378**	(18,837)
Total assets less current liabilities		**1,551,944**	1,438,861
Less: Non-current liabilities			
Bank and other borrowings	*16*	**571,009**	458,066
Obligations under finance leases due after one year		**97,740**	106,082
		668,749	564,148
Net assets		**883,195**	874,713
Capital and reserves			
Share capital	*17*	**131,309**	131,309
Reserves		**739,150**	731,660
Equity attributable to owners of the Company		**870,459**	862,969
Non-controlling interests		**12,736**	11,744
Total equity		**883,195**	874,713

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company							
	Issued share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000*	(Accumulated losses)/ retained earning *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2017	113,309	1,366,220	(62,938)	2,686	(917,854)	501,423	7,366	508,789
Profit for the period	–	–	–	–	25,822	25,822	1,002	26,824
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	–	–	23,266	–	–	23,266	599	23,865
Share of other comprehensive income of an associate	–	–	2,704	–	–	2,704	–	2,704
Total comprehensive income for the period	–	–	25,970	–	25,822	51,792	1,601	53,393
Placing of new shares	18,000	161,073	–	–	–	179,073	–	179,073
At 30 June 2017	131,309	1,527,293	(36,968)	2,686	(892,032)	732,288	8,967	741,255
At 1 January 2018	**131,309**	**1,527,293**	**3,433**	**2,686**	**(801,752)**	**862,969**	**11,744**	**874,713**
Profit for the period	**–**	**–**	**–**	**–**	**26,916**	**26,916**	**1,301**	**28,217**
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**(18,246)**	**–**	**–**	**(18,246)**	**(309)**	**(18,555)**
Share of other comprehensive income of an associate	**–**	**–**	**(1,180)**	**–**	**–**	**(1,180)**	**–**	**(1,180)**
Total comprehensive income for the period	**–**	**–**	**(19,426)**	**–**	**26,916**	**7,490**	**992**	**8,482**
At 30 June 2018	**131,309**	**1,527,293**	**(15,993)**	**2,686**	**(774,836)**	**870,459**	**12,736**	**883,195**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash outflows from operating activities	**(280,667)**	(416,808)
Net cash outflows from investing activities	**(116,682)**	(55,240)
Net cash inflows from financing activities	**538,843**	497,206
Net increase in cash and cash equivalents	**141,494**	25,158
Cash and cash equivalents at the beginning of the period	**320,285**	472,711
Effect of foreign exchange rate changes	**(15,606)**	27,069
Cash and cash equivalents at the end of the period	**446,173**	524,938
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**446,173**	524,938
Time deposits	**–**	–
Cash and bank balances as stated in the condensed consolidated statement of financial position	**446,173**	524,938
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**446,173**	524,938

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 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.

During the period from 1 January 2018 to 30 June 2018, the Company and its subsidiaries (collectively referred to as the "**Group**") were engaged in the following principal activities:

- the engineering, procurement and construction ("**EPC**") and consultancy segment comprises the Group's design and consulting services, engineering, procurement and construction operations
- 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
- the other segments comprise the Group's corporate management, investment and treasury services

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation and significant accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2017, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2018.

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

- HKFRS 9 Financial Instruments; and
- HKFRS 15 Revenue from Contracts with Customers.

The Group applied the cumulative effect transition method to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017	HKFRS 9	HKFRS15	1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Condensed Consolidated Statement of Financial Position (extract)				
Non-current assets				
Financial assets at fair value through profit or loss	–	29,273	–	29,273
Available-for-sale investments	29,273	(29,273)	–	–
Current assets				
Contract assets	–	–	380,473	380,473
Amount due from customers from contract work	380,473	–	(380,473)	–
Total assets	4,322,308	–	–	4,322,308
Current liabilities				
Contract liabilities	–	–	10,691	10,691
Other payables and accruals	245,120	–	(10,691)	234,429
Total liabilities	3,447,595	–	–	3,447,595

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

(a) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in these financial statements.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has classified its financial assets into the appropriate HKFRS 9 categories. The majority of the Group's financial assets include:

- investments in unlisted companies previously classified as available-for-sale investments were reclassified to financial assets at fair value through profit or loss ("**FVTPL**"); and

- loans and receivables previously measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9; and

The Group was required to revise its impairment methodology under HKFRS 9 for each classes of financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under HKAS 39.

While trade and bills receivables, deposits and other receivables and cash and cash equivalents are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

(b) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement category:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gain and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrecoverable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income ("**FVTOCI**"). The Group reclassified debt instruments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

(b) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its deposits and other receivables carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. But the identifiable impairment loss was immaterial.

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the cumulative effect transition method and therefore has not restated comparatives for the 2017 financial year.

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

1. Contract assets in relation to the Group's rights to consideration for work computed but not billed at the reporting date on EPC contracts were previously presented as amounts due from contract work.

2. Contract liabilities in relation to the advance consideration received from customers for contracts were previously included in other payables and accruals.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

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

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

	As at 30 June 2018		
	Amounts without the adoption of HKFRS 15	Effects of the adoption of HKFRS 15	Amount as reported
	HK$'000	*HK$'000*	*HK$'000*
Condensed consolidated statement of financial position (extract)			
Contract assets	–	151,978	151,978
Amount due from customers for contract work	151,978	(151,978)	–
Current liabilities			
Contract liabilities	–	16,544	16,544
Other payables and accruals	205,882	(16,544)	189,338

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

(d) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Under HKFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance competed to date.

If control of the asset 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 asset.

The Group has concluded that the impact on the timing of revenue recognition on the adoption of HKFRS 15 is immaterial.

3. FINANCIAL INSTRUMENTS

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

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

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

3. FINANCIAL INSTRUMENTS (CONTINUED)

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

There were no transfers between levels during the periods ended 30 June 2018 and 2017.

The directors of the Company consider that the carrying amounts of financial and non-financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate to their fair value.

4. SEGMENT REPORTING

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

The Group has five (six months ended 30 June 2017: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

4. SEGMENT REPORTING (CONTINUED)

	EPC and consultancy *HK$'000*	Power generation *HK$'000*	Financing *HK$'000*	Manufacturing and trading *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Six months ended 30 June 2018 (Unaudited)						
Segment revenue:						
Sales to external customers	768,717	45,708	12,068	200,003	–	1,026,496
Intersegment sales	–	–	15,128	–	–	15,128
Other revenue and gains	375	31	–	60	2	468
Reportable segment revenue	769,092	45,739	27,196	200,063	2	1,042,092
Reconciliation:						
Elimination of intersegment sales						(15,128)
Consolidated revenue						1,026,964
Segment results	74,727	21,931	(10,863)	5,126	(15,958)	74,963
Reconciliation:						
Interest income						1,222
Finance costs						(25,466)
Share of results of associates, net						6,688
Profit before income tax expense						57,407
Income tax expense						(29,190)
Profit for the period						28,217

	EPC and consultancy *HK$'000*	Power generation *HK$'000*	Financing *HK$'000*	Manufacturing and trading *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
At 30 June 2018 (Unaudited)						
Segment assets	1,706,066	1,363,317	721,142	312,913	160,298	4,263,736
Reconciliation:						
Unallocated assets						97,590
Total assets						4,361,326
Segment liabilities	1,717,488	163,301	857,830	67,053	672,459	3,478,131
Reconciliation:						
Unallocated liabilities						–
Total liabilities						3,478,131

4. SEGMENT REPORTING (CONTINUED)

	EPC and consultancy *HK$'000*	Power generation *HK$'000*	Financing *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Six months ended 30 June 2017 (Unaudited)					
Segment revenue:					
Sales to external customers	341,015	21,225	9,482	–	371,722
Intersegment sales	–	–	4,473	–	4,473
Other revenue and gains	178	56	–	–	234
Reportable segment revenue	341,193	21,281	13,955	–	376,429
Reconciliation:					
Elimination of intersegment sales					(4,473)
Consolidated revenue					371,956
Segment results	32,620	12,709	(1,548)	(11,552)	32,229
Reconciliation:					
Interest income					355
Finance costs					(7,720)
Share of results of associates, net					5,701
Profit before income tax expense					30,565
Income tax expense					(3,741)
Profit for the period					26,824

	EPC and consultancy *HK$'000*	Power generation *HK$'000*	Financing *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
At 30 June 2017 (Unaudited)					
Segment assets	1,719,228	457,805	481,883	251,546	2,910,462
Reconciliation:					
Unallocated assets					88,124
Total assets					2,998,586
Segment liabilities	1,348,406	164,583	376,829	367,513	2,257,331
Reconciliation:					
Unallocated liabilities					–
Total liabilities					2,257,331

5. FINANCE COSTS

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Interest on bank and other borrowings	**22,320**	7,720
Interest on finance lease	**3,146**	–
	25,466	7,720

6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before taxation is arrived at after charging:

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Minimum lease payments under operating leases:		
Land and buildings*	**4,905**	3,727
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**16,429**	9,734
Pension scheme contributions	**3,126**	2,045
Total staff costs	**19,555**	11,779
Amortisation of prepaid land lease payments*	**1,050**	568

* *Items included in other operating expenses*

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of People's Republics of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (six months ended 30 June 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 2014-2017.

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Current tax for the period		
Hong Kong	**–**	–
Other than Hong Kong	**29,190**	3,741
Deferred tax	**–**	–
Income tax expense	**29,190**	3,741

8. EARNINGS PER SHARE

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

Earnings

	For the six months ended	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**26,916**	25,822

Number of shares

	2018	2017
	(Unaudited)	(Unaudited)
	'000	*'000*
Issued share capital at 1 January	**1,313,095**	1,133,095
Placing of new shares	**–**	180,000
Issued share capital at 30 June	**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**	1,135,083

9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost approximately HK$121,381,000 (six months ended 30 June 2017: HK$13,525,000).

11. INTEREST IN ASSOCIATES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Share of net assets (including goodwill)	**97,590**	95,781

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

(b) Details of the material associates as at 30 June 2018 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 CNI Maintenance Co.)	PRC. Construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services.	14.43%
中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited)	PRC. Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC.	47.13%

12. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30-180 days with its customers for EPC and consultancy services depending on the customers' creditworthiness and the length of business relationship with the customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company.

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Trade receivables	**967,425**	1,337,673
Bills receivables	**472,525**	267,654
	1,439,950	1,605,327

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
0–90 days	**701,724**	1,105,070
91–180 days	**270,500**	147,455
181–365 days	**415,432**	215,799
Over 1 year	**52,294**	137,003
	1,439,950	1,605,327

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. Bills receivables are due within six months from date of billing.

Included in trade and bills receivables was an amount of approximately HK$4,340,000 (31 December 2017: HK$32,050,000) which represents amounts due from related parties of the Group arising from EPC and consultancy operations.

13. PLEDGED BANK DEPOSITS

Pledged bank deposits amounting to RMB236,520,000 (approximately HK$279,614,000) (31 December 2017: HK$194,260,000) have been pledged to secure banking facilities.

The pledged bank deposits carry interest at fixed rates ranging from 0.3% to 1.95% (31 December 2017: 0.3% to 1.95%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

14. TRADE AND BILLS PAYABLES

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
0–90 days	**780,705**	1,375,190
91–180 days	**21,972**	79,407
181–365 days	**569,918**	492,028
Over 1 year	**109,463**	84,634
	1,482,058	2,031,259

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

15. OTHER PAYABLES AND ACCRUALS

As at 30 June 2018, included in other payables of (i) approximately HK$11,290,000 (RMB9,550,000) (31 December 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$118,220,000 (RMB100,000,000) (31 December 2017: approximately HK$119,890,000 (RMB100,000,000)) which represents an unsecured interest bearing loan from 中核投資有限公司 (transliterated as China Nuclear Investment 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 The People's Bank of China ("**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) which represents an unsecured interest bearing loan from immediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum. The loan was fully repaid during the period.

16. BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Current		
Short-term bank loans, unsecured	**468,500**	60,000
Short-term bank loans, secured	**427,227**	217,281
Long-term bank loans, secured, current portion	**177,458**	26,653
Long-term bank loans, unsecured, current portion	**–**	250,000
Other borrowings, secured, current portion	**27,127**	20,105
	1,100,312	574,039
Non-current		
Long-term bank loans, secured	**309,416**	243,187
Other borrowing, secured	**261,593**	214,879
	571,009	458,066
Total bank and other borrowings	**1,671,321**	1,032,105

(i) The bank loans are secured by (i) corporate guarantee provided by subsidiaries and fellow subsidiaries of the Company (31 December 2017: subsidiaries and fellow subsidiaries of the Company) and (ii) the Group's finance lease receivables amounted to HK$309,970,000 (31 December 2017: HK$331,570,000).

(ii) All bank loans bear interest at floating rates, with effective interest rates ranging from 1.9% to 4.9% per annum (31 December 2017: 1.9% to 4.9% per annum). The carrying amounts of bank borrowings approximate their fair values.

16. BANK AND OTHER BORROWINGS (CONTINUED)

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
HK$	**410,000**	310,000
RMB	**1,010,163**	577,957
USD	**214,500**	106,640
EUR	**36,658**	37,508
	1,671,321	1,032,105

At 30 June 2018, the Group had undrawn bank loans facilities of RMB35,000,000 (approximately HK$41,377,000) (31 December 2017: RMB35,000,000 (approximately HK$41,962,000)).

At 30 June 2018 and 31 December 2017, total current and non-current bank loans were scheduled to repay as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
On demand or within one year	**944,312**	324,039
More than one year, but not exceeding two years	**216,279**	302,686
More than two years, but not exceeding five years	**440,959**	360,015
After five years	**69,771**	45,365
	1,671,321	1,032,105

17. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK$'000
Issued and fully paid:		
As at 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	1,313,095	131,309

18. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2018 (31 December 2017: HK$Nil).

19. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Transaction with intermediate holding company		
– Loan interest expense *(note (i))*	**2,074**	–
Transaction with immediate holding company and the ultimate holding company's indirect joint venture		
– Loan interest income *(note (ii))*	**–**	2,595

19. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes:

i. 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$118,220,000 (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.

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

(b) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**2,255**	972
Pension scheme contributions	**29**	21
Total compensation paid to key management personnel	**2,284**	993

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors of the Company on 17 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of China Nuclear Energy Technology Corporation Limited (the "**Company**", together with our subsidiaries the "**Group**") is pleased to present the unaudited condensed consolidated financial results for the six months ended 30 June 2018.

BUSINESS REVIEW

The Group maintained strong revenue growth for the first half of 2018 notwithstanding the uncertainties and concerns over the national solar policy announced by the government of the People's Republic of China (the "**PRC**") on 31 May 2018 to terminate any approvals for new subsidised utility-scale photovoltaic power stations in 2018. For the six months ended 30 June 2018, the overall revenue of the Group boosted 176.15% to HK$1,026,496,000 (2017: HK$371,722,000), mainly contributed by the engineering, procurement and construction (the "**EPC**") and consultancy segment. Profit before income tax expense increased 87.82% to HK$57,407,000 (2017: HK$30,565,000). Profit for the period increased 5.19% to HK$28,217,000 (2017: HK$26,824,000).

EPC and Consultancy

During the interim period, EPC and consultancy segment recorded segment sales to external customers of HK$768,717,000 (2017: HK$341,015,000) and segment result of HK$74,727,000 (2017: HK$32,620,000), representing an increase of 125.42% and 129.08% respectively as compared to that of the last interim period. Revenue of the EPC and consultancy segment was recognised based on stage of completion of the projects. The improvement of segment revenue and segment result was primarily attributable to projects of larger scale were secured and more projects with significant percentage of completion recognised during the period, together with the implementation of effective cost control management. Nevertheless, this business segment encountered strong headwinds in face of keen market competition, uncertainties of PRC government policy and risk associated with concentration on one single market segment.

In 2018, the Group continued to expand its EPC and consultancy portfolio. Apart from focusing on the traditional photovoltaic EPC projects and the development and construction of the 100MW parabolic trough solar thermal power project in Inner Mongolia, the Group had plans to explore business opportunities in other renewable energy segments such as wind energy and other general engineering, procurement and construction segment so as to attain the purpose of portfolio diversification.

Manufacturing and Trading

The module plant of the Group in Peixian of Xuzhou commenced its operation in 2018 and recorded segment sales to external customers of HK$200,003,000 (2017: HK$Nil) and segment result of HK$5,126,000 (2017: HK$Nil) for the six months ended 30 June 2018. The module plant was principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules.

Power Generation

As at 30 June 2018, the Group owned and operated a total installed capacity of 142.29MW solar photovoltaic power stations and rooftop distributed solar photovoltaic systems in Jiangsu and Hebei of PRC. As a result, this segment recorded segment sales to external customers of HK$45,708,000 (2017: HK$21,225,000) and segment result of HK$21,931,000 (2017: HK$12,709,000) for the six months ended 30 June 2018. During the period, the Group completed an additional of 54.1MW grid-connected solar photovoltaic projects which are expected to generate electricity income for the Group in the second half of 2018.

Financing

For the six months ended 30 June 2018, the Group's finance leasing business recorded segment sales to external customers of HK$12,068,000 (2017: HK$9,482,000) and segment loss of HK$10,863,000 (2017: loss of HK$1,548,000) as the Group had focused on intragroup financial leasing projects during the interim period.

Business Prospect

In May 2018, China's National Development and Reform Commission, Ministry of Finance, and National Energy Administration released a joint statement for the new measures constraining photovoltaic installations in 2018. Being one of the core players of the photovoltaic EPC and consultancy industry in the PRC, it is inevitable that the Group's performance will be impacted by the new measures. Nevertheless, the Group perceives that the new measures are the course of PRC photovoltaic installation industry consolidation where leading players can benefit in the long run.

Business Prospect (Continued)

In order to tackle with the challenges of the new PRC national solar policy and achieve risk diversification, the Group has been exploring opportunities to broaden our business horizons. In view of this, the Group acquired the controlling equity interest of 江蘇寶嘉建設工程有限公司 (transliterated as Jiangsu Baojia Construction and Engineering Company Limited) ("**Jiangsu Baojia**") in July 2018. Jiangsu Baojia is a PRC registered company qualified in building and municipal public works construction and engineering. In conjunction with the Group's extensive experience and expertise in EPC projects, it is expected that the new acquisition will bring positive impact to the revenue of the EPC and consultancy segment and will become one of the principal businesses of the Group in the second half of 2018.

In the midst of the strong headwind of government policy and the trade war between China and the United States, the Group still takes an optimistic but cautious approach to manage its operations and to strive for expansion in a prudent way. The Group will endeavor to enhance its market competitiveness through precise management and risk mitigation efforts. In addition, the Group will proactively explore investment opportunities in other new energy and other engineering, procurement and construction sector in PRC and the overseas to achieve positive returns and enable sustainability.

FINANCIAL REVIEW

The Group's revenue boosted 176.15% from HK$371,722,000 for the six months ended 30 June 2017 to HK$1,026,496,000 for the six months ended 30 June 2018. The increase was mainly due to EPC projects for photovoltaic power generation of larger scale were secured and completed during the period. Profit attributable to owners of the Company amounted to HK$26,916,000 which represented an increase of 4.24% when compared to that of the corresponding period in 2017. Basic earnings per share for the period was at HK2.05 cents when compared with HK2.27 cents recorded for the six months ended 30 June 2017.

Financial Results

During the period under review, the Group achieved revenue of HK$1,026,496,000 (2017: HK$371,722,000), representing a growth rate of 176.15% as compared to that of the last corresponding period.

Financial Results (Continued)

Composition of revenue for the six months ended 30 June 2018 and 2017 is shown in the following table:

	For six months ended 30 June 2018 (Unaudited)		For six months ended 30 June 2017 (Unaudited)		
	HK$'000	***%***	*HK$'000*	*%*	*% Change*
EPC and consultancy	**768,717**	**74.89**	341,015	91.74	125.42
Solar power generation	**45,708**	**4.45**	21,225	5.71	115.35
Financing	**12,068**	**1.18**	9,482	2.55	27.27
Manufacturing and trading	**200,003**	**19.48**	–	–	N/A
Total	**1,026,496**	**100.00**	371,722	100.00	176.15

EPC and consultancy segment remained the major revenue generator of the Group which contributed HK$768,717,000 to the Group's revenue for the period ended 30 June 2018, representing an increase of 125.42% as compared to that of the corresponding period last year. The notable increase in revenue was attributable to EPC projects of larger scale secured and more EPC projects with significant percentage of completion recognised during the period ended 30 June 2018.

Benefited from an addition of 102.29MW self-owned and self-operated solar power facilities connected to the national grid in late 2017 to mid-2018, solar power generation recorded a revenue of HK$45,708,000 for the period ended 30 June 2018, representing an increase of 115.35% as compared to that of the last corresponding period.

Revenue from financing segment recorded a growth of 27.27% to HK$12,068,000 (2017: HK$9,482,000) as the Group began to receive interest income during the period from certain financial leasing projects that were incepted last year.

Manufacturing and trading segment became the second largest revenue generator of the Group since its commencement of operation this year and achieved revenue of HK$200,003,000 (2017: HK$Nil), contributing to 19.48% of the Group's overall revenue for the period.

Financial Results (Continued)

Included in other revenue and gains of HK$1,690,000 (2017: HK$589,000) were interest income and sundry income.

Notwithstanding the strong growth of revenue, the Group's profit recorded a moderate growth of 5.19% to HK$28,217,000 (2017: HK$26,824,000), mainly attributable to (i) significant increase in the PRC income tax expenses during the period as certain subsidiaries of the Company operating in the PRC were no longer accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities after the three-year term (2014-2017) and accordingly the enterprise income tax rate increased from 15% to 25%; (ii) significant increase in the finance costs for expanding the EPC and consultancy and the solar power generation segments; and (iii) the Group's financing segment focused on intragroup financial leasing projects during the period.

The cost of inventories used and the construction costs for the period under review were HK$787,803,000 (2017: HK$253,671,000) and HK$85,834,000 (2017: HK$46,414,000) respectively, representing corresponding increase of 210.56% and 84.93%. Such increase was primarily due to EPC and consultancy projects of larger scale secured and completed during the period and the commencement of the manufacturing and trading business.

The increase in staff costs by 66.02% to HK$19,555,000 (2017: HK$11,779,000) was due to salary adjustment, inflation and competitiveness in labour market conditions and increase in recruitment for broadening the Group's business horizons. Other operating expenses increased 81.78% to HK$38,622,000 (2017: HK$21,246,000) which included primarily exchange difference, bank charges, professional fee, administrative expenses and research and development expenses.

Finance cost for the period under review escalated 229.87% to HK$25,466,000 (2017: HK$7,720,000) as compared to that of the last corresponding period as a result of increase in bank loans secured by the Group and the associated loan interests for the expansion of EPC and consultancy and solar power generation businesses.

Financial Position

As at 30 June 2018, total assets of the Group were HK$4,361,326,000 (31 December 2017: HK$4,322,308,000), representing an increase of 0.90% as compared to that of 31 December 2017. In particular, current assets decreased by 1.78% to HK$2,813,760,000 (31 December 2017: HK$2,864,610,000) and non-current assets increased by 6.17% to HK$1,547,566,000 (31 December 2017: HK$1,457,698,000). After a vigorous increase of property, plant and equipment in 2017 for the development of self-owned and self-operated rooftop distributed photovoltaic power generation facilities, the growth of assets for the Group slowed down during the first half of 2018 due to keen market competition and change of PRC government policy on subsidy and quota for solar photovoltaic sector.

Total liabilities at 30 June 2018 were HK$3,478,131,000 (31 December 2017: HK$3,447,595,000), an increase by 0.89% as compared to that of the last balance sheet date. In particular, current liabilities at 30 June 2018 were HK$2,809,382,000 (31 December 2017: HK$2,883,447,000), a decrease of 2.57% as compared to that of 31 December 2017 which was principally due to the reduction of trade and bills payables. Non-current liabilities were HK$668,749,000 (31 December 2017: HK$564,148,000), an increase of 18.54% as compared to that of 31 December 2017 as a result of the increase in bank borrowings.

Total equity attributable to owners of the Company as at 30 June 2018 was HK$870,459,000 (31 December 2017: HK$862,969,000), an increase of 0.87% as compared with that of 31 December 2017.

Capital Raising Exercise

Save for the open offer involving the allotment and issuance of 164,136,774 offer shares at a price of HK$1.36 per offer share which was terminated on 24 January 2018, the Company did not conduct a capital raising exercise during the period under review.

Liquidity, Financial Resources and Gearing

As at 30 June 2018, net current assets of the Group amounted to HK$4,378,000 (31 December 2017: net current liabilities of HK$18,837,000). Besides, the Group maintained cash and cash equivalents of HK$446,173,000 (31 December 2017: HK$320,285,000), of which approximately 25% was in Hong Kong dollars, 45% was in Renminbi ("**RMB**") and 30% was in United States dollars ("**USD**") (31 December 2017: approximately 15% was in Hong Kong dollars, 48% was in RMB, 37% was in USD).

Liquidity, Financial Resources and Gearing (Continued)

As at 30 June 2018, the Group had outstanding bank and other borrowings of HK$1,671,321,000 (31 December 2017: HK$1,032,105,000), of which approximately 25% was in Hong Kong dollars, 60% was in RMB, 13% was in USD and 2% was in Euro (31 December 2017: approximately 30% was in Hong Kong dollars, 56% was in RMB, 10% was in USD and 4% was in Euro). All of the Group's borrowings were arranged on floating rate basis with effective interest rates ranged from 1.9% to 4.9% per annum (31 December 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 had separated and classified the bank and other borrowings as current and non-current liabilities in the consolidated statement of financial position as at 30 June 2018 in accordance with the settlement term. Of the total bank and other borrowings as at 30 June 2018, HK$944,312,000 (31 December 2017: HK$324,039,000) was loans repayable within one year and the balance of HK$727,009,000 (31 December 2017: HK$708,066,000) was repayable more than one year.

As at 30 June 2018, included in other payables of (i) approximately HK$11,290,000 (equivalent to RMB9,550,000) (31 December 2017: approximately HK$11,449,000 (equivalent to RMB9,550,000)) which represented 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$118,220,000 (equivalent to RMB100,000,000) (31 December 2017: approximately HK$119,890,000 (equivalent to RMB100,000,000) which represented an unsecured interest bearing loan from 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.), an intermediate holding company of the Company, whereas the interest rate of the loan was at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum.

As at 30 June 2018, the Group's gearing ratio was 2.16 (31 December 2017: 1.54), which was calculated on the basis of total debt over total equity of the Company. Total debt comprise loans included in other payables and accruals, bank and other borrowings and obligation under finance lease.

Charge on Assets

As at 30 June 2018, the Group had pledged bank deposits amounting to HK$279,614,000 (equivalent to RMB236,520,000) (31 December 2017: HK$194,260,000) 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$137,128,000 (31 December 2017: HK$143,616,000).

Save as disclosed above, the Group had no other charges on its assets as at 30 June 2018 (31 December 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 USD, the Directors considered the Group was exposed to limited exchange risk. During the period, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 30 June 2018 (31 December 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 six months ended 30 June 2018, the Group had capital expenditure of HK$121,381,000 (2017: HK$405,438,000) which was used for the acquisition of property, plant and equipment.

As at 30 June 2018, the Group did not have any capital commitments (31 December 2017: Nil).

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 note 11 to the unaudited condensed consolidated financial statements of this interim report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the six months ended 30 June 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 & Construction Corporation Limited) ("**CNECC**") 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 CNECC 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.

Specific Performance Obligations on Controlling Shareholder (Continued)

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 Limited) ("**CNNC**") maintains its unencumbered beneficial shareholding in the Company of not less than 30.46% upon completion of the reorganisation of CNECC and CNNC; and (ii) CNECC 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 30 June 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, CNECC, through China He Investment (Hong Kong) Company Limited, is interested in approximately 30.46% of the issued shares of the Company and remained the single largest shareholder of the Company.

Employment and Remuneration Policy

As at 30 June 2018, total number of employees of the Group was 384 (31 December 2017: 274). During the six months ended 30 June 2018, staff costs (including Directors' emoluments) amounted to HK$19,555,000 (year ended 31 December 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

China Nuclear Energy Technology Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") has applied the principles of 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 "**Stock Exchange**") and has complied with all applicable code provisions of the CG Code throughout the six months ended 30 June 2018, save and except for the deviation from code provision A.6.7.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors of the Company (the "**Independent Non-executive Directors**") were unable to attend the special general meeting and the annual general meeting of the Company held on 16 January 2018 and 30 May 2018 respectively due to their other business engagements.

The board (the "**Board**") of directors (the "**Directors**") of the Company adopted a "Board Diversity Policy" with the objective to ensure selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Directors during the period and up to the date of this interim report were:

Executive Directors
Mr Ai Yilun *(Chairman)*
Mr Liu Genyu *(Vice Chairman)*
Mr Chung Chi Shing
Ms Jian Qing
Mr Li Feng
Mr Li Jinying
Mr Tang Jianhua *(Chief Operating Officer)*[1]
Mr Zhang Rui *(Chief Executive Officer)*[2]
Mr Bai Xuefei[3]

Independent Non-executive Directors
Mr Chan Ka Ling Edmond
Mr Li Dakuan
Mr Tian Aiping
Mr Wang Jimin

Note:

1 Appointed as the chief operating officer of the Company on 28 May 2018.

2 Appointed as the executive Director (the "**Executive Director**") and redesignated from co-chief executive officer (the "**Co-CEO**") to chief executive officer (the "**CEO**") of the Company on 17 January 2018.

3 Resigned as the Executive Director and Co-CEO on 17 January 2018.

Corporate Governance Practices (Continued)

At the annual general meeting of the Company held on Wednesday, 30 May 2018, all of the then Directors retired and were re-elected as Directors.

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control. The Audit Committee comprises four members, namely, Mr Chan Ka Ling Edmond, Mr Li Dakuan, Mr Tian Aiping and Mr Wang Jimin, all of which are Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and also discussed the financial reporting matters including the review of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

CHANGES IN INFORMATION OF DIRECTORS

Changes in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

	Effective date
Mr Liu Genyu	
• Appointed as the independent non-executive director of China Boqi Environmental (Holding) Co., Ltd. (stock code: 2377)	28 February 2018
Mr Chung Chi Shing	
• Appointed as the chairman of Value Convergence Holdings Limited ("**VCHL**") (stock code: 821)	22 January 2018
• Resigned as the chairman and the executive director of VCHL	2 March 2018
• Appointed as the honourable chairman of VCHL	2 March 2018
Mr Zhang Rui	
• Salary for being the Executive Director and CEO was adjusted to HK$60,000 per month	28 May 2018

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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. Having made specific enquiry, all Directors confirmed that they complied with the required standard of dealings as set out in the Code of Conduct and Model Code throughout the six months ended 30 June 2018.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the six months ended 30 June 2018 was the Company or its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of the Company or its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, each of the following persons and entities, other than a Director or chief executive of the Company, had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Substantial shareholder	*Notes*	Capacity	Number of shares/ underlying shares held	Approximate percentage of shares in issue
中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Corporation Limited) ("**CNECC**")	*1*	Controlled corporation	400,000,000	30.46%
中核投資有限公司 (transliterated as China Nuclear Investment Company Limited) ("**CNICL**")	*1*	Controlled corporation	400,000,000	30.46%
China He Investment (Hong Kong) Company Limited ("**China He (HK)**")	*1*	Beneficial owner	400,000,000	30.46%
Zhao Xu Guang ("**Mr Zhao**")	*2*	Controlled corporation	84,676,000	6.45%

Note:

1. China He (HK) is a wholly-owned subsidiary of CNICL, which in turn is wholly-owned by CNECC. As at 30 June 2018, China He (HK) held 400,000,000 shares of the Company and accordingly, both CNICL and CNECC were deemed to be interested in the same block of shares of the Company 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 Zhou was deemed to be interested in 84,676,000 shares.

Save as disclosed above, as at 30 June 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 by the Company under section 336 of SFO.

SHARE OPTIONS

The Company did not adopt a share option scheme. At no time during the period 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2018.