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

Stock Code : 611

2019
INTERIM REPORT

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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 Kang Xinquan
Mr Tian Aiping
Mr Wang Jimin

AUDIT COMMITTEE

Mr Chan Ka Ling Edmond (Chairman)
Mr Kang Xinquan
Mr Tian Aiping
Mr Wang Jimin

REMUNERATION COMMITTEE

Mr Chan Ka Ling Edmond (Chairman)
Mr Zhao Yixin
Mr Liu Genyu
Mr Kang Xinquan
Mr Tian Aiping
Mr Wang Jimin

NOMINATION COMMITTEE

Mr Zhao Yixin (Chairman)
Ms Jian Qing
Mr Chan Ka Ling Edmond
Mr Kang Xinquan
Mr Tian Aiping
Mr Wang Jimin

COMPANY SECRETARY

Ms Cheung Tin Shu

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

AUDITOR

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

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 54, 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

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 2019, together with the comparative figures for the six months ended 30 June 2018. 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 2019

		For the six months ended	
		30 June 2019	30 June 2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,037,388**	1,026,496
Other revenue and gains		**3,982**	1,690
Cost of inventories used		**(641,752)**	(787,803)
Construction costs		**(236,475)**	(85,834)
Staff costs		**(18,601)**	(19,555)
Depreciation		**(49,688)**	(20,187)
Other operating expenses		**(23,952)**	(38,622)
Finance costs	*5*	**(29,621)**	(25,466)
Share of results of associates, net		**8,054**	6,688
Profit before income tax expense	*6*	**49,335**	57,407
Income tax expense	*7*	**(8,254)**	(29,190)
Profit for the period		**41,081**	28,217
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,719)**	(18,555)
Share of other comprehensive income of associates		**(2,926)**	(1,180)
Total comprehensive income for the period		**34,436**	8,482

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

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 (Unaudited) HK$'000	30 June 2018 (Unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**38,609**	26,916
Non-controlling interests		**2,472**	1,301
		41,081	28,217
Total comprehensive income attributable to:			
Owners of the Company		**32,001**	7,490
Non-controlling interests		**2,435**	992
		34,436	8,482
Earnings per share			
– basic and diluted (HK cent per share)	8	**2.94**	2.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**986,232**	1,014,450
Prepaid land lease payments		**22,674**	21,156
Financial assets at fair value through profit or loss		**28,139**	27,861
Interest in associates	11	**102,680**	100,492
Finance lease receivables		**369,376**	398,968
Loan receivables		**45,241**	38,202
		1,554,342	1,601,129
Current assets			
Inventories		**9,211**	6,483
Trade and bills receivables	12	**1,419,524**	1,431,401
Loan receivables		**14,337**	9,681
Prepayments, deposits and other receivables		**407,085**	332,657
Contract assets		**560,564**	182,116
Finance lease receivables		**57,465**	56,870
Pledged bank deposits	13	**617,056**	302,455
Cash and cash equivalents		**397,291**	415,874
		3,482,533	2,737,537
Less: Current liabilities			
Trade and bills payables	14	**1,639,780**	1,353,994
Other payables and accruals	15	**216,095**	219,546
Contract liabilities		**65,522**	92,312
Bank and other borrowings	16	**1,523,840**	1,234,372
Obligation under finance lease		**–**	13,381
Lease liabilities		**5,944**	–
Tax payable		**5,251**	13,929
		3,456,432	2,927,534

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Net current assets/(liabilities)		**26,101**	(189,997)
Total assets less current liabilities		**1,580,443**	1,411,132
Less: Non-current liabilities			
Obligation under finance lease		**–**	87,365
Bank and other borrowings	*16*	**682,989**	442,098
Lease liabilities		**3,693**	–
		686,682	529,463
Net assets		**893,761**	881,669
Capital and reserves			
Share capital	*17*	**131,309**	131,309
Reserves		**758,982**	735,563
Equity attributable to owners of the Company		**890,291**	866,872
Non-controlling interests		**3,470**	14,797
Total equity		**893,761**	881,669

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 translating of foreign operations	–	–	(18,246)	–	–	(18,246)	(309)	(18,555)
Share of other comprehensive income of associates	–	–	(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
At 1 January 2019	**131,309**	**1,527,293**	**(65,697)**	**2,686**	**(728,719)**	**866,872**	**14,797**	**881,669**
Profit for the period	**-**	**-**	**-**	**-**	**38,609**	**38,609**	**2,472**	**41,081**
Other comprehensive income for the period:								
Exchange differences on translating of foreign operations	**-**	**-**	**(3,682)**	**-**	**-**	**(3,682)**	**(37)**	**(3,719)**
Share of other comprehensive income of associates	**-**	**-**	**(2,926)**	**-**	**-**	**(2,926)**	**-**	**(2,926)**
Total comprehensive income for the period	**-**	**-**	**(6,608)**	**-**	**38,609**	**32,001**	**2,435**	**34,436**
Acquisition of non-controlling interests	**-**	**-**	**(1,447)**	**-**	**(7,135)**	**(8,582)**	**(13,762)**	**(22,344)**
At 30 June 2019	**131,309**	**1,527,293**	**(73,752)**	**2,686**	**(697,245)**	**890,291**	**3,470**	**893,761**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash outflows from operating activities	**(102,546)**	(280,667)
Net cash outflows from investing activities	**(22,913)**	(116,682)
Net cash inflows from financing activities	**109,918**	538,843
Net (decrease)/increase in cash and cash equivalents	**(15,541)**	141,494
Cash and cash equivalents at the beginning of the period	**415,874**	320,285
Effect of foreign exchange rate changes	**(3,042)**	(15,606)
Cash and cash equivalents at the end of the period	**397,291**	446,173
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**397,291**	446,173

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 to 30 June 2019, 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 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 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

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The accounting policies applied and the significant judgements made by the management are consistent with those described in the annual financial statements for the year ended 31 December 2018, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2019 as described below.

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group.

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

The impact of the adoption of HKFRS 16 Leases ("**HKFRS 16**") has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the group's accounting policies. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has initial adopted HKFRS 16 from 1 January 2019 and applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under HKAS 17 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group identified leases in accordance with HKAS 17 and HK(IFRIC)–4 Determining Whether an Arrangement contains a Lease. The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

B. As a lessee

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

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

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease. The Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Right-of-use asset

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

B. As a lessee (Continued)

Lease liability

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

The lease payments include: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

C. As a lessor

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

D. Transition

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

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

The Group has elected to recognise all the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. None of the right-of-use assets were impaired at 1 January 2019.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

D. Transition (Continued)

For those finance leases previously classified as finance leases under HKAS 17, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities on 1 January 2019.

E. Impact on transition

The tables below summarised the impact on adoption of HKFRS 16:

	HKAS 17 Carrying amount 31 December 2018	Reclassification	Capitalisation of operating lease contracts	HKFRS 16 Carrying amount 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Right-of-use assets comprise of				
– Property, plant and equipment	127,116	1,802	12,635	141,553
– Prepaid land lease payments	21,156	3,508	–	24,664
Prepayments, deposits and other receivables	332,657	(5,310)	–	327,347
Liabilities				
Lease liabilities	–	100,746	12,635	113,381
Obligation under finance lease	100,746	(100,746)	–	–

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

E. Impact on transition (Continued)

The table below explains the differences between the operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and the lease liabilities at the date of initial application at 1 January 2019 by applying HKFRS 16:

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

The weighted average lessee's incremental borrowing rate at 1 January 2019 is 5.2%.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

F. Impacts for the period

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these condense consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16.

	Amounts reported under HKFRS 16 *HK$'000*	Add back: HKFRS 16 additional depreciation and interest *HK$'000*	Deduct: Estimated rental payment related to operating leases under HKAS 17 *HK$'000* *(Note 1)*	Hypothetical amounts under HKAS 17 *HK$'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Profit from operations	78,956	3,276	(3,161)	79,071
Finance costs	(29,621)	163	–	(29,458)
Profit before income tax expense	49,335	3,439	(3,161)	49,613
Profit for the period	41,081	3,439	(3,161)	41,359

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

F. Impacts for the period (Continued)

	Amounts reported under HKFRS 16 *HK$'000*	Deduct: Estimated rental payment related to operating leases under HKAS 17 *HK$'000* *(Note 2)*	Hypothetical amounts under HKAS 17 *HK$'000*
Line items in the consolidated statement of cash flows for the six month ended 30 June 2019 impacted by the adoption of HKFRS 16:			
Net cash generated from operating activities	(102,546)	(3,161)	(105,707)
Net cash flow used in financing activities	109,918	3,161	113,079

Note 1: The "estimated rental related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored due to immaterial.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Basis of preparation and significant accounting policies (Continued)

F. Impacts for the period (Continued)

As a result of initially applying HKFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised additional HK$3,276,000 of depreciation charges and HK$163,000 of interests costs from these leases.

The following are the changes in carrying amounts of the Group's right-of-use assets and related lease liabilities during the current period:

	Right-of-use assets				
	Solar power plant *HK$'000*	Office premises *HK$'000*	Prepaid land lease payments *HK$'000*	Total *HK$'000*	Lease liabilities *HK$'000*
At 1 January 2019	127,116	14,437	24,664	166,217	113,381
Depreciation	(6,959)	(3,276)	(1,978)	(12,213)	–
Transfer*	(120,157)	–	–	(120,157)	–
Interest	–	–	–	–	1,404
Lease payments	–	–	–	–	(105,148)
Exchange alignments	–	–	(12)	(12)	–
At 30 June 2019	–	11,161	22,674	33,835	9,637

* The amounts were transferred to owned assets upon the maturity of the lease during the six months ended 30 June 2019.

3. FINANCIAL INSTRUMENTS

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

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

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

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

There were no transfers between levels during the periods ended 30 June 2019 and 2018.

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 values.

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 2018: five) 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 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	843,339	86,715	13,157	94,177	–	1,037,388
Intersegment sales	–	–	27,789	–	–	27,789
Other revenue and gains	665	–	–	389	–	1,054
Reportable segment revenue	844,004	86,715	40,946	94,566	–	1,066,231
Reconciliation:						
Elimination of intersegment sales						(27,789)
Consolidated revenue						1,038,442
Segment results	61,494	36,871	(10,218)	(7,964)	(12,209)	67,974
Reconciliation:						
Interest income						2,928
Finance costs						(29,621)
Share of results of associates, net						8,054
Profit before income tax expense						49,335
Income tax expense						(8,254)
Profit for the period						41,081

	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 2019 (Unaudited)						
Segment assets	2,593,807	1,404,174	756,783	90,070	89,361	4,934,195
Reconciliation:						
Unallocated assets						102,680
Total assets						5,036,875
Segment liabilities	2,455,941	203,261	890,435	12,741	580,736	4,143,114
Reconciliation:						
Unallocated liabilities						–
Total liabilities						4,143,114

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

5. FINANCE COSTS

	For the six months ended	
	30 June 2019 (Unaudited) *HK$'000*	30 June 2018 (Unaudited) *HK$'000*
Interest on bank and other borrowings	**28,217**	22,320
Interest on finance lease	**–**	3,146
Interest on lease liabilities	**1,404**	–
	29,621	25,466

6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging:

	For the six months ended	
	30 June 2019 (Unaudited) *HK$'000*	30 June 2018 (Unaudited) *HK$'000*
Minimum lease payments under operating leases:		
Land and buildings*	**–**	4,905
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**17,276**	16,429
Pension scheme contributions	**1,325**	3,126
Total staff costs	**18,601**	19,555
Depreciation of property, plant and equipment	**37,475**	20,187
Depreciation of right-of-use assets	**12,213**	–
	49,688	20,187
Amortisation of prepaid land lease payments*	**–**	1,050

* *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 2018: 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 2018: 25%), except for those subsidiaries described below.

Certain subsidiaries operating in the PRC were accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate in the period from 2017-2019.

	For the six months ended	
	30 June 2019 (Unaudited) ***HK$'000***	30 June 2018 (Unaudited) *HK$'000*
Current tax for the period		
Hong Kong	**–**	–
Other than Hong Kong	**8,254**	29,190
Income tax expense	**8,254**	29,190

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 2019 (Unaudited) *HK$'000*	30 June 2018 (Unaudited) *HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**38,609**	26,916

Number of shares

	For the six months ended	
	30 June 2019 (Unaudited) *'000*	30 June 2018 (Unaudited) *'000*
Issued share capital at beginning and at the end of the period	**1,313,095**	1,313,095
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	**1,313,095**	1,313,095

9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: HK$Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost approximately HK$6,320,000 (six months ended 30 June 2018: HK$121,381,000).

11. INTEREST IN ASSOCIATES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Share of net assets (including goodwill)	**102,680**	100,492

(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 2019 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. "**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 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Trade receivables	**1,238,809**	1,437,201
Bills receivables	**196,740**	10,225
	1,435,549	1,447,426
Less: Impairment losses	**(16,025)**	(16,025)
	1,419,524	1,431,401

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

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
0–90 days	**425,634**	464,605
91–180 days	**234,546**	126,867
181–365 days	**309,821**	534,762
Over 1 year	**465,548**	321,192
	1,435,549	1,447,426

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 were amounts of approximately HK$8,439,000 (31 December 2018: HK$10,652,000) which represent amounts due from fellow subsidiaries and an associate of the Company arising from EPC and consultancy operations.

13. PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$617,056,000 (31 December 2018: HK$302,455,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carried interest at fixed rates ranging from 0.3% to 5.75% (31 December 2018: 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 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
0–90 days	**727,350**	332,791
91–180 days	**239,847**	216,373
181–365 days	**491,624**	690,327
Over 1 year	**180,959**	114,503
	1,639,780	1,353,994

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

15. OTHER PAYABLES AND ACCRUALS

As at 30 June 2019, included in other payables of approximately HK$73,747,000 (RMB64,881,000) (31 December 2018: approximately HK$51,237,000 (RMB45,000,000)) 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 was at the prevailing benchmark lending interest rate to be promulgated by The People's Bank of China ("**PBOC**") multiplied by (1+20%) per annum.

As at 31 December 2018, included in other payables of approximately HK$10,874,000 (RMB9,550,000) which 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.

16. BANK AND OTHER BORROWINGS

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Current		
Short-term bank loans, unsecured	**310,000**	468,500
Short-term bank loans, secured	**800,407**	559,347
Long-term bank loans, secured, current portion	**261,580**	177,012
Other borrowings, secured, current portion	**151,853**	29,513
	1,523,840	1,234,372
Non-current		
Long-term bank loans, secured	**465,253**	204,963
Other borrowing, secured	**217,736**	237,135
	682,989	442,098
Total bank and other borrowings	**2,206,829**	1,676,470

(i) The bank and other borrowings were secured by (i) corporate guarantee provided by subsidiaries of the Company (31 December 2018: subsidiaries and fellow subsidiaries of the Company); (ii) finance lease receivables amounted to HK$261,165,000 (31 December 2018: HK$280,169,000); (iii) property, plant and equipment amounted to HK$355,370,000 (31 December 2018: HK$127,116,000); (iv) trade receivables amounted to HK$336,948,000 (31 December 2018: HK$Nil); (v) pledged bank deposits amounted to HK$617,056,000 (31 December 2018: HK$302,455,000); and (vi) the share capital of a subsidiary (31 December 2018: Nil).

(ii) All bank and other borrowings bear interest at floating rates, with effective interest rates ranging from 2.0% to 5.8% per annum (31 December 2018: 2.0% to 5.9% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(iii) As at 30 June 2019, included in other borrowings of (i) approximately HK$388,594,000 (approximately RMB341,877,000) which represents secured interest bearing borrowing from 中核建融資租賃股份有限公司 (transliterated as China Nuclear Engineering and Construction Financial Leasing Co., Ltd. ("**CNECFL**")), a fellow subsidiary of the Company. The borrowing is secured by certain trade receivables of the Group amounting to HK$270,922,000 and bearing interest at 5.8% per annum; and (ii) approximately HK$32,826,000 (RMB28,880,000) which represents a secured interest bearing borrowing from CNECFL. The interest rate of the borrowing was 5.8% per annum.

16. BANK AND OTHER BORROWINGS (CONTINUED)

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
HK$	**310,000**	410,000
RMB	**1,575,712**	1,012,957
USD	**213,927**	214,500
EUR	**107,190**	39,013
	2,206,829	1,676,470

At 30 June 2019, the Group had undrawn banking facilities of HK$100,000,000 and EUR3,844,000 (approximately HK$134,866,000 in total) (31 December 2018: RMB313,000,000 (approximately HK$356,382,000)).

At 30 June 2019 and 31 December 2018, bank and other borrowings were scheduled to repay as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
On demand or within one year	**1,512,254**	1,234,372
More than one year, but not exceeding two years	**278,724**	305,798
More than two years, but not exceeding five years	**221,988**	78,855
After five years	**193,863**	57,445
	2,206,829	1,676,470

17. SHARE CAPITAL

	Number of ordinary shares *'000*	Amount *HK$'000*
Issued and fully paid:		
As at 31 December 2018 (Audited) and 30 June 2019 (Unaudited)	1,313,095	131,309

18. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2019 and 31 December 2018.

19. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended	
	30 June 2019 (Unaudited) ***HK$'000***	30 June 2018 (Unaudited) *HK$'000*
Transaction with intermediate holding company		
– Loan interest expense *(note (i))*	**1,451**	2,074
Transaction with a fellow subsidiary of the Company		
– Handling fee expense *(note (ii))*	**833**	–

19. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes:

i. 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$73,747,000 (RMB64,881,000) which was 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. The handling fee expense represents 2.5% on the principal of other borrowing of HK$32,826,000 (approximately RMB28,880,000) from CNECFL (Note 16(iii)).

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

	For the six months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**2,384**	2,255
Pension scheme contributions	**33**	29
Total compensation paid to key management personnel	**2,417**	2,284

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 27 August 2019.

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 2019.

BUSINESS REVIEW

The Group maintained steady revenue growth for the first half of 2019 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 (the "**531 Policy**"). For the six months ended 30 June 2019, the overall revenue of the Group increased 1.06% to HK$1,037,388,000 (2018: HK$1,026,496,000), mainly contributed by the engineering, procurement and construction (the "**EPC**") and consultancy segment. Profit before income tax expense decreased 14.06% to HK$49,335,000 (2018: HK$57,407,000). Profit for the period increased 45.59% to HK$41,081,000 (2018: HK$28,217,000).

EPC and Consultancy

During the interim period, EPC and consultancy segment recorded segment sales to external customers of HK$843,339,000 (2018: HK$768,717,000) and segment result of HK$61,494,000 (2018: HK$74,727,000), representing an increase of 9.71% and a decrease of 17.71% 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 was primarily attributable to projects of larger scale were secured and with significant percentage of completion recognised during the period. Nevertheless, this business segment encountered strong headwinds in face of keen market competition, uncertainties of relevant PRC government policy and risk associated with concentration on one single market segment.

In 2019, the Group continued to expand its EPC and consultancy portfolio. Apart from focusing on the traditional photovoltaic EPC projects, 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$94,177,000 (2018: HK$200,003,000) and segment loss of HK$7,964,000 (2018: segment result of HK$5,126,000) for the six months ended 30 June 2019. The module plant was principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules. This business segment faced challenges during 2019, mainly due to keen market competition and decreased in number of sales contracts, which lead to the decrease in revenue and affected the segment performance. In order to minimise the impact of the 531 Policy, the module plant provided OEM services during 2019 and planned to explore overseas market and to strengthen its internal management.

Power Generation

As at 30 June 2019, the Group owned and operated a total installed capacity of 163.38MW solar photovoltaic power stations and rooftop distributed solar photovoltaic power facilities in Jiangsu, Hebei and Yunnan, generating electricity income for the Group. As a result, this segment recorded segment sales to external customers of HK$86,715,000 (2018: HK$45,708,000) and segment result of HK$36,871,000 (2018: HK$21,931,000) for the six months ended 30 June 2019. 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. On the other hand, the results of the power generation segment will be affected by the hours of daylight during the year.

Financing

For the six months ended 30 June 2019, the Group's finance leasing business recorded segment sales to external customers of HK$13,157,000 (2018: HK$12,068,000) and segment loss of HK$10,218,000 (2018: loss of HK$10,863,000) as the Group had focused on intragroup financial leasing projects during the interim period.

Business Prospect

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 revenue increased 1.06% from HK$1,026,496,000 for the six months ended 30 June 2018 to HK$1,037,388,000 for the six months ended 30 June 2019. The increase was mainly due to EPC projects of larger scale were secured and completed during the period. Profit attributable to owners of the Company amounted to HK$38,609,000 which represented an increase of 43.44% when compared to that of the corresponding period in 2018. Basic earnings per share for the period was at HK2.94 cents when compared with HK2.05 cents recorded for the six months ended 30 June 2018.

Financial Results

During the period under review, the Group achieved revenue of HK$1,037,388,000 (2018: HK$1,026,496,000), representing a growth rate of 1.06% as compared to that of the last corresponding period.

Financial Results (Continued)

Composition of revenue for the six months ended 30 June 2019 and 2018 is shown in the following table:

	For six months ended 30 June 2019 (Unaudited)		For six months ended 30 June 2018 (Unaudited)		
	HK$'000	%	*HK$'000*	%	*% Change*
EPC and consultancy	**843,339**	**81.29**	768,717	74.89	9.71
Power generation	**86,715**	**8.36**	45,708	4.45	89.72
Financing	**13,157**	**1.27**	12,068	1.18	9.02
Manufacturing and trading	**94,177**	**9.08**	200,003	19.48	-52.91
Total	**1,037,388**	**100.00**	1,026,496	100.00	1.06

EPC and consultancy segment remained the major revenue generator of the Group which contributed HK$843,339,000 to the Group's revenue for the period ended 30 June 2019, representing an increase of 9.71% as compared to that of the corresponding period last year. The notable increase in revenue was attributable to EPC projects of larger scale were secured and with significant percentage of completion recognised during the period ended 30 June 2019.

Benefited from an addition of 20.43MW self-owned and self-operated solar power facilities connected to the national grid in late 2018 to mid-2019 and the existing solar power facilities have formed certain scale, power generation recorded a revenue of HK$86,715,000 for the period ended 30 June 2019, representing an increase of 89.72% as compared to that of the last corresponding period.

Revenue from financing segment recorded a growth of 9.02% to HK$13,157,000 (2018: HK$12,068,000) as the Group received interest income and handling fee 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 in 2018 and achieved revenue of HK$94,177,000 (2018: HK$200,003,000), contributing to 9.08% (2018: 19.48%) of the Group's overall revenue for the period. This business segment faced challenges during 2019, mainly due to keen market competition and decreased in number of sales contracts, which lead to the decrease in revenue.

Financial Results (Continued)

Included in other revenue and gains of HK$3,982,000 (2018: HK$1,690,000) were mainly interest income and sundry income.

Notwithstanding the steady growth of revenue, the Group's profit recorded a growth of 45.59% to HK$41,081,000 (2018: HK$28,217,000). In 2018, 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 tax concessionary period (2014-2017) and accordingly the enterprise income tax rate increased from 15% to 25%; and 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". In 2019, certain subsidiaries of the Company operating in the PRC have re-applied for the "Advanced Technology Enterprise" accreditation, the enterprise income tax rate approved was 15%, it is subject to further approval by the Science and Technology Bureau of relevant provinces and other authorities at the year end.

The cost of inventories used and the construction costs for the period under review were HK$641,752,000 (2018: HK$787,803,000) and HK$236,475,000 (2018: HK$85,834,000) respectively, representing corresponding decrease of 18.54% and increase of 175.50%. Such changes was primarily due to EPC and consultancy projects of larger scale were secured and completed during the period which increased the respective projects construction costs and the decrease in number of sales contracts in the manufacturing and trading business caused the decrease in purchase size which lowered the cost of inventories.

The decrease in staff costs by 4.88% to HK$18,601,000 (2018: HK$19,555,000) was due to competitiveness in labour market conditions. Other operating expenses decreased 37.98% to HK$23,952,000 (2018: HK$38,622,000) which included primarily exchange difference, bank charges, professional fee, administrative expenses and research and development expenses.

Finance cost for the period under review escalated 16.32% to HK$29,621,000 (2018: HK$25,466,000) as compared to that of the last corresponding period as a result of increase in bank and other borrowings secured by the Group and the associated loan interests for the expansion of EPC and consultancy and power generation businesses.

Financial Position

As at 30 June 2019 total assets of the Group were HK$5,036,875,000 (31 December 2018: HK$4,338,666,000), representing an increase of 16.09% as compared to that of 31 December 2018. In particular, current assets increased by 27.21% to HK$3,482,533,000 (31 December 2018: HK$2,737,537,000) and non-current assets decreased by 2.92% to HK$1,554,342,000 (31 December 2018: HK$1,601,129,000). After a vigorous increase of property, plant and equipment in 2018 for the development of self-owned and self-operated rooftop distributed photovoltaic power generation facilities, the growth of assets for the Group slowed down during the first half of 2019 due to keen market competition and change of PRC government policy on subsidy and quota for solar photovoltaic sector.

Total liabilities at 30 June 2019 were HK$4,143,114,000 (31 December 2018: HK$3,456,997,000), an increase by 19.85% as compared to that of the last balance sheet date. In particular, current liabilities at 30 June 2019 were HK$3,456,432,000 (31 December 2018: HK$2,927,534,000), an increase of 18.07% as compared to that of 31 December 2018 which was principally due to the increase of trade and bills payables and bank and other borrowings. Non-current liabilities were HK$686,682,000 (31 December 2018: HK$529,463,000), an increase of 29.69% as compared to that of 31 December 2018 as a result of the increase in bank and other borrowings.

Total equity attributable to owners of the Company as at 30 June 2019 was HK$890,291,000 (31 December 2018: HK$866,872,000), an increase of 2.70% as compared with that of 31 December 2018.

Capital Raising Exercise

The Company did not conduct a capital raising exercise during the period under review.

Liquidity, Financial Resources and Gearing

As at 30 June 2019, net current assets of the Group amounted to HK$26,101,000 (31 December 2018: net current liabilities of HK$189,997,000). Besides, the Group maintained cash and cash equivalents of HK$397,291,000 (31 December 2018: HK$415,874,000), of which approximately 9% was in Hong Kong dollars, 47% was in Renminbi ("**RMB**"), 43% was in United States dollars ("**USD**") and 1% was in Eurodollars ("**EUR**") (31 December 2018: approximately 25% was in Hong Kong dollars, 61% was in RMB, 14% was in USD).

Liquidity, Financial Resources and Gearing (Continued)

As at 30 June 2019, the Group had outstanding bank and other borrowings of HK$2,206,829,000 (31 December 2018: HK$1,676,470,000), of which approximately, 14% was in Hong Kong dollars, 71% was in RMB, 10% was in USD and 5% was in Euro (31 December 2018: approximately 24% was in Hong Kong dollars, 61% was in RMB, 13% was in USD 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 5.8% per annum (31 December 2018: ranged from 2.0% to 5.9% per annum). Except for certain bank and other borrowings which were committed loan facilities with specific maturity dates, the Group's borrowings contained repayment on demand clause at any time at the discretion of the banks. Under the Hong Kong Accounting Standards, the Group 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 2019 in accordance with the settlement term. Of the total bank and other borrowings as at 30 June 2019, HK$1,512,254,000 (31 December 2018: HK$1,234,372,000) was loans repayable within one year and the balance of HK$694,575,000 (31 December 2018: HK$442,098,000) was repayable more than one year.

As at 30 June 2019, included in other payables of approximately HK$73,747,000 (RMB64,881,000) (31 December 2018: approximately HK$51,237,000 (RMB45,000,000)) 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 2018, included in other payables of approximately HK$10,874,000 (RMB9,550,000) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company.

As at 30 June 2019, the Group's gearing ratio was 2.55 (31 December 2018: 2.09), 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 2019, the Group had property, plant and equipment, trade receivables, finance lease receivables and pledged bank deposits amounting to HK$355,370,000 (31 December 2018: HK$127,116,000), HK$336,948,000 (31 December 2018: HK$Nil), HK$261,165,000 (31 December 2018: HK$280,169,000), and HK$617,056,000 (31 December 2018: HK$302,455,000) respectively which have been pledged to secure the bank and other facilities granted to the Group.

Save as disclosed above, the Group had no other charges on its assets as at 30 June 2019 (31 December 2018: Nil).

Capital Structure

The Group generally finances its operations with internally generated resources, bank and other 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 2019 (31 December 2018: 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 2019, the Group had capital expenditure of HK$6,320,000 (2018: HK$293,100,000) which was used for the acquisition of property, plant and equipment.

As at 30 June 2019, the Group did not have any capital commitments (31 December 2018: 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 2019.

Specific Performance Obligations on Controlling Shareholder

On 17 May 2019, the ultimate beneficial owner of China He (HK) Limited, which was the controlling shareholder of the Company, was changed from China Nuclear Engineering &Construction Corporation Limited* (中國核工業建設集團有限公司) ("**CNECC**") to China National Nuclear Corporation Limited* (中國核工業集團有限公司) ("**CNNC**") (the "**Reorganisation**").

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 then controlling shareholder of the Company, CNECC was 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. As of 30 June 2019, the CEB Facility was fully repaid by the Company.

* *For identification purpose only*

Specific Performance Obligations on Controlling Shareholder (Continued)

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 the then controlling shareholder of the Company, 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. As of 30 June 2019, the IBC Facility was fully repaid by the Company.

On 1 June 2018, the Company, as borrower, entered into a general banking facility (the "**Facility Letter One**") 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 "**Facility One**") 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 Facility Letter One, among others, the Company has undertaken to procure that (i) 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 Facility One 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. Since the completion of the Reorganisation has taken place on 17 May 2019, on 15 August 2019, both the Company and the licensed bank agreed to amend the terms of Facility Letter One to reflect the change of shareholding of the Company's ultimate shareholder.

Specific Performance Obligations on Controlling Shareholder (Continued)

On 19 June 2019, the Company, as the borrower, entered into a facility letter (the "**Facility Letter Two**") with a licensed bank in Hong Kong, as the lender, pursuant to which a committed term loan facility of up to HK$250,000,000 (the "**Facility Two**") has been granted to the Company for a term of twenty-four months from the date of first drawdown. Pursuant to the terms of the Facility Letter Two, among others, the Company has undertaken to ensure that CNNC is the single largest (direct or indirect) beneficial shareholder of the Company owning not less than 30% beneficial shareholding in the Company so long as the Facility Two or any sum thereunder are outstanding, otherwise it will constitute an event of default. On the occurrence of an event of default, the licensed bank shall be entitled to (a) demand immediate repayment of all outstanding indebtedness, liabilities and/or obligations due, owing, incurred and/or payable by the Company in respect of all credit and other facilities; and/or (b) terminate or cancel all credit and other facilities and accommodation granted to the Company by the licensed bank.

On 20 June 2019, the Company, as the borrower, entered into a facility letter (the "**Facility Letter Three**") with a licensed bank in Hong Kong, as the lender, pursuant to which an uncommitted loan facility of up to HK$100,000,000 (the "**Facility Three**") has been granted to the Company for a term of twelve months from the date of the Facility Letter Three. Pursuant to the terms of the Facility Letter Three, among others, the Company has undertaken to procure that CNNC maintains its direct or indirect beneficial shareholdings in the Company of not less than 30% and remains as a single major shareholder of the Company so long as the Facility Three is made available or any sum thereunder is outstanding, otherwise it will constitute an event of default. On the occurrence of an event of default, the licensed bank shall be entitled to (a) demand immediate repayment of all outstanding indebtedness, liabilities and/or obligations due, owing, incurred and/or payable by the Company in respect of all credit and other facilities; and/or (b) terminate or cancel all or any of credit and other facilities and accommodation granted to the Company by the licensed bank.

As at 30 June 2019, the amount of loan outstanding under the Facility One, Facility Two and Facility Three was USD20,000,000 (31 December 2018: USD20,000,000), HK$250,000,000 (31 December 2018: HK$ Nil), and HK$ Nil (31 December 2018: HK$ Nil) respectively. As at the date of this report, CNNC, 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 2019, total number of employees of the Group was 390 (31 December 2018: 406). During the six months ended 30 June 2019, staff costs (including Directors' emoluments) amounted to HK$18,601,000 (year ended 31 December 2018: HK$53,833,000). 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 2019, save and except for the deviation from code provision A.6.7.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should 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 4 April 2019 and 17 May 2019 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.

Corporate Governance Practices (Continued)

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

Executive Directors
Mr Zhao Yixin*(Chairman)* [1]
Mr Liu Genyu *(Vice Chairman)*
Mr Chung Chi Shing
Ms Jian Qing
Mr Li Jinying
Mr Tang Jianhua *(Chief Operating Officer)*
Mr Fu Zhigang *(Chief Executive Officer)*[2]
Mr Wu Yuanchen
Mr Ai Yilun[3]
Mr Zhang Rui[4]

Independent Non-executive Directors
Mr Chan Ka Ling Edmond
Mr Kang Xinquan[5]
Mr Tian Aiping
Mr Wang Jimin
Mr Li Dakuan[6]

Note:

1 Appointed as an executive director and chairman of the board on 23 January 2019.

2 Appointed as an executive director and chief executive officer on 4 April 2019.

3 Resigned as an executive director and chairman of the board on 23 January 2019..

4 Resigned as an executive director and chief executive officer on 4 April 2019.

5 Appointed as an independent executive director on 14 June 2019.

6 Passed away on 18 April 2019.

At the annual general meeting of the Company held on Friday, 17 May 2019, 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 Kang Xunquan, 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 2019.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the publication of the 2018 Annual Report of the Company is set out below:

- On 14 June 2019, Mr. Fu Zhigang entered into a service agreement with the Company, pursuant to which he is entitled to a monthly salary of HK$98,000 and a housing allowance of HK$24,800. The service agreement became effective from 1 June 2019 and the letter of appointment he entered with the Company on 4 April 2019 was subsequently terminated.

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 2019.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June, 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Capacity	Number of ordinary shares	Approximate % of shareholding
Fu Zhigang	Beneficial owner	100,000	0.01%

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2019, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, 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
中國核工業集團有限公司 (transliterated as China National Nuclear Corporation Limited) ("**CNNC**")	*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%

SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONTINUED)

Long Positions in Shares and Underlying Shares of the Company (Continued)

Note::

1. China He (HK) is a wholly-owned subsidiary of CNICL, which in turn is wholly-owned by CNNC. As at 30 June 2019, China He (HK) held 400,000,000 shares of the Company and accordingly, both CNICL and CNNC 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 2019, 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 2019.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2019.

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

Hong Kong, 27 August 2019