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

中国核建

Stock Code : 611

2017 ANNUAL REPORT

Content

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 Jinying
Mr Li Feng
Mr Tang Jianhua
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 Hong Kong Branch
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Hong Kong Branch)

AUDITOR

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

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG PRINCIPAL OFFICE

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

STOCK CODE

611

WEBSITE

www.cnetcl.com

Chairman's Statement

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Nuclear Energy Technology Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you this annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

FINANCIAL RESULTS

This year, the Group recorded a surge of profit from continuing operations by 56% to approximately HK$120,402,000 (2016: HK$76,990,000) as compared to that of 2016. Basic earnings per share from continuing operations for 2017 was approximately HK9.48 cents (2016: HK6.44 cents). Revenue slightly decreased by 4% to approximately HK$1,963,381,000 (2016: HK$2,041,543,000) as an outcome of fewer engineering, procurement and construction ("**EPC**") projects for photovoltaic power generation were secured and completed and the Group had placed emphasis on investing self-owned and self-operated solar power projects during the year. Total operating expenses (including cost of sales, construction costs, staff costs and other operating expenses) decreased by 7% to approximately HK$1,789,626,000 mainly due to fewer EPC projects were secured and effective cost control implemented by the Group. Finance costs dropped by 12% to approximately HK$22,832,000 (2016: HK$25,930,000). Share of results of the Group's associates recorded a growth of 49% to HK$11,528,000 (2016: HK$7,712,000) as compared to that of 2016.

The Board did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

BUSINESS OVERVIEW

During the year, the Group's revenue continued to be driven by our EPC and consultancy services business. Due to keen market competition and re-allocation of resources to self-owned and self-operated solar power projects, income derived from this business segment was pressurised. Following the maturity of technology that achieved cost-effectiveness, effective cost control implemented by the Group and the strategic allocation of resources, this segment result recorded a growth of 32% to approximately HK$151,524,000 (2016: HK$114,976,000), notwithstanding a 7% decline in revenue for the year.

Since 2015, the Group has begun its business in solar power generation by developing two agricultural photovoltaic power stations in Taizhou of The People's Republic of China (the "**PRC**"). These power stations has commenced operations since 2016 and 2017 respectively. During the year ended 31 December 2017, this business segment recorded a promising result and sales to external customers generated by these two solar power stations attained a growth of 109% to approximately HK$52,037,000 (2016: HK$24,926,000). The Group also invested in a solar photovoltaic power station in Qiqihar of PRC. Furthermore, the Group started to invest in distributed photovoltaic power generation system. During the year, the Group installed an additional of 60MW grid-connected distributed photovoltaic facilities which are expected to contribute to the Group's revenue in 2018. Together with the solar power plants in Taizhou, the Group owned a total of 100 MW solar power plants in PRC as at 31 December 2017.

In 2017, the Group achieved a breakthrough and has extended to participate in developing and constructing a large scale solar thermal project in Inner Mongolia of PRC which is expected to be completed by 2019. This marked a milestone for the Group to diversify its technology and know-how in order to expand our customer base for our future development.

In order to further improve our efficiency, we have also diversified vertically by establishing a manufacturing plant in Xuzhou of PRC during the year which we aimed at producing parts and components for solar power generation. The production lines are ready for production in early 2018. As such, the Group expects to enjoy lower cost on solar photovoltaic materials on one hand and, on the other hand, to open another income stream from selling solar photovoltaic parts and components to external customers.

Finance lease business is another encouraging business segment for the Group. During the year, our finance lease business had successfully turned around to profitable and recorded a segment result of HK$5,274,000 (2016: loss of HK$971,000). Sale generated from external customers boosted 451% to approximately HK$31,313,000 (2016: HK$5,678,000). While expanding our finance lease business, the Group recognised the importance of risk management. In order to minimise the default repayment risk facing the Group, we have taken risk controlling measures before inception of each new project. Through the establishment of risk management committee, we have identified and assessed the potential risks of each financing project that could pose a threat to the business and targeted to provide financing services to quality customers.

OUTLOOK

Environmental saving continues to be a major focus of every nation. The global renewable power industry is riding strong tailwinds that will likely continue to promote growth in the longer term. Favourable factors include but not limited to declining wind and solar prices, rising demand sources, technology advancement and greater decarbonisation concern of the economy. In China, solar photovoltaic power, hydro power, wind power and biomass power are the major types of renewable energy for electric power generation. Amongst which, the Group has been focused on designing and developing solar photovoltaic power system in recent years. Following the advancement of technology and the reduction of installation cost for solar photovoltaic power, residential consumers' enthusiasm for this renewable is also increasing which boosting demand in the PRC. As reported by National Energy Administration of PRC, the total installed capacity of solar photovoltaic power in China reached 118.2 billion kW at the end of 2017, which was 78.6% exceeding last year. The growth trend further supported by the "Guidance on the implementation of the Thirteenth Five-year Plan in respect of Renewable Energy Development" issued in July 2017 where the national in-grid installed capacity for solar photovoltaic generation is expected to increase by approximately 86.5 million kW from 2017 to 2020.

With the aim of achieving expansion and mitigating risks, the Group endeavours to explore and grasp every opportunity to extend our business to other renewable energy industry. In addition, apart from focusing on the domestic renewable energy market, the Group takes advantage of China's Belt and Road initiatives and seeks for collaborations on renewables development in other countries.

On 31 January 2018, 國務院國有資產監督管理委員會 (transliterated as State-owned Assets Supervision and Administration Commission of the State Council) informed 中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Corporation Limited) ("**CNECC**") that the State Council has approved the merger of CNECC and 中國核工業集團有限公司 (transliterated as China National Nuclear Corporation Limited). Being CNECC's sole Hong Kong listed company, it is anticipated that the consolidation of resources of the two PRC nuclear giants will create synergy and open up new horizons to the Company.

Looking forward, the business environment for the Group is expected to be challenging in the face of keen competition and inflating costs. We remain cautiously optimistic on the outlook of 2018. We will continue to leverage our resources to improve our profitability and simultaneously take prudent measures to control our operating costs. Besides, the Group will keep exploring opportunities and expand through strategic alliance with the aim of delivering sustainable long-term value for our shareholders and other stakeholders.

APPRECIATION

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

Ai Yilun
Chairman

Hong Kong, 16 March 2018

Directors' Report

The board (the "**Board**") of directors (the "**Directors**") of China Nuclear Energy Technology Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present this annual report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in note 21 to the financial statements.

BUSINESS REVIEW

For the year ended 31 December 2017, the Group achieved profit from continuing operations of HK$120,402,000 (2016: HK$76,990,000), representing an increase of 56% as compared to that of last year. Overall revenue was HK$1,963,381,000 (2016: HK$2,041,543,000), primarily generated by the engineering, procurement and construction ("**EPC**") and consultancy business segment. The increase in profit was due to effective cost control measures adopted by the Group that lowered the cost for EPC projects and the improved performance of the solar power generation and financial leasing businesses.

EPC and Consultancy

This year, EPC and consultancy segment achieved segment result of HK$151,524,000 (2016: HK$114,976,000), representing a year-on-year increase of 32%, which was mainly attributable to the implementation of effective cost control that enabled the Group to attain lower cost of inventories used and construction cost. Nevertheless, this business segment encountered strong headwind in face of keen market competition, belated publication of targeted photovoltaic installation capacity by the government of The People's Republic of China ("**PRC**") and slowdown of work progress due to complexity of work site condition and late deliveries of construction materials from suppliers. In addition, the Group had allocated more resources to develop self-owned and self-operated solar photovoltaic stations for the generation of electricity income. Accordingly, fewer EPC projects were secured and completed during the year and income derived from this business segment narrowed down to HK$1,880,031,000 (2016: HK$2,010,939,000), representing a drop of 7% as compared to 2016.

In 2017, the Group continued to expand its EPC and consultancy portfolio. Through collaboration with seasoned industry players, the Group participated in developing and constructing a 100MW parabolic trough solar thermal power project in Inner Mongolia which is under the first batch of national demonstration projects list. The construction of the solar thermal power project is underway and is expected to be completed by 2019.

Manufacturing and Trading

For the purpose of diversifying our business vertically, a wholly-own subsidiary of the Group agreed to acquire a piece of land and the structure (including a manufacturing plant) erected thereon in Peixian of PRC in 2016. Following the completion of land ownership transfer and the obtaining of 不動產權證 (translated as Certificate of Real Estate Ownership) for the land in 2017, the Group modified the manufacturing plant and purchased machinery in order to set up the production lines. The modification work to the manufacturing plant has been completed in early 2018 and it is expected that it will contribute to the Group's revenue in the short run.

Solar Power Generation

In 2015, the Group started to develop its first 20MW self-owned and self-operated agricultural photovoltaic power station in Taizhou of PRC, and in the past years has continued to invest and expand self-owned and self-operated solar photovoltaic power stations. As at 31 December 2017, the Group operated a total installed capacity of 40MW solar photovoltaic power stations in Taizhou. As a result, this segment achieved an impressive year-on-year growth of 109%, contributing HK$52,037,000 to the Group's revenue in 2017.

The Group further broadened its horizon by developing rooftop distributed solar photovoltaic projects. During the year ended 31 December 2017, the Group completed an additional of 60MW grid-connected distributed solar photovoltaic projects which are expected to generate electricity income in 2018.

Financing

For the year ended 31 December 2017, revenue of the Group's finance leasing business boosted 451% to HK$31,313,000 (2016: HK$5,678,000). The Group carries out its financial leasing business through its wholly-owned subsidiary, 核建融資租賃(深圳)有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Company Limited) ("**CNEC Shenzhen**"). This year, the Group has further injected HK$109,075,000 to fully pay up the registered capital of CNEC Shenzhen. The performance of CNEC Shenzhen recorded a significant improvement during the year and attained a segment result of HK$5,274,000 (2016: loss of HK$971,000).

Environmental Policy and Performance

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

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

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2017, there was no evidence of non-compliance with the relevant laws and regulations that have significant impacts on the Group as far as the Board is aware.

Relationship with Employees, Customers and Suppliers

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

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

During the year ended 31 December 2017, there is no circumstance of any event between the Group and its employees, customers and suppliers which will have a significant impact on the Group's business and on which the Group's success depends.

Business Prospect

Following the maturity of solar photovoltaic technology and the reduction of installation costs, it became more popular for the general public to install distributed solar photovoltaic system for domestic, industrial and commercial use. Pursuant to the statistics from National Energy Administration, the capacity of newly installed distributed solar photovoltaic system in PRC reached 19.44 million kW in 2017, representing a surge of 3.7 times as compared to that of 2016. As such, the Group has stepped up its effort in developing distributed solar photovoltaic systems for external customers and self-operation. It is expected that completion of the construction of the Group's self-owned and self-operated solar power stations and facilities will generate stable power generation income for the Group. Apart from focusing on solar photovoltaic power system, the Group has been actively exploring opportunities in other renewables in China and the overseas in recent years. It is expected that the Group will expand its renewable portfolio when suitable projects are identified. Financial leasing industry in China has grown rapidly over the past decade. The Group shall expand its financial leasing business with caution in order to control the associated risks effectively. We shall continue to pay extra attention to the changes in external environment and strive to advance our cost control and supply chain management so as to maintain a sustainable development for the Group.

FINANCIAL REVIEW

The Group's revenue generated from continuing operations decreased by 4% from HK$2,041,543,000 for the year ended 31 December 2016 to HK$1,963,381,000 for the year ended 31 December 2017. The decrease was mainly due to fewer EPC projects for photovoltaic power generation were secured and completed and the Group had placed emphasis on investing self-owned and self-operated solar power projects during the year. Profit attributable to owners of the Company amounted to HK$116,081,000 which represented a year-on-year increase of 48% when compared with 2016. Basic earnings per share from continuing operations for the year ended 31 December 2017 was at HK9.48 cents when compared with HK6.44 cents recorded for the year ended 31 December 2016.

Financial Results

Year ended 31 December	2017 HK$'000	2016 HK$'000	Changes HK$'000	%
Continuing operations				
Revenue	**1,963,381**	2,041,543	(78,162)	(4)
Other income and gains	**3,345**	3,035	310	10
Cost of sales	**(1,422,320)**	(1,540,652)	118,332	(8)
Construction costs	**(273,854)**	(309,451)	35,597	(12)
Staff costs	**(39,002)**	(34,341)	(4,661)	14
Depreciation	**(17,743)**	(10,813)	(6,930)	64
Other operating expenses	**(54,450)**	(38,436)	(16,014)	42
Finance costs	**(22,832)**	(25,930)	3,098	(12)
Loss on disposal of a subsidiary	**(20)**	—	(20)	N/A
Gain on deemed disposal of an associate	**—**	2,893	(2,893)	(100)
Share of results of associates, net	**11,528**	7,712	3,816	49
Income tax expense	**(27,631)**	(18,570)	(9,061)	49
Profit for the year from continuing operations	**120,402**	76,990	43,412	56
Discontinued operations				
Profit for the year from discontinued operations	**—**	5,549	(5,549)	(100)
Profit for the year	**120,402**	82,539	37,863	46

Revenue

For the year ended 31 December 2017, revenue of the Group mainly derived from three segments, namely, EPC and consultancy, solar power generation and financing. EPC and consultancy remained the principal source of the Group's revenue. This year, revenue generated from EPC and consultancy segment decreased by 7% to HK$1,880,031,000 (2016: HK$2,010,939,000). Revenue derived from solar power generation and financing were HK$52,037,000 (2016: HK$24,926,000) and HK$31,313,000 (2016: HK$5,678,000) respectively, each comprised approximately 3% (2016: approximately 1%) and 2% (2016: approximately 0.3%) of the Group's total revenue.

Profit

Profit from continuing operations for the year ended 31 December 2017 amounted to HK$120,402,000 (2016: HK$76,990,000), representing an increase of 56% as compared to that of 2016. The increase was mainly due to effective cost control implemented by the Group and the strategic allocation of resources. Accordingly, net profit margin of the Group increased to 6% (2016: 4%). Net profit margin of the Group varied in different segments depending on its business nature.

Profit attributable to owners of the Company for the year ended 31 December 2017 increased by 48% to HK$116,081,000 (2016: HK$78,571,000) and basic earnings per share from continuing operations was HK9.48 cents (2016: HK6.44 cents).

Other income and gains

Other income and gains for the year ended 31 December 2017 amounted to HK$3,345,000 (2016: HK$3,035,000) which was primarily derived from bank interest income. Details of other income and gains are set out in note 7 to the financial statements.

Cost of sales and construction costs

Cost of sales and construction costs for the year ended 31 December 2017 amounted to HK$1,422,320,000 (2016: HK$1,540,652,000) and HK$273,854,000 (2016: HK$309,451,000) respectively. The decrease was mainly due to fewer EPC projects were secured and effective cost control implemented by the Group.

Finance Costs

Finance costs for the year ended 31 December 2017 decreased by 12% to HK$22,832,000 (2016: HK$25,930,000). Finance cost for 2017 primarily represented by interest expenses on bank and other borrowings.

Other operating expenses

Included in other operating expenses are mainly legal and professional fees, bank charges, rental, research and development fees and travelling expenses which amounted to HK$54,450,000 for the year ended 31 December 2017, representing an increase of 42% as compared to that of last year.

Gain on deemed disposal of an associate

An exceptional gain on deemed disposal of an associate amounted to HK$2,893,000 was recorded last year.

Share of results of associates, net

The Group's share of results of associates increased by 49% to HK$11,528,000 (2016: HK$7,712,000) during the year ended 31 December 2017. The increase in results contribution from associates was mainly attributable to the improvement of operating performance during the year.

Income tax expense

The effective tax rate applicable to the profit of the Group for the year ended 31 December 2017 was 19% (2016: 19%).

Financial Position

As at 31 December	2017	2016	Changes	
	HK$'000	HK$'000	HK$'000	%
Non-current assets	1,457,698	496,336	961,362	194
Current assets	2,864,610	2,100,636	763,974	36
Total assets	4,322,308	2,596,972	1,725,336	66
Non-current liabilities	564,148	402,517	161,631	40
Current liabilities	2,883,447	1,685,666	1,197,781	71
Total liabilities	3,447,595	2,088,183	1,359,412	65
Net assets	874,713	508,789	365,924	72
Share capital	131,309	113,309	18,000	16
Reserves	731,660	388,114	343,546	89
Equity attributable to:				
– owners of the Company	862,969	501,423	361,546	72
– non-controlling interests	11,744	7,366	4,378	59
Total equity	874,713	508,789	365,924	72

As at 31 December 2017, total assets of the Group were HK$4,322,308,000 (2016: HK$2,596,972,000), representing an increase of 66% as compared to that of 2016. In particular, current assets increased by 36% to HK$2,864,610,000 (2016: HK$2,100,636,000) and non-current assets increased by 194% to HK$1,457,698,000 (2016: HK$496,336,000). The significant increase in non-current assets was mainly attributable to the development of self-owned and self-operated rooftop distributed photovoltaic power generation facilities in 2017 which were included in property, plant and equipment as construction in progress.

Total liabilities at 31 December 2017 were HK$3,447,595,000 (2016: HK$2,088,183,000), an increase by 65% as compared to that of 2016. In particular, current liabilities at 31 December 2017 were HK$2,883,447,000 (2016: HK$1,685,666,000), an increase of 71% as compared to that of 2016, which was principally due to the increase in trade and bills payables. Non-current liabilities were HK$564,148,000 (2016: HK$402,517,000), an increase of 40% as compared to that of 2016 as a result of the increase in bank and other borrowings and obligations under finance leases.

Total equity attributable to owners of the Company as at 31 December 2017 was HK$862,969,000 (31 December 2016: HK$501,423,000), an increase of 72% as compared with that of 2016, primarily resulting from the completion of share placement on 29 June 2017 and the contribution of the total comprehensive income for the year.

Capital Raising Exercise

On 9 June 2017, the Company and Eternal Pearl Securities Limited (the "**Placing Agent**") entered into the placing agreement, whereby the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, of up to 180,000,000 placing shares under the general mandate to not less than six independent third parties at the placing price of HK$1.01 per placing share (the "**Share Placement**"). The Share Placement has been completed on 29 June 2017 and the net proceeds from the Share Placement were approximately HK$179,073,000, which have been applied toward for the repayment of bank loan, the supplement of registered capital of an indirect wholly-owned subsidiary of the Company and the general working capital of the Group.

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

Liquidity, Financial Resources and Gearing

As at 31 December 2017, net current liabilities of the Group amounted to HK$18,837,000 (2016: net current assets of HK$414,970,000). Besides, the Group maintained cash and cash equivalents of HK$320,285,000 (2016: HK$472,711,000), of which approximately 15% was in Hong Kong dollars, 48% was in RMB and 37% was in United States dollars.

As at 31 December 2017, the Group had outstanding bank and other borrowings of HK$1,032,105,000 (2016: HK$682,724,000), of which approximately 30% was in Hong Kong dollars, 56% was in RMB, 10% was in United States dollars 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 (2016: ranged from 1.9% to 4.9% per annum). Except for certain bank and other borrowings which were committed loan facilities with specific maturity dates, the Group's borrowings contained repayment on demand clause at any time at the discretion of the bank. Under the Hong Kong Accounting Standards, the Group had separated and classified the bank and other borrowings as current and non-current liabilities in the consolidated statement of financial position as at 31 December 2017 in accordance with the settlement term. Of the total borrowings as at 31 December 2017, HK$324,039,000 was loans repayable within one year and the balance of HK$708,066,000 was repayable more than one year.

As at 31 December 2017, included in other payables of (i) approximately HK$11,449,000 (RMB9,550,000) (2016: approximately HK$10,612,000 (RMB9,550,000)) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company, (ii) approximately HK$59,945,000 (RMB50,000,000) (2016: Nil) which represents an unsecured interest bearing loan from immediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum, (iii) approximately HK$119,890,000 (RMB100,000,000) (2016: Nil) which represents an unsecured interest bearing loan from 中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.), an intermediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum.

The Group's gearing ratio was 1.54 (2016: 1.4), which was calculated on the basis of total debt over total equity of the Company. Total debt comprises loans included in other payables and accruals, bank and other borrowings and obligation under finance lease.

Charge on Assets

As at 31 December 2017, the Group had bills receivable, finance lease receivables and pledged bank deposits amounting to HK$Nil (2016: HK$33,337,000), HK$331,570,000 (2016: HK$114,492,000) and HK$194,260,000 (2016: Nil) respectively which have been pledged to secure banking facilities granted to the Group. Moreover, the finance leases obligations of the Group were secured by certain property, plant and equipment amounted to HK$143,616,000 (2016: Nil).

Save as disclosed above, the Group had no other charges on its assets as at 31 December 2017 (2016: Nil).

Capital Structure

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

As the Group's bank balances and cash are mainly denominated in Hong Kong dollars, RMB and United States dollars, the Directors considered the Group was exposed to limited exchange risk. During the year, the Group did not use any financial instruments for hedging purpose and the Group did not have any hedging instruments outstanding as at 31 December 2017 (2016: Nil).

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

Capital Expenditure and Commitments

During the year ended 31 December 2017, the Group had capital expenditure of HK$405,438,000 (2016: HK$236,630,000) which was used for the acquisition of property, plant and equipment.

As at 31 December 2017, the Group did not have any capital commitments (2016: HK$7,778,000).

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

Save for the above-mentioned and those disclosed in notes 14, 19, 21, 22 and 36 to the consolidated financial statements of this annual report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year ended 31 December 2017.

Specific Performance Obligations on Controlling Shareholder

On 9 June 2017, the Company, as borrower, entered into a facility agreement (the "**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 "**Facility**") has been granted to the Company for a term of 24 months from the first drawdown date. The 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 the Lender.

Pursuant to the 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 (the "**Specific Performance Obligation**"). The breach of the Specific Performance Obligation will cause an event of default in respect of the Facility and China Everbright Bank shall have the right to cancel the total facility commitments and declare that all or part of the Facility, all accrued interest and all other sums payable under the Facility Agreement be immediately due and repayable.

As at 31 December 2017, the amount of loan outstanding under the Facility was HK$250,000,000 (2016: Nil). 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.

Financial Ratios

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

Year ended 31 December	**2017**	2016	2015	2014	2013
Net profit margin (%)[1]	**6**	4	1	(18)	(7)
Return on assets (%)[2]	**3**	3	0.5	(11)	(5)

As at 31 December	**2017**	2016	2015	2014	2013
Gearing ratio[3]	**1.54**	1.40	0.76	0.08	0.19
Current ratio[4]	**0.99**	1.25	1.16	2.96	1.95

Notes:

1 Net profit margin = Net profit/Revenue x 100%

2 Return on assets = Net profit/Total assets x 100%

3 Gearing ratio = Total debt (Comprises convertible bonds, loans included in other payables and accruals, bank and other borrowings and obligation under finance lease)/total equity

4 Current ratio = Current assets/Current liabilities

Net profit margin increased mainly due to stringent cost control implemented by the Group and the strategic allocation of resources. Return on assets remained stable. The increase in gearing ratio and the decrease in current ratio were mainly due to the increase in bank and other borrowings and obligations under finance leases.

RISK AND UNCERTAINTIES

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

Principal Risks	Description	Key Mitigations
Business and strategic risk	The risk of material adverse changes to the Group's business performance, development prospects and/or ability to deliver its strategy, caused by changes in the business, economic, competitive, regulatory or political environment in which the Group operates.	• Proactive monitoring of PRC solar power industry trends, competitors and innovations; • Proactive monitoring of and preparation for global and local changes in regulations affecting the Group; and • Responsive project controls to allow strategic flexibility and dedicated strategy resources.
Foreign currency risk	The Group's business mainly operates in the mainland China, accordingly, its revenue and transactions arising from its operations were generally settled in Renminbi. As the Group's reporting currency is Hong Kong dollars, any fluctuations in the value of Renminbi against Hong Kong dollars could affect the Group's performance.	• Proactive monitoring closely the exchange rate trend; and • Responsive implementation of hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.
Credit Risk	The risk that a counterparty will not settle an obligation in full value, either when due or at any time thereafter.	• Default management and recovery procedures in place; • Established credit risk management function; and • Conduct credit checked on new customers.
Liquidity risk	The risk of being unable to settle obligations as they fall due whether relating to the Group's cash flow requirements and/or regulatory requirements.	• Regularly monitor the Group's liquidity requirements so as to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions (when applicable).
Operational risk	The risk of material delay in the Group's project which may put burdens on billings, material and labour costs that adversely affects the Group's revenue and financial performance.	• Implement stringent budget control management; and • Comprehensive project planning to avoid design error or faulty contractual management or other defaults.
Legal and compliance risk	The risk of loss resulting from breach of or non-compliance with applicable laws, regulations or contractual obligations.	• Where necessary, expert legal advice sought and compliance reviews conducted on business activities and new initiatives; and • Legal review of contracts.

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

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2017 is as follows:

	Percentage of the Group's total revenue	
	2017	2016
The largest customer	**20%**	24%
Five largest customers in aggregate	**67%**	73%

	Percentage of the Group's total purchase	
	2017	2016
The largest supplier	**16%**	44%
Five largest suppliers in aggregate	**46%**	86%

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

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2017 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Directors did not declare any interim or final dividend for the year ended 31 December 2017 (2016: Nil).

DONATIONS

The Group did not make any charitable donations during the year (2016: Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

USE OF PROCEEDS

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

Intended applications	Actual net proceeds raised on 29 June 2017	Amount utilised during the year	Balance as at 31 December 2017
	HK$'000	HK$'000	HK$'000
Repayment of bank loan	50,000	50,000	—
Supplementing the registered capital of an indirect wholly-owned subsidiary of the Company	110,000	110,000	—
General working capital	19,073	6,000	13,073
Total	179,073	166,000	13,073

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment are set out in note 17 to the financial statements.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors who held office during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr Ai Yilun *(Chairman)*
Mr Liu Genyu *(Vice Chairman)* (appointed on 30 June 2017)
Mr Zhang Rui *(Chief Executive Officer)* (appointed on 17 January 2018)
Mr Chung Chi Shing
Ms Jian Qing
Mr Li Feng
Mr Li Jinying
Mr Tang Jianhua (appointed on 30 June 2017)
Mr Bai Xuefei *(Co-chief Executive Officer)* (resigned on 17 January 2018)
Mr Wu Yuanchen (resigned on 30 June 2017)

Independent Non-executive Directors:

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiary was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at 31 December 2017.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 31 December 2017.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into letters of appointment or service contracts with the Company. As at 31 December 2017, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiary which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section "Material Related Party Transactions" in note 41 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year ended 31 December 2017 or at any time during the year ended 31 December 2017.

COMPETING INTERESTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in the section "Material Related Party Transactions" in note 41 to the consolidated financial statements, the Group did not enter into any connected or continuing connected transactions during the year ended 31 December 2017 which were required to be disclosed in accordance with Chapter 14A of the Listing Rules.

SHARE OPTIONS

During the year ended 31 December 2017, the Company did not adopt and/or maintain a share option scheme. At no time during the year ended 31 December 2017 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or its subsidiary a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2017, none of the Director nor chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (a) as recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Exchange**") pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, the following persons or entities, other than a Director or chief executive of the Company, had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Substantial shareholders	Note	Capacity	Number of shares/ underlying shares held	Percentage of shares of the Company in issue
CNECC	1	Interest in controlled corporation	400,000,000	30.46%
中核投資有限公司 (transliterated as China Nuclear Investment Company Limited) ("**China Nuclear Investment**")	1	Interest in 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	Interest in controlled corporation	84,676,000	6.45%

Note:

1. China He (HK) is a wholly-owned subsidiary of China Nuclear Investment, which in turn is wholly-owned by CNECC, which is a state-owned enterprise established in the PRC, being ultimately held by 國務院國有資產監督管理委員會 (transliterated as State-owned Assets Supervision and Administration Commission of the State Council). As at 31 December 2017, China He (HK) held 400,000,000 Shares and accordingly, both China Nuclear Investment and CNECC were deemed to be interested in the same block of Shares which was registered under China He (HK) by virtue of SFO.

2. Mr Zhao was beneficially interested in the entire issued share capital of Prosper Alliance Investments Limited and Rui Tong Investments Limited which in turn were directly interested in 60,000,000 Shares and 24,676,000 Shares respectively. By virtue of SFO, Mr Zhao was deemed to be interested in 84,676,000 Shares.

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any person or entity who had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO.

PROFILE OF THE DIRECTORS

Executive Directors

Ai Yilun

Mr Ai Yilun, aged 48, has been the Chairman of the Board and the executive Director since 20 October 2016. He was appointed as the Chairman of the Board and the executive Director on 27 December 2013 and was re-designated as Honorary Chairman on 13 September 2016. Mr. Ai is currently the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). He obtained a doctorate degree in World Economics from Jilin University in the PRC. He is currently a director and general manager of China Nuclear Investment, a controlling shareholder of the Company. Mr Ai had previously held different positions including the chairman and general manager of 北京中經科環質量認證有限公司 (transliterated as Beijing Zhongjing Kehuan Quality Certification Co., Ltd.), the secretary of the board of directors of 北京中核投資有限公司 (transliterated as Beijing Zhong He Investment Co., Ltd.), the vice general manager of China Nuclear Investment and the general manager of 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Co., Ltd.).

Liu Genyu

Mr. Liu Genyu, aged 54, has been the Vice Chairman of the Board and the executive Director since 30 June 2017. He is also a member of the Remuneration Committee. Mr. Liu graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). Mr. Liu is also an independent non-executive director of China Boqi Environmental (Holding) Co., Ltd (stock code: 2377) and a non-executive director of Huazhong In-Vehicle Holdings Company Limited (stock code: 6830), of which he was the chief executive officer and executive director from 4 January 2016 to 1 September 2017 and was re-designated as a non-executive director on 1 September 2017. He was an executive director of China Power Clean Energy Development Company Limited (formerly known as China Power New Energy Development Company Limited, a company listed on the Main Board of the Stock Exchange, stock code: 735) from 2008 to 2012 and held the position of chief executive officer of the company at various points in time during 2008 to 2012. Mr. Liu had also served in positions including the deputy general manager of Chongqing Jiulong Electric Power Co., Ltd. (currently known as 國家電投集團遠達環保股份有限公司 (transliterated as State Power Investment Corporation Yuanda Environmental Protection Co., Ltd.) (a company listed on the Shanghai Stock Exchange, stock code: 600292)) from 2002 to 2006.

Zhang Rui

Mr Zhang Rui, aged 34, has been the executive Director and the chief executive officer of the Company since 17 January 2018. He was the co-chief executive officer of the Company from 13 September 2016 and was re-designated to chief executive officer on 17 January 2018. He holds both Bachelor degree in Economy and Master degree in Political Economy from Jilin University in the People's Republic of China. During the period from September 2013 to November 2016, Mr. Zhang worked for China Nuclear Investment, the holding company of China He (HK), which is a controlling shareholder of the Company where he had held different positions including deputy head of integrated management division, deputy head of general manager's office, deputy head of planning and operation division, deputy head and head of fund management division. Mr. Zhang is currently a director of certain subsidiaries of the Company.

Chung Chi Shing

Mr. Chung Chi Shing, aged 52, has been the executive Director since 1 December 2010. He held various directorships successively non-executive director, executive director and chairman in Value Convergence Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 821) from March 2015 to March 2018 and is currently its honourable chairman. He was also an executive director and chief executive officer of Central China Enterprises Limited (currently known as Asia Energy Logistics Group Limited, stock code: 351) from 2000 to 2004, a director of Vega Science & Technology (HK) Co., Limited (printed circuit board drilling machine manufacturer) from 2007 to 2012, and an executive director of GCL New Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 451) from 2011 to 2014. Mr. Chung has over 24 years of experience in corporate and investment management.

Jian Qing

Ms Jian Qing, aged 46, has been the executive Director since 19 October 2009. She is also a member of the Nomination Committee. Ms Jian has been involved in the identifying suitable investments opportunities for the Company through her business network. Ms Jian graduated from Jilin University in the PRC with a bachelor's degree in Economics. She also holds a master's degree in Business Administration from the Lawrence Technological University in the United States. She has more than 20 years of experience in different areas of securities and financial management, which was gained from working at a number of securities companies in the PRC and Hong Kong.

Li Feng

Mr Li Feng, aged 42, has been the executive Director since 19 August 2016. Mr Li joined the Company on 19 August 2016. He graduated from 湖北財經高等專科學校 (transliterated as Hubei College of Finance and Economics) with a diploma in audit studies in 1996. Mr. Li Feng obtained a master degree in Accounting from 武漢大學 (transliterated as Wuhan University) in 2007. Mr. Li Feng is a senior accountant, a certified public accountant and a certified public valuer in the PRC. Mr. Li Feng has been appointed as the chief accountant of China Nuclear Investment since May 2016 and a director of China He (HK) since August 2016. He was also a director of China Nuclear Investment from March 2014 to December 2016. He served successively as the division head, deputy head of the finance department and deputy head of the finance and assets management of CNEC from January 2011 to May 2016. Prior to joining CNEC, Mr. Li Feng served successively as auditor, project manager, deputy department manager and department manager of 大信會計師事務所 (transliterated as WUYIGE Certified Public Accountants LLP) from December 2003 to January 2011. From December 1996 to December 2003, Mr Li was an officer of 湖北省襄樊汽車產業經濟技術開發總公司 (transliterated as Hubei Xiangfan Automotive Industry Technology Development Company Limited). Mr Li is current a director of certain subsidiaries of the Company.

Li Jinying

Mr Li Jinying, aged 61, has been the executive Director since 8 April 2016. Mr. Li JY graduated from Tsinghua University with a bachelor degree in engineering majoring in Applied Chemistry in 1982 and subsequently acquired a master degree in Science at 中國原子能科學研究院 (transliterated as China Institute of Atomic Energy) ("**CIAE**") in 1991. He has been engaged in nuclear scientific research and management for more than 30 years. Mr. Li JY is currently the vice chairman of science and technology committee of CNECC. He was previously the deputy chief engineer of CNECC from 2016 to 2017 and the deputy general manager of new energy department of China Resources Power Holdings Company Limited from 2012 to 2016. He also held different positions in China Resources New Energy Group Company Limited from 2011 to 2012 including cadre and deputy general manager. He served as head of integrated planning department in 中國核工業集團公司 (transliterated as China National Nuclear Corporation) from 2005 to 2011 and was appointed as associate dean of CIAE from 2000 to 2005.

Tang Jianhua

Mr Tang Jianhua, aged 47, has been the executive Director since 30 June 2017. He was also appointed as the executive Director from 14 July 2015 to 8 April 2016. Mr. Tang graduated from Nanjing University of Science and Technology with a bachelor degree in Industrial Automation Instrumentation in 1995. He is also qualified as Class One Registered Architects conferred by State Construction Administrative Department and a Project Management Professional conferred by Project Management Institute. He has been the general manager of 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited) and the president of CNI (Nanjing) Energy Development Company Limited since October 2014. Mr. Tang joined 中核華譽工程有限責任公司 (transliterated as China Nuclear Huayu Project Co., Ltd) (formerly known as 儀徵化纖安裝檢修工程公司 (transliterated as Yizheng Huaxian Installation Maintenance and Engineering Company)) from August 1995 to October 2014, during which he had held different positions including deputy general manager in 2012 and became the party secretary and disciplinary committee secretary in 2013.

Independent non-executive Directors

Chan Ka Ling Edmond

Mr Chan Ka Ling Edmond, aged 59, has been the independent non-executive Director since 15 July 1992. He is also the Chairman of each of the audit committee of the Company (the "**Audit Committee**") and Remuneration Committee, and a member of the Nomination Committee. Mr. Chan is a partner of Chan and Chan, Certified Public Accountants. He is a Certified Public Accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also a director of Kreston CAC CPA Limited. Mr. Chan was an independent non-executive director of Loco Hong Kong Holdings Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8162) from July 2014 to April 2017.

Li Dakuan

Mr Li Dakuan, aged 62, has been the independent non-executive Director since 8 April 2016. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He graduated from the 中共中央黨校函授學院 (transliterated as Correspondence College at the Party School of the Central Committee of Communist Party of China) in 1997. He is qualified as a senior economist in the PRC. Mr. Li DK was the general manager of each of 秦山核電有限公司 (transliterated as Qinshan Nuclear Power Co., Ltd.) ("**Qinshan Nuclear Co.**"), 核電秦山聯營有限公司 (transliterated as Nuclear Power Qinshan Joint Venture Co., Ltd.) and 秦山第三核電有限公司 (transliterated as Third Qinshan Nuclear Power Co., Ltd.) ("**Third Qinshan Co.**") from April 2013 to April 2016 as well as the party secretary of 秦山核電基地 (transliterated as Nuclear Power Base) from March 2011 to April 2016. He previously worked for Third Qinshan Co. for more than 12 years starting from November 1998, during which he had held the positions of general manager, party secretary, discipline secretary and labour personnel director. Prior to that, he had served as the deputy director of the Labour Personnel Department of Qinshan Nuclear Co. from June 1997 to November 1998.

Tian Aiping

Mr Tian Aiping, aged 67, has been the independent non-executive Director since 14 July 2015. He is also member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He completed 第一期稽查特派員專業(會計與財務管理)人選培訓班 (transliterated as Inspector Training Programme in Accounting and Financial Management) in Tsinghua University's School of Economics and Management in 1998 and graduated from 包頭鋼鐵學院 (transliterated as Baotou School of Steel and Iron) (currently known as Inner Mongolia University of Science & Technology) in the PRC in 1985. He is also qualified as a senior economist conferred by the Ministry of Metallurgical Industry of the PRC in 1996 and the supervisor of the key State-owned Large Enterprises conferred by the SASAC in 2005. He was the general secretary of the Stainless Steel Council of China Special Steel Enterprises Association. Mr. Tian was previously the vice supervisor and the secretary of Party Branch of the SASAC of the State Council Office No.47. Prior to that, Mr Tian held different positions including assistant to inspectors of 國務院稽查特派員總署第11辦事處 (transliterated as State Council Compliance Inspectors' General Office No. 11) and vice commissioner of the Metallurgical Industry Department of Taiyuan Iron & Steel (Group) Co., Ltd. Mr Tian completed his retirement procedure with SASAC in 2011.

Wang Jimin

Mr Wang Jimin, aged 53, has been the independent non-executive Director since 28 February 2014. He is also member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr Wang joined the Company on 28 February 2014. He obtained a postgraduate certificate in accountancy from Central University of Finance and Economics (中央財經大學) (formerly known as Central Institute of Finance and Banking (中央財政金融學院) in the PRC. He has been a partner of an accountant firm, Asia Pacific (Group) CPAs, in Shenzhen, the PRC, specializing in corporate listings, capital operation and mergers and acquisitions, since 2002. Prior to this, Mr Wang was a manager of Finance and Accounting Division of Guangdong International Trust and Investment Corporation, Shenzhen Branch from May 1996 to October 2002. He was also a project manager and assistant manager in 深圳蛇口信德會計師事務所 (transliterated as Shenzhen Shekou Xinde Certified Public Accountants) from October 1993 to May 1996 and worked with 吉林省信託投資公司 (transliterated as Jilin Province Trust and Investment Company) from December 1991 to October 1993.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Material Related Party Transactions" in note 41 to the consolidated financial statements, no Directors or any controlling shareholders of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or its subsidiaries was a party during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

SHARE CAPITAL

On 29 June 2017, the Company completed a placement of 180,000,000 Shares (the "**Placing Shares**") under the general mandate to certain independent third parties at an issue price of HK$1.01 each. The Placing Shares ranked pari passu in all aspects with the existing ordinary shares of the Company in issue. Save as the aforementioned, the Company did not issue any new shares during the year ended 31 December 2017.

During the year ended 31 December 2017, neither the Company nor its subsidiaries has purchased, sold or redeemed any shares of the Company.

As at 31 December 2017, the total number of issued Shares was 1,313,094,192 of HK$0.01 each (31 December 2016: 1,133,094,192 Shares of HK$0.01 each).

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 122 of this annual report.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, total number of employees of the Group was 274 (2016: 194). During the year ended 31 December 2017, staff costs (including Directors' emoluments) amounted to HK$39,002,000 (2016: HK$34,341,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

PERMITTED INDEMNITY PROVISION

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

AUDITORS

The financial statements for the year ended 31 December 2017 have been audited by BDO Limited. BDO Limited will retire as auditor at the conclusion of the forthcoming annual general meeting and will offer itself for re-appointment.

By Order of the Board
China Nuclear Energy Technology Corporation Limited

Ai Yilun
Chairman and Executive Director

Hong Kong, 16 March 2018

Corporate Governance Report

China Nuclear Energy Technology Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to enhancing the corporate governance and transparency of the Group by applying the principles in the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Exchange**"). The board (the "**Board**") of directors (the "**Directors**") of the Company reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements and to fulfill its commitment to maintain a high standard of corporate governance. To the best knowledge and belief of the Directors, the Company has complied with all applicable code provisions of the CG Code throughout the year ended 31 December 2017, save and except for the deviations from code provision A.6.7.

Code provision A.6.7 of the CG Code stipulates that 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 annual general meeting of the Company held on 19 May 2017 due to their other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct and the Model Code throughout the year ended 31 December 2017.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

THE BOARD

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

Chairman and Chief Executive Officer

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

Board Composition

The Board currently comprises eight Executive Directors and four Independent Non-executive Directors. The members of the Board are set out as below:

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
Mr Zhang Rui *(Chief Executive Officer)*

Independent Non-executive Directors:

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

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

During the year ended 31 December 2017, the Executive Directors and the Independent Non-executive Directors provided the Group with wide range of valuable business experience, knowledge and professionalism. The active participation of the Independent Non-executive Directors in the Board and committee meetings brought independent judgement on issues relating to the Group's strategy, performance and management process, taking into account the interests of the shareholders of the Company (the "**Shareholders**").

Responsibilities of the Board

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

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

All Directors have full and timely access to all relevant information in relation to the Company as well as the advices and services of the Company Secretary, if and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advices for them to discharge their duties and responsibilities, where appropriate at the expenses of the Company.

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

Regular Board meetings in each year are scheduled in advance to facilitate maximum attendance of Directors'. At least 14 days' notice of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). All minutes and/or resolutions are kept by the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

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

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

Independent Non-executive Directors

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

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

Directors Commitments and Continuous Professional Development

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2017. Directors have disclosed to the Company the number and nature of offices held in Hong Kong and overseas listed public companies or organisations.

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

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with code provision A.6.5 of the CG Code during year ended 31 December 2017:

	Corporate governance/ updates on laws, rules and regulations	Accounting/financial/ management or other professional skills
Executive Directors		
Mr Ai Yilun	✓	
Mr Liu Genyu	✓	
Mr Chung Chi Shing	✓	
Ms Jian Qing	✓	
Mr Li Feng	✓	✓
Mr Li Jinying	✓	
Mr Tang Jianhua	✓	
Mr Zhang Rui	✓	
Independent Non-executive Directors		
Mr Chan Ka Ling Edmond	✓	✓
Mr Li Dakuan	✓	
Mr Tian Aiping	✓	
Mr Wang Jimin	✓	✓

Directors and Officers Policy

During the year ended 31 December 2017, appropriate insurance coverage on directors' and officers' liabilities has been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference specifying its authority and duties which is available on the websites of the Exchange and the Company. The Audit Committee consists four Independent Non-executive Directors, namely,

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

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

During the year ended 31 December 2017, the Audit Committee had held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems and internal audit function, scope of work and appointment of external auditors and the other matters in accordance with the Audit Committee's written terms of reference.

The Audit Committee also met the external auditors once without the presence of the Executive Directors during the year.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established with written terms of reference specifying its authority and duties which is available on the website of the Company. The Remuneration Committee comprised six members, amongst which four are Independent Non-executive Directors and two are Executive Director, namely,

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

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

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

During the year ended 31 December 2017, the Remuneration Committee had held one meeting to discuss the remuneration policy and review the remuneration of the Board, and make recommendations to the Board having taken into consideration of the current situation of the economy and the results of the Group.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2017 is set out below:

	Number of Individuals
Nil – HK$1,000,000	3
HK$1,000,000 – HK$1,500,000	1

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

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established with written terms of reference specifying its authority and duties which is available on the website of the Exchange and the Company. The Nomination Committee comprised six members, amongst which four are Independent Non-executive Directors and two are Executive Director, namely,

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

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

With the aim to build up a strong and diverse Board, the Nomination Committee would identify suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be the board members, and would recommend the Board on relevant matters relating to the appointment or reappointment of Directors, if necessary. The primary criteria for the Nomination Committee on selecting a candidate proposed for directorship include assessing his integrity, objectivity and intelligence of the candidate, with reputations for sound judgement and open mind, and a demonstrated capacity for thoughtful group decision making; qualification and career experience; and understanding of the Company and the Group's mission.

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

For the year ended 31 December 2017, the Nomination Committee held one meeting to review the structure and diversity of the Board, the policies applicable to the board composition and nomination, the term of appointment of all Directors, and to assess the independence of Independent Non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors taking into account their experience and qualifications.

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

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

Board Diversity

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

BOARD AND COMMITTEES MEETINGS

During the year ended 31 December 2017, the Company held 23 Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, two Nomination Committee meetings and one general meeting. The individual attendance record of each Director at the Board meetings, Board Committees meetings and general meetings during the financial year is set out below and is presented by reference to the number of meetings held during their tenure:

	Number of meetings attended/held				
Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Shareholder
Mr Ai Yilun	18/23	N/A	2/2	1/1	0/1
Mr Liu Genyu	20/23	N/A	N/A	1/1	0/0
Mr Chung Chi Shing	21/23	N/A	N/A	N/A	1/1
Ms Jian Qing	21/23	N/A	2/2	N/A	1/1
Mr Li Feng	19/23	N/A	N/A	N/A	0/1
Mr Li Jinying	19/23	N/A	N/A	N/A	0/1
Mr Tang Jianhua	18/23	N/A	N/A	N/A	0/0
Mr Zhang Rui*	0/0	N/A	N/A	N/A	0/0
Mr Chan Ka Ling Edmond	19/23	2/2	2/2	1/1	0/1
Mr Li Dakuan	19/23	2/2	2/2	1/1	0/1
Mr Tian Aiping	18/23	2/2	2/2	1/1	1/1
Mr Wang Jimin	19/23	2/2	2/2	1/1	0/1
Mr Bai Xuefei*	22/23	N/A	N/A	N/A	1/1

Note:

* Mr Bai Xuefei resigned as the Executive Director and Co-chief Executive Officer with effect from 17 January 2018. Mr Zhang Rui was appointed as the Executive Director and re-designated as Chief Executive Officer with effect from 17 January 2018.

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

COMPANY SECRETARY

Ms Chu Lai Shan Sammie was appointed as the Company Secretary of the Company on 17 January 2018 in the replacement of Mr Ng Siu Cheung, who had been the company secretary of the Company throughout the year. Both Mr Ng and Ms Chu are full-time employees of CNE Management Company Limited, an indirectly wholly-owned subsidiary of the Company. Pursuant to rule 3.29 of the Listing Rules, Mr Ng and Ms Chu have taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

The Company Secretary is responsible to the Board for ensuring that board procedures are followed and the board is fully briefed on all legislative, regulatory and corporate governance developments and that it has regard to them when making decisions.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain sound and effective risk management and internal control systems of the Company in order to manage rather than eliminate risks of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss. The Group maintains an internal audit function. Audit plans, risk assessments and regular internal audit reports are presented to and reviewed by the Audit Committee, who reports the findings to the Board. For the year ended 31 December 2017, the Board through the Audit Committee had conducted an annual review on the systems of internal control and risk management of the Company. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Company's control environment and processes. In accordance with the requirement of the Listing Rules, the Audit Committee indicated to the Board the needs to implement the internal control of the Group to the newly acquired subsidiaries. The Audit Committee further suggested to engage external service provider to perform ongoing internal control of the newly acquired subsidiaries.

AUDITORS' REMUNERATION

An analysis of the remuneration payable to the independent auditors of the Company, BDO Limited, to perform audit and non-audit services for the year ended 31 December 2017 is as follows:

	2017	2016
	HK$	HK$
Services rendered:		
Audit	**1,830,000**	1,630,000
Non-audit	**200,000**	160,000
	2,030,000	1,790,000

SHAREHOLDERS' RIGHTS TO CONVENE A SPECIAL GENERAL MEETING

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

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

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES AND PROPOSALS TO THE BOARD

To foster regular and contribute two-way communications amongst the Company, its Shareholders and potential investors, the Company Secretary is designated to respond to enquiries and proposals from Shareholders as well as the public. Enquiries and concerns of the Shareholders and other stakeholders can be made in writing to the Company Secretary via the following contact details:

By mail:	Unit 2801, 28/F China Resources Building 26 Harbour Road, Wanchai Hong Kong
By fax:	(852) 39830999
By email:	info@cnetcl.com

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

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

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

For the year ended 31 December 2017, there had been no significant change in the Company's constitutional documents including the Bye-laws.

DIRECTORS' AND INDEPENDENT AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and has ensured that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards.

The statement of the independent auditor of the Company, BDO Limited, about reporting responsibilities on the consolidated financial statements of the Group is set out under the heading "Independent Auditor's Report" in this annual report.

Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

TO THE SHAREHOLDERS OF
CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Nuclear Energy Technology Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 42 to 121, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Revenue Recognition From EPC And Consultancy Segment

Refer to notes 6 and 7 to the consolidated financial statements and the accounting policies on pages 64-65.

Key audit matter	How the matter was addressed in our audit
The Group recognised revenue arising from the Engineering, Procurement and Construction ("**EPC**") and consultancy segment of HK$1,880,031,000 for the year ended 31 December 2017, of which majority of revenue is recognised from sales of goods of HK$1,300,536,000 and construction contract revenue of HK$455,682,000. The revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Where the outcome of a construction contract can be estimated reliably, revenue arising from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Determination of the timing of revenue recognition and stage of completion of the contract activity require significant management judgement. Revenue is also one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could recorded in the incorrect period or be subject to manipulation.	Our procedures in relation to a sample of revenue transactions arising from the sales of goods in EPC and consultancy segment included: • understanding and testing the key controls over the recognition of sales of goods; • checking the terms set out in the contract agreements; and assessing whether significant risks and rewards of ownership of the goods of the revenue recognised have been transferred to the customers by reviewing the relevant documents, including delivery notes and acknowledgement to receipts; • assessing whether specific revenue transactions around the financial year end had been recognised in the appropriate period in accordance with the terms of sales as set out in the contract agreements, by comparing the transactions selected with relevant underlying documentation, including goods delivery notes or confirmations from customers; and • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation. Our procedures in relation to a sample of revenue transactions arising from the construction contract revenue in EPC and consultancy segment included: • understanding and testing the key controls over the recognition of construction contract revenue; • reading signed contract agreements to identify contractual arrangements; • obtaining evidence regarding the stage of completion of contract activity (including, where relevant, completion certificates and progress reports issued by architects appointed by customers and agreed between the Group and customers); • reconciling the amount of contract costs incurred by reference to the stage of completion of contract activity stated in progress reports; and • reconciling the amount of revenue recognised based on the proportion of contract costs incurred.

KEY AUDIT MATTERS (CONTINUED)

Impairment Of Property, Plant And Equipment

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 58-59.

Key audit matter	How the matter was addressed in our audit
The Group has property, plant and equipment of HK\$831,298,000 as at 31 December 2017 relating to buildings, furniture and fixtures, electrical appliances, office equipment, motor vehicles, construction in progress and solar power plants. The majority of the Group's property, plant and equipment is represented by the solar power plants and construction in progress which amounted to HK\$299,330,000 and HK\$505,797,000 respectively. There is a risk that the carrying amount of such property, plant and equipment may be impaired. Management estimates the recoverable amount of property, plant and equipment based on value in use calculations using cash flow projections which require the use of assumptions and estimates, such as operating margins, growth rates and discount rates. Such judgement and estimates will impact the carrying amount of property, plant and equipment.	Our procedures in relation to management's impairment assessment included: • obtaining the value in use calculations of the recoverable amount of property, plant and equipment and assessing the appropriateness of the value in use calculations methodology adopted by management; • assessing the reasonableness of key assumptions and estimates such as operating margins, growth rates and discount rates used by the management in the value in use calculations, by challenging the operating margins and growth rates by comparing the current year actual results with the 2017 figures included in prior year forecast; and • assessing the adequacy of management's sensitivity calculations over the cash generating units.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate No. P06095

Hong Kong, 16 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	7	**1,963,381**	2,041,543
Other income and gains	7	**3,345**	3,035
Cost of sales		**(1,422,320)**	(1,540,652)
Construction costs		**(273,854)**	(309,451)
Staff costs		**(39,002)**	(34,341)
Depreciation		**(17,743)**	(10,813)
Other operating expenses		**(54,450)**	(38,436)
Finance costs	8	**(22,832)**	(25,930)
Gain on deemed disposal of an associate		**—**	2,893
Loss on disposal of a subsidiary	36(b)	**(20)**	—
Share of results of associates, net	22	**11,528**	7,712
Profit before income tax expense	9	**148,033**	95,560
Income tax expense	12	**(27,631)**	(18,570)
Profit for the year from continuing operations		**120,402**	76,990
Discontinued operations			
Profit for the year from discontinued operations	14	**—**	5,549
Profit for the year		**120,402**	82,539
Other comprehensive income for the year, net of tax			
Item that will not be reclassified to profit or loss			
Loss on property revaluation		**—**	(6)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising during the year		**62,592**	(43,365)
Reclassification adjustments relating to foreign operations disposed of during the year		**—**	30
Share of other comprehensive income of associates		**5,150**	(6,033)
		67,742	(49,374)
Total comprehensive income for the year		**188,144**	33,165

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**116,081**	73,022
Profit for the year from discontinued operations		**—**	5,549
Profit for the year attributable to owners of the Company		**116,081**	78,571
Non-controlling interests			
Profit for the year from continuing operations		**4,321**	3,968
Profit for the year attributable to non-controlling interests		**4,321**	3,968
		120,402	82,539
Total comprehensive income attributable to:			
Owners of the Company		**182,473**	30,265
Non-controlling interests		**5,671**	2,900
		188,144	33,165
Earnings per share from continuing and discontinued operations – basic and diluted (HK cents per share)	16	**9.48**	6.93
Earnings per share from continuing operations – basic and diluted (HK cents per share)	16	**9.48**	6.44

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	17	**831,298**	282,330
Prepaid land lease payments	18	**21,039**	2,261
Available-for-sale investments	19	**29,273**	—
Interest in associates	22	**95,781**	82,215
Finance lease receivables	28	**438,945**	101,749
Loan receivable	25	**41,362**	—
Deposits	26	**—**	27,781
		1,457,698	496,336
Current assets			
Inventories	23	**—**	415
Trade and bills receivables	24	**1,605,327**	1,286,161
Loan receivable	25	**6,594**	111,125
Prepayments, deposits and other receivables	26	**305,299**	112,677
Amounts due from customers for contract work	27	**380,473**	104,804
Finance lease receivables	28	**52,372**	12,743
Pledged bank deposits	29	**194,260**	—
Cash and cash equivalents	30a	**320,285**	472,711
		2,864,610	2,100,636
Less: Current liabilities			
Trade and bills payables	31	**2,031,259**	1,317,043
Other payables and accruals	32	**245,120**	66,934
Amounts due to customers for contract work	27	**—**	11,016
Bank and other borrowings	33	**574,039**	280,207
Obligation under finance lease	35	**13,378**	—
Tax payable		**19,651**	10,466
		2,883,447	1,685,666
Net current (liabilities)/assets		**(18,837)**	414,970
Total assets less current liabilities		**1,438,861**	911,306

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Less: Non-current liabilities			
Obligations under finance leases	35	**106,082**	—
Bank and other borrowings	33	**458,066**	402,517
		564,148	402,517
Net assets		**874,713**	508,789
Capital and reserves			
Share capital	37	**131,309**	113,309
Reserves	38	**731,660**	388,114
Equity attributable to owners of the Company		**862,969**	501,423
Non-controlling interests		**11,744**	7,366
Total equity		**874,713**	508,789

On behalf of the directors

Mr. Chung Chi Shing
Director

Mr. Zhang Rui
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Issued share capital HK$'000	Share premium HK$'000	Building revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	113,309	1,366,220	709	(14,638)	2,686	27,267	(1,021,188)	474,365	576	474,941
Profit for the year	—	—	—	—	—	—	78,571	78,571	3,968	82,539
Other comprehensive income for the year:										
Deficit arising from revaluation of buildings	—	—	(6)	—	—	—	—	(6)	—	(6)
Exchange differences on translation of foreign operations										
— Exchange differences arising during the year	—	—	—	(42,297)	—	—	—	(42,297)	(1,068)	(43,365)
— Adjustments relating to deemed disposal of an associate	—	—	—	30	—	—	—	30	—	30
Share of other comprehensive income of associates	—	—	—	(6,033)	—	—	—	(6,033)	—	(6,033)
Total comprehensive income for the year	—	—	(6)	(48,300)	—	—	78,571	30,265	2,900	33,165
Deemed acquisition of interest in non-controlling interest	—	—	—	—	—	—	(3,207)	(3,207)	3,207	—
Additional share capital contributed by non-controlling interest	—	—	—	—	—	—	—	—	683	683
Redemption of convertible bonds	—	—	—	—	—	(27,267)	27,267	—	—	—
Disposal of discontinued operations	—	—	(703)	—	—	—	703	—	—	—
At 31 December 2016 and 1 January 2017	113,309	1,366,220	—	(62,938)	2,686	—	(917,854)	501,423	7,366	508,789
Profit for the year	—	—	—	—	—	—	116,081	116,081	4,321	120,402
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations										
— Exchange differences arising during the year	—	—	—	61,242	—	—	—	61,242	1,350	62,592
Share of other comprehensive income of associates	—	—	—	5,150	—	—	—	5,150	—	5,150
Total comprehensive income for the year	—	—	—	66,392	—	—	116,081	182,473	5,671	188,144
Disposal of a subsidiary	—	—	—	(21)	—	—	21	—	(1,293)	(1,293)
Placing of new shares	18,000	161,073	—	—	—	—	—	179,073	—	179,073
Balance at 31 December 2017	131,309	1,527,293	—	3,433	2,686	—	(801,752)	862,969	11,744	874,713

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax expense from continuing operations		**148,033**	95,560
Profit before income tax expense from discontinued operations		**—**	3,891
		148,033	99,451
Adjustments for:			
Finance costs	8	**22,832**	25,930
Interest income		**(1,530)**	(1,431)
Depreciation	17	**17,743**	14,191
Amortisation of prepaid land lease payments		**1,370**	587
Share of results of associates		**(11,528)**	(7,712)
Loss on written off of property, plant and equipment	9	**1**	454
Gain on deemed disposal of an associate		**—**	(2,893)
Loss/(gain) on disposal of subsidiaries	36	**20**	(21,959)
Operating cash flow before working capital changes		**176,941**	106,618
Decrease in inventories		**415**	50,114
Increase in trade and bills receivables		**(209,792)**	(201,572)
Decrease/(increase) in loan receivable		**69,315**	(111,125)
(Increase)/decrease in prepayments, deposits and other receivables		**(163,769)**	48,411
(Increase)/decrease in amounts due from customers for contract work		**(275,669)**	157,672
Increase in finance lease receivables		**(354,401)**	(114,492)
Increase in trade and bills payables		**588,493**	174,872
Increase/(decrease) in other payables and accruals		**17,854**	(70,867)
(Decrease)/increase in amounts due to customers for contract work		**(11,016)**	11,016
Decrease in receipt in advance		**—**	(520)
Decrease in provision for long service payments		**—**	(172)
Cash (used in)/generated from operations		**(161,629)**	49,955
Profits tax paid		**(19,576)**	(7,335)
Net cash (outflows)/inflows from operating activities		**(181,205)**	42,620

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(405,438)**	(236,630)
Proceeds from disposal of property, plant and equipment		**3**	105
Interest received		**1,530**	1,431
Prepaid land lease payments		**(20,750)**	(2,017)
Net proceeds from disposal of subsidiaries	36	**495**	40,101
Purchase of available-for-sale investments		**(29,273)**	—
Dividend received from an associate	22	**3,111**	4,579
Repayment from immediate controlling shareholder		**—**	15,600
Net cash outflows from investing activities		**(450,322)**	(176,831)
Cash flows from financing activities			
Interest paid		**(22,832)**	(8,922)
Increase in pledged bank deposits		**(194,260)**	—
Redemptions of convertible bonds		**—**	(303,850)
Borrowing from intermediate holding company	32	**115,524**	—
Borrowing from immediate holding company	32	**57,762**	—
Repayment to a fellow subsidiary	32	**(17,329)**	—
Repayment to related companies	32	**—**	(44,471)
Proceeds from issuance of shares	37	**179,073**	—
Proceeds from bank and other borrowings		**964,765**	686,591
Repayment of bank and other borrowings		**(651,581)**	(3,867)
Repayment of obligation under finance lease		**(6,190)**	—
Contribution by non-controlling interest		**—**	683
Net cash inflows from financing activities		**424,932**	326,164
Net (decrease)/increase in cash and cash equivalents		**(206,595)**	191,953
Cash and cash equivalents at the beginning of the year		**472,711**	310,851
Effect of foreign exchange rate changes		**54,169**	(30,093)
Cash and cash equivalents at the end of the year		**320,285**	472,711
Analysis of balances of cash and cash equivalents			
Cash and bank balances	30	**320,285**	472,711

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

1. CORPORATE INFORMATION

China Nuclear Energy Technology Corporation Limited (the "**Company**") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

As at 31 December 2017, the directors consider the immediate and ultimate controlling parties of the Company and its subsidiaries (together the "**Group**") to be China He Investment (Hong Kong) Company Limited which is incorporated in Hong Kong and 中國核工業建設集團公司 (transliterated as "China Nuclear Engineering & Construction Corporation") ("**CNECC**") which is a state-owned enterprise incorporated in the People's Republic of China ("**PRC**") respectively. These entities do not produce financial statements available for public use.

On 31 January 2018, the Company has been informed by CNECC that CNECC received a notice issued by 國務院國有資產監督管理委員會 (transliterated as State-owned Assets Supervision and Administration Commission of the State Council) ("**SASAC**") on 31 January 2018 that the State Council has approved the reorganisation (the "**Reorganisation**") of CNECC and 中國核工業集團有限公司 (transliterated as China National Nuclear Corporation Limited) ("**CNNC**") whereby CNECC will be entirely merged to CNNC at nil consideration and CNECC will no longer perform its contributory duties as a corporate entity towards SASAC.

The Reorganisation at the time does not involve any material asset restructuring of the Company and has no material impact on the normal operation of the Company. Upon completion of the Reorganisation, the ultimate controlling party will be changed to CNNC which will remain under the supervision of SASAC.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 30(b).

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2017 (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

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

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

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

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

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

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

HKFRS 16 – Leases

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

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

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

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

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is described follows.

HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and is expected to have a significant impact upon adoption. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15. Whilst management has performed a detailed assessment of the estimated impacts of this standard, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to the present assessment performed, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. Equity investments currently held as available-for-sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model either on twelve-month basis or lifetime basis, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its financial assets measured at amortised cost. Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company preliminarily assess that the adoption of HKFRS 9 in the future may not result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

The financial statements have been prepared on a going concern basis even though as of 31 December 2017 the Group's current liabilities exceeded its current assets by HK$18,837,000. The management is of the opinion that this basis is appropriate because the substantial shareholder has undertaken to provide continuing financial support, including not to recall the amount due to them until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**") and all amounts are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and basis of consolidation

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

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

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

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

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

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

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

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

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

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

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

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

(d) Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing

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

The Group as lessor

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

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

The Group as lessee

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(i) Financial instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Held-to-maturity investments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets

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

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

(ii) Impairment loss on financial assets

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

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

For Loans and receivables or Held-to-maturity investments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For Available-for-sale financial assets

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

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

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

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

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line or business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or its subsidiary acquired exclusively with a view of resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss and other comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less cost to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(k) Construction contracts

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

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

(m) Cash and cash equivalents

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

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

(n) Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are provided;

(c) from the rental income, on a time proportion basis over the lease term;

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

(e) sales of electricity is recognised based on the units of electricity sold to customers during the year at an agreed tariff rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

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

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

(o) Income taxes

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Pension Scheme

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

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

(iii) Termination benefits

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

(r) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Income taxes

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

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

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

(c) Construction contracts

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

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

(d) Fair value measurement

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

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

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

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

The Group measures the following item at fair value:

- Revalued land and buildings – Property, Plant and Equipment (note 17)

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

6. SEGMENT REPORTING

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

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

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

6. SEGMENT REPORTING (CONTINUED)

Following the completion of disposal of the Target Group as disclosed in note 14, the Group discontinued the reportable segments of restaurant, property and hotel. Thereafter, the directors had determined that the Group has five (2016: seven) reportable segments. The manufacturing and trading business is a new segment in 2017. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- the Engineering, Procurement and Construction ("**EPC**") and consultancy segment comprises the Group's design and consulting services, engineering, procurement and construction operations relating to photovoltaic power plant;
- the solar power generation segment comprises the Group's solar 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 all other segments comprise the Group's corporate management, investment and treasury services;
- the restaurant segment comprises the Group's restaurant operations;
- the property segment comprises the Group's property investments; and
- the hotel segment comprises the Group's hotel operations.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segments' results that are used by the chief operating decision-maker for assessment of segment performance.

Except for the Group's revenue from external customers of approximately HK$1,963,381,000 from continuing operations (2016: HK$2,041,543,000), which is derived from the Group's operations in the PRC, all of the Group's revenue from external customers is derived from the Group's operations in Hong Kong (place of domicile). Except for the interest in associates amounted to approximately HK$95,781,000 as at 31 December 2017 (2016: HK$82,215,000), property, plant and equipment amounted to approximately HK$831,149,000 as at 31 December 2017 (2016: HK$282,074,000) and prepaid land lease payments amounted to approximately HK$21,039,000 as at 31 December 2017 (2016: HK$2,261,000) are located in the PRC, all other non-current assets, other than financial instruments, are located in Hong Kong.

Included in revenue arising from EPC and consultancy services (new energy operations) of approximately HK$389,840,000 and HK$320,966,000 (2016: HK$481,928,000 and HK$440,393,000) arose from the Group's first and second largest customers. For the year ended 31 December 2017, except for the above first and second largest customers, one customer of the Group's EPC and consultancy segment amounted HK$225,391,000 (2016: HK$334,903,000), which represents 10% or more of the Group's revenues.

6. SEGMENT REPORTING (CONTINUED)

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

6. SEGMENT REPORTING (CONTINUED)

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

Included in the unallocated assets, there are interest in associates amounted to approximately HK$95,781,000. Details of the interest in associates were set out in note 22.

6. SEGMENT REPORTING (CONTINUED)

	Continuing Operations					Discontinued Operations				
	EPC and Consultancy HK$'000	Solar Power Generation HK$'000	Financing HK$'000	All other Segments HK$'000	Total HK$'000	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Total HK$'000	Total HK$'000
Year ended 31 December 2016										
Segment revenue:										
Sales to external customers	2,010,939	24,926	5,678	—	2,041,543	154,893	426	18,443	173,762	2,215,305
Intersegment sales	—	—	9,242	—	9,242	10,267	18,768	—	29,035	38,277
Other income and gains	1,690	—	—	—	1,690	3,566	—	1,807	5,373	7,063
Intersegment other income and gains	—	—	—	—	—	—	—	—	—	—
Reportable segment revenue	2,012,629	24,926	14,920	—	2,052,475	168,726	19,194	20,250	208,170	2,260,645
Reconciliation:										
Elimination of intersegment sales					(9,242)				(29,035)	(38,277)
Elimination of intersegment other income and gains					—				—	—
Consolidated revenue					2,043,233				179,135	2,222,368
Segment results	114,976	14,786	(971)	(19,251)	109,540	(14,224)	(435)	(3,495)	(18,154)	91,386
Reconciliation:										
Gain on deemed disposal of an associate					2,893				—	2,893
Interest income					1,345				86	1,431
Finance costs					(25,930)				—	(25,930)
Share of results of associates, net					7,712				—	7,712
Profit/(loss) before taxation					95,560				(18,068)	77,492
Income tax expense					(18,570)				1,658	(16,912)
Profit/(loss) for the year					76,990				(16,410)	60,580

6. SEGMENT REPORTING (CONTINUED)

	Continuing Operations					Discontinued Operations				
	EPC and Consultancy HK$'000	Solar Power Generation HK$'000	Financing HK$'000	All other Segments HK$'000	Total HK$'000	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Total HK$'000	Total HK$'000
At 31 December 2016										
Segment assets	1,493,607	437,504	483,657	99,989	2,514,757	—	—	—	—	2,514,757
Reconciliation:										
Unallocated assets					82,215				—	82,215
Total assets					2,596,972				—	2,596,972
Segment liabilities	1,019,495	281,967	353,334	433,387	2,088,183	—	—	—	—	2,088,183
Reconciliation:										
Unallocated liabilities					—				—	—
Total liabilities					2,088,183				—	2,088,183
Other segment information										
Depreciation	1,029	9,650	77	57	10,813	2,862	328	188	3,378	14,191
Recognition of prepaid land lease payments	—	486	—	—	486	—	101	—	101	587
Additions to property, plant and equipment	4,832	231,050	480	49	236,411	90	—	129	219	236,630
Written off of property, plant and equipment	120	—	45	289	454	—	—	—	—	454

Included in the unallocated assets, there are interest in associates amounted to approximately HK$82,215,000. Details of the interest in associates were set out in note 22.

7. REVENUE, OTHER INCOME AND GAINS

Revenue includes the net invoiced value of goods sold, after allowances for returns and trade discounts, revenue received and receivable from engineering, procurement and construction works, financing operations and solar power generation operations.

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

	2017 HK$'000	2016 HK$'000
Revenue:		
Continuing operations		
Sales of goods	**1,300,536**	1,520,137
Construction contract revenue	**455,682**	482,251
Service income	**137,912**	8,551
Finance lease interest income	**12,938**	4,764
Loan interest income	**4,276**	914
Sale of electricity	**52,037**	24,926
	1,963,381	2,041,543
Discontinued operations		
Receipts from restaurant operations	**—**	154,893
Hotel operations	**—**	18,869
	—	173,762
	1,963,381	2,215,305
Other income and gains:		
Continuing operations		
Bank interest income	**1,530**	1,345
Others	**1,815**	1,690
	3,345	3,035

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Continuing operations		
Imputed interest on convertible bonds	—	17,008
Interest on bank and other borrowings	19,699	8,922
Interest on finance lease	3,133	—
	22,832	25,930

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Continuing operations		
Minimum lease payments under operating leases:		
Land and buildings	7,718	6,588
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	34,746	30,959
Pension scheme contributions	4,256	3,382
Total staff costs	39,002	34,341
Amortisation of prepaid land lease payments*	1,370	486
Written off of property, plant and equipment*	1	454
Auditor's remuneration*	1,830	936

* *Items included in other operating expenses*

10. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	2017 HK$'000	2016 HK$'000
Fees	**600**	601
Other emoluments:		
Salaries, allowances and benefits in kind	**2,705**	3,255
Pension scheme contributions	**45**	50
	3,350	3,906

a. Independent non-executive directors

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

	2017 HK$'000	2016 HK$'000
Mr. Chan Ka Ling, Edmond	**150**	150
Mr. Li Baolin (resigned on 8 April 2016)	**—**	41
Mr. Wang Jimin	**150**	150
Mr. Tian Aiping	**150**	150
Mr. Li Dakuan (appointed on 8 April 2016)	**150**	110
	600	601

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2017 (2016: Nil).

10. DIRECTORS' EMOLUMENTS (CONTINUED)

b. Executive directors

	The Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017				
Executive directors:				
Mr. Ai Yilun *(Chairman)*	—	—	—	—
Ms. Jian Qing	—	840	18	858
Mr. Chung Chi Shing	—	960	18	978
Mr. Tang Jianhua (appointed on 30 June 2017)	—	—	—	—
Mr. Li Jinying	—	—	—	—
Mr. Li Feng	—	—	—	—
Mr. Bai Xuefei *(co-chief executive officer)* (resigned on 17 January 2018)	—	—	—	—
Mr. Wu Yuanchen (resigned on 30 June 2017)	—	—	—	—
Mr. Liu Genyu (appointed on 30 June 2017)	—	905	9	914
	—	2,705	45	2,750

10. DIRECTORS' EMOLUMENTS (CONTINUED)

b. Executive directors (Continued)

	The Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016				
Executive directors:				
Mr. Ai Yilun *(Chairman)* (resigned as executive director and Chairman and appointed as honorary chairman on 13 September 2016, appointed as executive director and re-designated as Chairman on 20 October 2016)	—	—	—	—
Mr. Chan Shu Kit *(vice-chairman)* (resigned on 14 December 2016)	—	1,008	—	1,008
Mr. Gao Yongping (resigned on 8 April 2016)	—	—	—	—
Mr. Fu Zhigang *(chief executive officer)* (resigned on 13 September 2016)	—	567	14	581
Ms. Jian Qing	—	720	18	738
Mr. Chung Chi Shing	—	960	18	978
Mr. Tang Chuanqing (resigned on 19 August 2016)	—	—	—	—
Mr. Tang Jianhua (resigned on 8 April 2016)	—	—	—	—
Mr. Li Jinying (appointed on 8 April 2016)	—	—	—	—
Mr. Li Feng (appointed on 19 August 2016)	—	—	—	—
Mr. Bai Xuefei *(co-chief executive officer)* (appointed on 13 September 2016)	—	—	—	—
Mr. Wu Yuanchen (appointed on 14 December 2016)	—	—	—	—
Ms. Ding Shuying (appointed on 8 April 2016 and resigned on 19 August 2016)	—	—	—	—
Mr. Li Chao *(Chairman)* (appointed on 13 September 2016 and resigned on 20 October 2016)	—	—	—	—
Ms. Liang Rong (appointed on 19 August 2016 and resigned on 14 December 2016)	—	—	—	—
	—	3,255	50	3,305

There was no arrangement under which a director and the chief executive officer waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: Nil).

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

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2016: two) individuals were within the following bands.

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**1**	2
HK$1,000,000 to HK$1,500,000	**1**	—
	2	2

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the five highest paid individuals or directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

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

	2017	2016
	HK$'000	HK$'000
Continuing operations		
Current tax for the year		
Hong Kong	**—**	—
Other than Hong Kong	**27,631**	18,570
Deferred tax (note 34)	**—**	—
Income tax expense	**27,631**	18,570

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of People's Republics of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2016: 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% (2016: 15%) enterprise income tax rate in the period from 2014-2017.

12. TAXATION (CONTINUED)

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

	2017	2016
	HK$'000	HK$'000
Profit from continuing operations before income tax expense	**148,033**	95,560
Tax calculated at the statutory tax rate applicable to profits in the respective countries	**39,018**	37,896
Tax effect of share of profit of associates	**(1,931)**	(783)
Tax effect of differentiated EIT rate	**(18,335)**	(11,207)
Tax effect of expenses not deductible for tax purposes	**12,478**	1,201
Tax effect of revenue not taxable for tax purposes	**(2,602)**	(8,397)
Tax effect of tax losses not recognised	**—**	240
Utilisation of tax losses previously not recognised	**(997)**	(380)
Income tax expense	**27,631**	18,570

13. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2017			2016		
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
	Before-tax amount	**Tax benefits**	**Net-of-tax amount**	Before-tax amount	Tax benefits	Net-of-tax amount
Items that will not be reclassified to profit or loss:						
Loss on revaluation of properties	**—**	**—**	**—**	(7)	1	(6)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	**62,592**	**—**	**62,592**	(43,365)	—	(43,365)
Reclassification adjustments relating to foreign operations disposed of during the year	**—**	**—**	**—**	30	—	30
Share of other comprehensive income of associates	**5,150**	**—**	**5,150**	(6,033)	—	(6,033)
	67,742	**—**	**67,742**	(49,375)	1	(49,374)

14. DISCONTINUED OPERATIONS

On 1 November 2016, the Group entered into a sale and purchase agreement ("**SPA**") pursuant to which the Group has agreed to sell the entire issued share capital of each of the wholly-owned subsidiaries, Hurray Enterprises Limited, Tack Hsin (BVI) Holdings Limited and Tack Hsin International Limited (together the "**Target Group**") and the shareholder's loan owed by the Target Group to the Company, to an executive director and a substantial shareholder interested in approximately 10.08% of the issued share capital of the Company, for a consideration of HK$110 million. The principal activities of the Target Group are restaurant operations, property investment and hotel operations.

The transaction was completed on 28 December 2016. The carrying amounts of assets and liabilities at the date of disposal are disclosed in note 36(a) to the financial statements.

14. DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 January 2016 to 28 December 2016 (date of completion of the disposal) HK$'000
Revenue	173,762
Other income and gains	5,459
Cost of inventories used	(52,381)
Staff cost	(55,138)
Rental expenses	(44,731)
Utility expenses	(10,570)
Depreciation	(3,378)
Other operating expenses	(31,091)
Loss before income tax expense	(18,068)
Income tax credit	1,658
Loss for the period from discontinued operations	(16,410)
Gain on disposal of subsidiaries, net of nil tax (note 36(a))	21,959
Profit attributable to owners of the Company from discontinued operations	5,549
Operating cash flows	(12,882)
Investing cash flows	(76)
Total cash flows	(12,958)

15. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2017 (2016: Nil).

16. EARNINGS PER SHARE

From continuing and discontinued operations

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

Earnings

	2017	2016
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share	**116,081**	78,571

Number of shares

	2017	2016
	'000	'000
Issued Share Capital at 1 January	**1,133,095**	1,133,095
Placing of new shares	**180,000**	—
Issued Share Capital at 31 December	**1,313,095**	1,133,095
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	**1,224,820**	1,133,095

16. EARNINGS PER SHARE (CONTINUED)

From continuing operations

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

Earnings

	2017	2016
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**116,081**	78,571
Less:		
Profit for the year from discontinued operations	**—**	5,549
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**116,081**	73,022

Number of shares

	2017	2016
	'000	'000
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	**1,224,820**	1,133,095

No diluted earnings per share is calculated for the year ended 31 December 2017 as there was no potential diluted ordinary share in existence.

The convertible bonds were redeemed during the year ended 31 December 2016. The diluted earnings per share for the year ended 31 December 2016 are the same as basic earnings per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible bonds on the profit attributable to owner of the Company.

From discontinued operations

For the year ended 31 December 2016, the basic and diluted earnings per share for the discontinued operation were HK$0.49 cent per share based on the profit for the year from discontinued operations of HK$5,549,000 and the denominators detailed above for both basic and diluted earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$('000)	Furniture and fixtures HK$('000)	Air-conditioning plant HK$('000)	Electrical appliances HK$('000)	Office equipment HK$('000)	Motor vehicles HK$('000)	Kitchen utensils, linen & uniforms HK$('000)	Solar power plants HK$('000)	Construction in progress HK$('000)	Total HK$('000)
Cost or valuation:										
At 1 January 2016	3,507	47,538	5,875	13,694	946	4,151	1,225	—	65,898	142,834
Additions	—	53	93	945	114	442	—	—	234,983	236,630
Written off/disposal	—	(1,943)	(136)	(447)	(15)	—	—	—	—	(2,541)
Deficit on revaluation	(41)	—	—	—	—	—	—	—	—	(41)
Transfer	—	—	—	—	—	—	—	169,923	(169,923)	—
Disposal of subsidiaries	(3,466)	(45,147)	(5,832)	(10,194)	(744)	(2,063)	(1,225)	—	—	(68,671)
Exchange alignments	—	(38)	—	(289)	(2)	(175)	—	(8,292)	(5,118)	(13,914)
At 31 December 2016 and 1 January 2017	—	463	—	3,709	299	2,355	—	161,631	125,840	294,297
Additions	21,719	—	—	740	9	151	—	2,156	501,963	526,738
Written off/disposal	—	—	—	(81)	—	—	—	—	—	(81)
Transfer	—	—	—	—	—	—	—	143,986	(143,986)	—
Disposal of subsidiaries	—	—	—	—	(48)	—	—	—	(5,341)	(5,389)
Exchange alignments	821	40	—	321	—	191	—	18,271	27,321	46,965
At 31 December 2017	22,540	503	—	4,689	260	2,697	—	326,044	505,797	862,530
Accumulated depreciation and impairment:										
At 1 January 2016	—	37,450	4,050	10,417	714	2,303	—	—	—	54,934
Charge for the year	69	2,713	452	1,062	73	622	—	9,200	—	14,191
Written off/disposal	—	(1,586)	(111)	(278)	(7)	—	—	—	—	(1,982)
Deficit on revaluation	(35)	—	—	—	—	—	—	—	—	(35)
Disposal of subsidiaries	(34)	(38,287)	(4,391)	(9,348)	(690)	(1,672)	—	—	—	(54,422)
Exchange alignments	—	(20)	—	(180)	—	(84)	—	(435)	—	(719)
At 31 December 2016 and 1 January 2017	—	270	—	1,673	90	1,169	—	8,765	—	11,967
Charge for the year	41	88	—	473	45	461	—	16,635	—	17,743
Written off/disposal	—	—	—	(77)	—	—	—	—	—	(77)
Disposal of subsidiaries	—	—	—	—	(5)	—	—	—	—	(5)
Exchange alignments	2	29	—	150	—	109	—	1,314	—	1,604
At 31 December 2017	43	387	—	2,219	130	1,739	—	26,714	—	31,232
Net book value:										
At 31 December 2017	22,497	116	—	2,470	130	958	—	299,330	505,797	831,298
At 31 December 2016	—	193	—	2,036	209	1,186	—	152,866	125,840	282,330
The balances at end of the reporting period include assets held under finance leases as follows:										
Net book value:										
At 31 December 2017	—	—	—	—	—	—	—	143,616	—	143,616
At 31 December 2016	—	—	—	—	—	—	—	—	—	—

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2017, the Group's buildings were situated in the PRC and were used by the Group.

Fair value measurement

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

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

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

The fair value of the Group's buildings at 31 December 2017 was arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent professional surveyor and property valuer not connected with the Group. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications.

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

	2017 **HK$**
Opening balance (level 3 recurring fair value)	—
Purchases	**22,497**
Closing balance (level 3 recurring fair value)	**22,497**

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

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant unobservable inputs	Range
Premium/(discount) on quality of properties	5% – 10%

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

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had the revalued properties been measured on cost model, their net book value would have been HK$22,497,000 (2016: Nil).

During the year ended 31 December 2017 there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The recurring fair value measurement of the Group's buildings are categorised as Level 3 of fair value hierarchy. There were no transfers into or out of Level 3 during the years ended 31 December 2017 and 2016.

During the year, deficit arising from revaluation of buildings of approximately Nil (2016: HK$6,000) was recognised in the building revaluation reserve.

18. PREPAID LAND LEASE PAYMENTS

	2017 **HK$'000**	2016 HK$'000
Carrying amount at the beginning of the year	**2,747**	7,988
Additions	**20,750**	2,017
Amortised for the year	**(1,370)**	(587)
Disposal of subsidiaries	**—**	(6,493)
Exchange alignments	**949**	(178)
Carrying amount at the end of the year	**23,076**	2,747
Current portion included in prepayments	**(2,037)**	(486)
Non-current portion	**21,039**	2,261

18. PREPAID LAND LEASE PAYMENTS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
PRC		
Medium term leases	**16,950**	1,133
Short term leases	**6,126**	1,614
	23,076	2,747

19. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted equity investments, at cost		
At 1 January	**—**	500
Addition	**29,273**	—
Disposal of subsidiaries (note 36(a))	**—**	(500)
At 31 December	**29,273**	—

As at 31 December 2017, the unlisted equity investments with carrying value of HK$29,273,000 were stated at cost less impairment because the range of reasonable fair value estimates is so significantly wide that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

20. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 HK$'000	2016 HK$'000
Non-current asset			
Investments in subsidiaries	21	**360,114**	463,314
Current assets			
Amount due from subsidiaries		**456,298**	66,234
Other receivables		**1,125**	51,450
Cash and bank balances		**28,797**	14,103
		486,220	131,787
Less: Current liabilities			
Other payables and accruals		**461**	11
Bank borrowing		**347,508**	—
		347,969	11
Net current assets		**138,251**	131,776
Total assets less current liabilities		**498,365**	595,090
Less: Non-current liabilities			
Amounts due to subsidiaries		**3,860**	16,710
Other payables		**59,945**	—
Bank borrowings		**—**	300,000
		63,805	316,710
Net assets		**434,560**	278,380
Capital and reserves			
Share capital		**131,309**	113,309
Reserves	38	**303,251**	165,071
Total equity		**434,560**	278,380

On behalf of the directors

Mr. Chung Chi Shing
Director

Mr. Zhang Rui
Director

21. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2017 are as follows:

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

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

* *Ordinary shares*

Note: All PRC subsidiaries are corporations with limited liability.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

22. INTEREST IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets (including goodwill)	**95,781**	82,215

Details of the material associates are as follows.

Name		Place of incorporation, operation and principal activity	Percentage of equity attributable to the Group
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.)	Note (i)	PRC. Construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipment technology consultancy and technical services.	14.43%
中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited)	Note (ii)	PRC. Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC	47.13%

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

The primary business of CNI Maintenance Co. is undertaking construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipment, technology consultancy and technical services. This is in alignment with the Group's EPC and consultancy segment.

Note (ii): The primary business of Zhong He Qiqihar Solar Power Generation Company Limited is solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC. This is in alignment with the Group's solar power generation segment.

22. INTEREST IN ASSOCIATES (CONTINUED)

Summarised financial information

	China Nuclear Industry Maintenance Co., Ltd		Zhong He Qiqihar Solar Power Generation Company Limited	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
As at 31 December				
Current assets	**444,976**	367,161	**6,351**	6,852
Non-current assets	**142,049**	107,101	**26,019**	25,752
Current liabilities	**(53,883)**	(29,846)	**(19,201)**	(21,056)
Non-current liabilities	**—**	—	**—**	—
Year ended 31 December				
Revenue	**801,005**	590,011	**3,221**	2,761
Profit from continuing operations	**77,651**	49,294	**685**	457
Other comprehensive income	**32,638**	(33,505)	**936**	(1,438)
Total comprehensive income	**110,289**	15,789	**1,621**	(981)
Dividends received from associate	**3,111**	4,579	**—**	—
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associates	**533,142**	444,416	**13,169**	11,548
Group's effective interest	**14.43%**	14.43%	**47.13%**	47.13%
Group's share of net assets of the associates	**76,933**	64,130	**6,206**	5,443
Goodwill	**12,642**	12,642	**—**	—
Carrying amount in the consolidated financial statement	**89,575**	76,772	**6,206**	5,443

23. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	—	415

24. TRADE AND BILLS RECEIVABLES

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

	2017 HK$'000	2016 HK$'000
Trade receivables	**1,337,673**	1,211,479
Bills receivables	**267,654**	74,682
	1,605,327	1,286,161

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

	2017 HK$'000	2016 HK$'000
0 – 90 days	**1,105,070**	958,892
91 – 180 days	**147,455**	28,542
181 – 365 days	**215,799**	127,965
>365 days	**137,003**	170,762
	1,605,327	1,286,161

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**1,216,956**	958,892
0 – 90 days past due	**201,926**	28,542
91 – 180 days past due	**46,712**	127,965
181 – 365 days past due	**139,733**	170,762
	1,605,327	1,286,161

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

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

Included in trade and bills receivables was an amount of approximately HK$32,050,000 (2016: HK$59,243,000) which represents amounts due from fellow subsidiaries and an associate of the Company arising from EPC and consultancy operations.

As at 31 December 2017, retention held by customers for contract work amounted to approximately HK$96,619,000 (2016: Nil). The retention receivables are unsecured, interest-free and recoverable at the end of the retention period of individual contracts, ranging from three to six months from the date of the completion of the respective project.

25. LOAN RECEIVABLE

	2017 **HK$'000**	2016 HK$'000
Loan receivable comprise:		
Within 1 year	**6,594**	111,125
In the second to fifth years, inclusive	**26,975**	—
After 5 years	**14,387**	—
Total loan receivable	**47,956**	111,125
Deduct: Portion classified under current assets	**(6,594)**	(111,125)
Non-current assets	**41,362**	—

25. LOAN RECEIVABLE (CONTINUED)

Loan receivable as at 31 December 2017 represented loan to a third party which was secured, interest bearing at 7% per annum and repayable in 9 years.

Loan receivable as at 31 December 2016 represented loan to an indirect joint venture held by the ultimate holding company which was unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by People's Bank of China ("**PBOC**") multiplied by (1+25%) per annum. The Group did not hold any collateral or other credit enhancements over the loan receivable. The balance was fully repaid during the year.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Prepayments	**148,440**	2,114
Deposits	**84,684**	28,724
Other receivables	**72,175**	109,620
	305,299	140,458
Less: deposits-non-current portion	**—**	(27,781)
	305,299	112,677

As at 31 December 2017, included in other receivables of approximately HK$59,945,000 (RMB$50,000,000) represented the deposit paid for the loan of approximately HK$119,890,000 (RMB100,000,000) borrowed from 中核投資有限公司 (transliterated as China Nuclear Investment Company Limited), an intermediate holding company of the Company.

As at 31 December 2016, an amount of HK$27,781,000 was included in deposits paid for the acquisition of land and property, plant and equipment.

As at December 2016, included in other receivables of HK$50,000,000 represented the consideration receivable from disposal of subsidiaries which was due from a shareholder interested in approximately 6.81% of the issued share capital of the Company (see note 36). The consideration receivable was interest-free, secured by the shares of the Target Group and due on 30 June 2017. The consideration receivable was settled during the year.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Contract cost incurred plus recognised profits	**1,382,025**	876,383
Less: progress billing	**(1,001,552)**	(782,595)
	380,473	93,788
Represented by:		
Due from customers included in current assets	**380,473**	104,804
Due to customers included in current liabilities	**—**	(11,016)
	380,473	93,788

28. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in the PRC. These leases are classified as finance leases and have remaining lease terms ranging from seven to eight years with interest rate ranging from 5.3% to 5.4% (2016: 5.7%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**77,628**	18,659	**52,372**	12,743
In the second to fifth years, inclusive	**322,207**	74,638	**251,855**	58,378
After five years	**200,741**	46,649	**187,090**	43,371
	600,576	139,946	**491,317**	114,492
Less: unearned finance income	**(109,259)**	(25,454)		
Total net finance lease receivables	**491,317**	114,492		

	2017	2016
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	**52,372**	12,743
Non-current assets	**438,945**	101,749
	491,317	114,492

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

29. PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$194,260,000 (2016: Nil) have been pledged to secure general banking facilities and are classified as current assets.

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

Pledged bank deposits denominated in RMB amounted to approximately HK$194,260,000 (2016: Nil) as at 31 December 2017. The RMB is not freely convertible into other currencies.

30. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017 **HK$'000**	2016 HK$'000
Cash and bank balances	**320,285**	472,711

At 31 December 2017, cash and cash equivalents with banks in the PRC amounted to approximately HK$264,462,000 (2016: HK$452,617,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(b) Notes supporting cash flow statement

	2017 **HK$'000**	2016 HK$'000
Significant non-cash transaction is as follows:		
Financing activity		
Assets acquired under finance lease	**121,300**	—

30. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Notes supporting cash flow statement (Continued)

Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings (note 33) HK$'000	Obligation under finance lease (note 35) HK$'000	Amount due to non-controlling interest shareholder (note 32) HK$'000	Amount due to a fellow subsidiary (note 32) HK$'000	Amount due to immediate holding company (note 32) HK$'000	Amount due to intermediate holding company (note 32) HK$'000	Total HK$'000
At 1 January 2017							
Changes from cash flows:							
Proceeds from new bank and other borrowings	964,765	—	—	—	—	—	964,765
Repayment of bank and other borrowings	(651,581)	—	—	—	—	—	(651,581)
Interest expenses on bank and other borrowings	(19,196)	—	—	—	—	(503)	(19,699)
Capital element of obligation under finance lease	—	(6,190)	—	—	—	—	(6,190)
Interest element of obligation under finance lease	—	(3,133)	—	—	—	—	(3,133)
Borrowing from intermediate holding company	—	—	—	—	—	115,524	115,524
Borrowing from immediate holding company	—	—	—	—	57,762	—	57,762
Repayment to a fellow subsidiary	—	—	—	(17,329)	—	—	(17,329)
Total changes	293,988	(9,323)	—	(17,329)	57,762	115,021	440,119
Exchange adjustments:	36,197	4,350	837	660	2,183	4,366	48,593
Other changes:							
New finance leases	—	121,300	—	—	—	—	121,300
As at 31 December 2017	330,185	116,327	837	(16,669)	59,945	119,387	610,012

31. TRADE AND BILLS PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**1,168,954**	1,253,702
Bills payables	**862,305**	63,341
	2,031,259	1,317,043

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

	2017 HK$'000	2016 HK$'000
0 – 90 days	**1,375,190**	655,898
91 – 180 days	**79,407**	105,931
181 – 365 days	**492,028**	382,019
>365 days	**84,634**	173,195
	2,031,259	1,317,043

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

32. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Receipts in advance	**10,691**	1,585
Other payables	**234,418**	65,338
Accruals	**11**	11
	245,120	66,934

As at 31 December 2017, included in other payables of (i) approximately HK11,449,000 (RMB9,550,000) (2016: approximately HK$10,612,000 (RMB9,550,000)) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company, (ii) approximately HK$59,945,000 (RMB50,000,000) (2016: Nil) which represents an unsecured interest bearing loan from immediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum; (iii) approximately HK$119,890,000 (RMB100,000,000) (2016: Nil) which represents an unsecured interest bearing loan from 中核投資有限公司(transliterated as China Nuclear Investment Company Limited), an intermediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum.

As at 31 December 2016, included in other payables of approximately HK$16,669,000 (RMB15,000,000) represents an unsecured interest bearing loan from a fellow subsidiary 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+10%) per annum.

33. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Current		
Short-term bank loans, secured	**217,281**	267,687
Short-term bank loans, unsecured	**60,000**	—
Long-term bank loans, secured, current portion	**26,653**	12,520
Long-term bank loans, unsecured, current portion	**250,000**	—
Other borrowing, secured, current portion	**20,105**	—
	574,039	280,207
Non-current		
Long-term bank loans, secured	**243,187**	402,517
Other borrowing, secured	**214,879**	—
	458,066	402,517
Total bank and other borrowings	**1,032,105**	682,724

(i) Bank and other borrowings are secured by (i) corporate guarantee provided by the subsidiaries and fellow subsidiaries (2016: ultimate holding company and fellow subsidiaries) of the Company; (ii) the Group's bills receivables amounted to HK$Nil (2016: HK$33,337,000); and (iii) finance lease receivables amounted to HK$331,570,000 (2016: HK$114,492,000).

(ii) All bank loans bear interest at floating rates, with effective interest rates ranging from 1.9% to 4.9% (2016: 1.9% to 4.9%) per annum. The carrying amounts of bank borrowings approximate their fair values.

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

	2017 HK$'000	2016 HK$'000
HK$	**310,000**	300,000
RMB	**577,957**	382,724
USD	**106,640**	—
EUR	**37,508**	—
	1,032,105	682,724

33. BANK AND OTHER BORROWINGS (CONTINUED)

At 31 December 2017, the Group had undrawn bank loans facilities of RMB35,000,000 (approximately HK$41,962,000) and EUR5,000,000 (approximately HK$46,885,000) (2016: RMB100,000,000 (approximately HK$111,130,000)).

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

	2017 **HK$'000**	2016 HK$'000
On demand or within one year	**324,039**	280,207
More than one year, but not exceeding two years	**302,686**	13,145
More than two years, but not exceeding five years	**360,015**	343,505
After five years	**45,365**	45,867
	1,032,105	682,724

Further details of the Company's management of liquidity risk are set out in note 42.

34. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	**Decelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 January 2016	3,030	1,136	4,166
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	1,686	(45)	1,641
Disposal of subsidiaries	(4,716)	(1,091)	(5,807)
At 31 December 2016, 1 January 2017 and 31 December 2017	—	—	—

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$77,406,000 (2016: HK$16,400,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

No provision for deferred taxation on temporary differences has been made in view of immaterial effect.

35. OBLIGATION UNDER FINANCE LEASE

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

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease:				
Within one year	**19,012**	—	**13,378**	—
In the second to fifth years, inclusive	**76,472**	—	**61,004**	—
After five years	**48,189**	—	**45,078**	—
	143,673	—	**119,460**	—
Less: future finance charges	**(24,213)**	—		
Total obligation under finance lease	**119,460**	—		

	2017	2016
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current liabilities	**13,378**	—
Non-current liabilities	**106,082**	—
	119,460	—

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

36. DISPOSAL OF SUBSIDIARIES

(a)(i) As referred to note 14, the Group disposed of the Target Group on 28 December 2016.

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

	2016 HK$'000
Net assets disposed of:	
Property, plant and equipment	14,249
Investment property	38,000
Prepaid land lease payments	6,493
Available-for-sale investment	500
Deferred tax assets, net	6,132
Inventories	1,854
Trade receivables	520
Prepayments, deposits and other receivables	18,263
Tax prepayment	244
Cash and cash equivalents	18,983
Trade payables	(4,423)
Other payables and accruals	(9,503)
Provision for long service payments	(3,312)
Receipt in advance	(550)
Deferred tax liabilities, net	(325)
Shareholder's loans	(71,455)
	15,670
Assignment of shareholder's loans	71,455
Direct expenses in relation to the disposal	916
Gain on disposal of subsidiaries included in profit for the year from discontinued operations (note 14)	21,959
Total consideration	110,000
Satisfied by:	
Cash	60,000
Consideration payable	50,000
	110,000

36. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a)(ii) Cash inflow arising from disposal of subsidiaries

	2016
	HK$'000
Cash consideration received	60,000
Bank balance and cash disposal of	(18,983)
Direct expenses paid in relation to the disposal	(916)
	40,101

36. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

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

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

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

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

37. SHARE CAPITAL

Ordinary shares

	2017 Number of shares '000	**2017 Share capital HK$'000**	2016 Number of shares '000	2016 Share capital HK$'000
Issued and fully paid:				
At 1 January	**1,133,095**	**113,309**	1,133,095	113,309
Placing of new shares (Note (a))	**180,000**	**18,000**	—	—
At 31 December	**1,313,095**	**131,309**	1,133,095	113,309

Note:

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

38. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 46 of the consolidated financial statements.

Building revaluation reserve

The building revaluation reserve has been set up and is dealt with in accordance with the accounting policies of "Property, plant and equipment and depreciation" as set out in Note 17.

Exchange reserve

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

38. RESERVES (CONTINUED)

(a) The Group (Continued)

Statutory reserve

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

Equity Component of Convertible Bonds

The reserve represents amount of proceeds on issue of convertible bonds relating to the equity component (i.e. option to convert the debt into share capital).

(b) The Company

	Share Premium Account HK$'000	Contributed Surplus HK$'000	Equity Component of Convertible Bonds HK$'000	Accumulated Losses HK$'000	Total HK$'000
At 1 January 2016	1,366,220	203,630	27,267	(1,245,698)	351,419
Total comprehensive income for the year	—	—	—	(186,348)	(186,348)
Redemption of convertible bonds	—	—	(27,267)	27,267	—
At 31 December 2016 and 1 January 2017	1,366,220	203,630	—	(1,404,779)	165,071
Total comprehensive income for the year	—	—	—	(22,893)	(22,893)
Placing of new shares	161,073	—	—	—	161,073
At 31 December 2017	1,527,293	203,630	—	(1,427,672)	303,251

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

38. RESERVES (CONTINUED)

(b) The Company (Continued)

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

39. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2017 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**7,048**	4,755
In the second to fifth years, inclusive	**4,739**	2,058
	11,787	6,813

In addition to the minimum lease payments described above, the Group has commitments to pay contingent rents based on a proportion of turnover for certain leased restaurant premises. Contingent rents are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

40. CAPITAL COMMITMENT

As at 31 December 2017, the Group had capital commitment as follows:

	2017	2016
	HK$'000	HK'000
Contracted but not provided for:		
– Acquisition of land and property, plant and equipment	**—**	7,778

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

a. Transactions with related parties

	2017 **HK$'000**	2016 HK$'000
Transaction with a shareholder of the Company:		
– Rental expenses paid (note(i))	—	120
Transaction with intermediate holding company		
– Loan interest expense (note (vi))	**503**	—
Transaction with fellow subsidiaries		
– Construction contract revenue incurred (note (ii))	—	32,632
– Sales of goods (note (ii))	—	29,076
– Loan interest expense (note (iv))	—	1,062
Transaction with an associate of the Company		
– Construction contract revenue incurred (note (iii))	—	1,579
– Sales of goods (note (iii))	—	4,175
Transaction with immediate holding company and the ultimate holding company's indirect joint venture		
– Loan interest income (note v)	**4,068**	1,429

Notes:

i. The Group paid rental expenses to a shareholder interested in approximately 6.81% of the issued share capital of the Company for the year ended 31 December 2016. The rentals were determined with reference to open market rentals.

ii. The Group generated revenue of HK$Nil (2016: approximately HK$61,708,000 (RMB52,906,000)) from 新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited), a fellow subsidiary of the Company. The revenue generated from sales of goods and construction contract.

iii. The Group generated revenue of HK$Nil (2016: approximately HK$5,754,000 (RMB4,933,000)) from Zhong He Qiqihar Solar Power Generation Company Limited, an associate of the Company. The revenue generated from sales of goods, supplies of services and construction contract.

iv. In 2015, the Group borrowed from 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Limited) ("**Zhong He New Energy**"), a fellow subsidiary of the Company with the sum of RMB50,000,000 which bearing interest rate at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+10%) per annum. The Company repaid RMB35,000,000 in 2016 and re-negotiated the terms of the loan. The remaining loan balance of RMB15,000,000 was unsecured, non-interest bearing and repayable on demand. The remaining balance was fully repaid during the year.

41. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

a. Transactions with related parties (Continued)

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

vi. In 2017, the Group borrowed from 中核投資有限公司 (transliterated as China Nuclear Investment Company Limited), an intermediate holding company of the Company with the sum of approximately HK$119,690,000 (RMB100,000,000) which is unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by PBOC multiplied by (1+20%) per annum and repayable on demand.

b. Disposal of subsidiaries

On 1 November 2016, the Group entered into SPA pursuant to which the Group had agreed to sell the entire issued share capital of the Target Group and the shareholder's loan owned by the Target Group to the Company, to an executive director and a substantial shareholder of the Group, for a consideration of HK$110,000,000. Details of the transaction were set out in the Company's circular dated 5 December 2016. The transaction was completed on 28 December (note 36 (a)).

c. Compensation of key management personnel of the Group:

	2017 **HK$'000**	2016 HK$'000
Short term employee benefits	**6,223**	8,707
Pension scheme contribution	**84**	134
Total compensation paid to key management personnel	**6,307**	8,841

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets — Loans and receivables		
Trade and bills receivables	**1,605,327**	1,286,161
Loan receivable	**47,956**	111,125
Financial assets included in deposits and other receivables	**122,944**	89,583
Financial lease receivables	**491,317**	114,492
Amounts due from customers for contract work	**380,473**	104,804
Cash and cash equivalents	**320,285**	472,711
Pledged bank deposits	**194,260**	—
	3,162,562	2,178,876
Financial assets — Available-for-sale financial assets		
Available-for-sale investments	**29,273**	—
Financial liabilities — Financial liabilities at amortised cost		
Trade and bills payables	**2,031,259**	1,317,043
Bank and other borrowings	**1,032,105**	682,724
Financial liabilities included in other payables and accruals	**234,429**	65,349
Obligation under finance lease	**119,460**	—
	3,417,253	2,065,116

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies

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

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

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

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

Market risk

(i) Foreign currency risk management

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

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

	2017	2016
	Euro'000	Euro'000
Bank and other borrowings	**4,000**	—

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Market risk (Continued)

(i) Foreign currency risk management (Continued)

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

	2017			2016		
	Increase in foreign exchange rates	Effect on profit for the year and accumulated losses HK$'000	Effect on other components of equity HK$'000	Increase in foreign exchange rates	Effect on profit for the year and accumulated losses HK$'000	Effect on other components of equity HK$'000
Euro	5%	1,876	—	—	—	—

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2016.

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk management

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

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

	Group			
	2017		2016	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Floating rate borrowings				
Bank borrowings	**4.1**	**797,121**	3.5	682,724
Other borrowings	**5.3**	**234,984**	—	—
Obligation under finance lease	**5.2**	**119,460**	—	—
Loan from an intermediate company (note 32)	**5.2**	**119,890**	—	—
Loan from an immediate holding company (note 32)	**5.2**	**59,945**	—	—
Loan from a fellow subsidiary (note 32)	**—**	**—**	4.8	16,669
		1,271,455		699,393
Floating rate loan receivable				
Loan receivable (note 25)	**—**	**—**	5.4	(111,125)
Finance lease receivables (note 28)	**5.3**	**(491,317)**	—	—
		(491,317)		(111,125)
Total net borrowings		**780,138**		588,268

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk management (Continued)

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

At 31 December 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and accumulated losses by approximately HK$3,257,000 (2016: HK$2,334,000).

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

The analysis is performed on the same basis for 2016.

Credit risk

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

In respect of trade and other receivables and amounts due from customers for contract work, management of the Group has delegated teams responsible for determination of monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables and amounts due from customers for contract work at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At the end of reporting period, the Group has a certain concentration of credit risk as Nil% (2016: 15%) and 48% (2016: 56%) of the total trade receivables was due from Group's largest customer and the five largest customers respectively. The Group's concentration risk of credit risk by geographical location is mainly in the PRC, which accounted for 100% (2016: 100%) of the total trade receivables.

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

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

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

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Liquidity risk

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

As indicated in notes 31, 32, 33 and 35, all financial liabilities of the Group were due to be repaid within one year or repayable on demand except for the long term bank and other borrowings of HK$458,066,000 and non-current portion of obligation under finance lease of HK$106,082,000.

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

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

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to less than 2 years HK$'000	2 to less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2017							
Trade and bills payables	**2,031,259**	**—**	**—**	**—**	**—**	**2,031,259**	**2,031,259**
Financial liabilities included in other payables and accruals	**46,830**	**190,948**	**—**	**—**	**—**	**237,778**	**234,429**
Obligation under finance lease	**4,751**	**14,261**	**19,052**	**57,420**	**48,188**	**143,672**	**119,460**
Bank and other borrowings	**21,862**	**344,329**	**328,153**	**380,973**	**48,005**	**1,123,322**	**1,032,105**
	2,104,702	**549,538**	**347,205**	**438,393**	**96,193**	**3,536,031**	**3,417,253**
At 31 December 2016							
Trade and bills payables	1,317,043	—	—	—	—	1,317,043	1,317,043
Financial liabilities included in other payables and accruals	59,436	6,112	—	—	—	65,548	65,349
Bank and other borrowings	6,357	293,232	25,430	357,539	49,306	731,864	682,724
	1,382,836	299,344	25,430	357,539	49,306	2,114,455	2,065,116

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Gearing ratio

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

	2017 **HK$'000**	2016 HK$'000
Debt#	**1,342,849**	710,005
Total equity	**874,713**	508,789
Gearing ratio	**1.54**	1.40

Total debt comprises loans included in other payables and accruals, bank and other borrowings and obligation under finance lease as detailed in notes 32, 33 and 35.

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

42. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 16 March 2018.

Five Year Financial Summary

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

RESULTS

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	**1,963,381**	2,215,305	1,676,330	322,523	556,877
PROFIT/(LOSS) FOR THE YEAR	**120,402**	82,539	9,998	(57,195)	(36,648)
Attributable to:					
Owners of the Company	**116,081**	78,571	3,559	(40,931)	(45,536)
Non-controlling interests	**4,321**	3,968	6,439	(16,264)	8,888
	120,402	82,539	9,998	(57,195)	(36,648)

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Total assets	**4,322,308**	2,596,972	2,105,056	531,810	780,778
Total liabilities	**(3,447,595)**	(2,088,183)	(1,630,115)	(134,336)	(323,636)
Non-controlling interests	**(11,744)**	(7,366)	(576)	10,050	(6,475)
	862,969	501,423	474,365	407,524	450,667