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CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Revenue	966,788	1,037,388	-6.8
Profit before income tax expense	41,012	49,335	-16.9
Profit for the period	32,914	41,081	-19.9
Basic earnings per share <i>(HK cents per share)</i>	2.16	2.94	-26.5
	30 June	31 December	
	2020	2019	Change
	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	%
Total assets	6,190,973	5,686,376	8.9
Net assets	943,689	936,878	0.7

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of China Nuclear Energy Technology Corporation Limited (the “**Company**”, together with our subsidiaries the “**Group**”) is pleased to present the unaudited condensed consolidated financial results for the six months ended 30 June 2020.

BUSINESS REVIEW

For the six months ended 30 June 2020, the overall revenue of the Group decreased 6.8% to HK\$966,788,000 (2019: HK\$1,037,388,000), mainly attributed by the engineering, procurement and construction (the “**EPC**”) and consultancy and general construction segment. Profit before income tax expense decreased 16.9% to HK\$41,012,000 (2019: HK\$49,335,000). Profit for the period decreased 19.9% to HK\$32,914,000 (2019: HK\$41,081,000). The decrease in profit was mainly due to (i) the EPC and consultancy and general construction segment of the Group which imposed certain impact, mainly attributed to the Coronavirus (“**COVID-19**”) pandemic that slowed down the progress of EPC projects and also affected the photovoltaic EPC market development in the first half of 2020. In addition, the launch of grid parity and competitive models have caused to the general decrease in the total costs of photovoltaic projects. This business segment recorded a decrease of net profit of 9.3% as compared with that for the period ended 30 June 2019; (ii) the significant increase in finance costs caused by the increase in average total bank and other borrowings as well as lease liability as compared with the same period in 2019.

EPC and Consultancy and General Construction

During the interim period, EPC and consultancy and general construction segment recorded segment sales to external customers of HK\$762,408,000 (2019: HK\$843,339,000) and segment result of HK\$56,574,000 (2019: HK\$61,494,000), representing a decrease of 9.6% and 8.0% respectively as compared to that of the last interim period. Revenue of the EPC and consultancy and general construction segment was recognised based on stage of completion of the projects. The decline of segment revenue was primarily attributable to COVID-19 pandemic which dragged on projects’ percentage of completion recognized during the period ended 30 June 2020. The grid-parity and competitive bidding system facilitates reduction in overall costs of photovoltaic projects. The Group has effectively coped with the “grid-parity” pressure through project management enhancement and cost control.

In the first half of 2020, 7 new utility model patents were authorized, technology investment planning was completed, and 3 new technology research and development projects were launched. The Group is applying for accreditations of high-tech enterprise and headquarter enterprise in Jiangsu Province. It has exhibited its professional excellence by obtaining 2019 Photovoltaic Brand Lab (“PVBL”) top ten ranking of the most valuable power station EPC brands.

In spite of COVID-19 pandemic and grid-parity pressure, the Group took proactive initiative to respond, overcome challenges, and adopted various measures to ameliorate revenue and implement cost control. The first is to strengthen the market development of photovoltaic EPC and project management. The second is to speed up the construction of the Zhenjiang 60 Megawatt (“MW”) photovoltaic project and it was connected to the grid in June 2020. The third is to complete the Jianchuan, Fengyang, and Yongping projects, and the Luquan project has completed the acceptance and transfer procedure. The fourth is to ensure that the production line of the module plant is running at full capacity, to revitalize the spare plant and land through leases in order to enhance revenue and lower operating expenses.

In 2020, the Group continues to actively diversify its EPC and consultancy and general construction segment to new business portfolios in other renewable energy segments such as wind power and other general EPC segment. The newly acquired construction and engineering company in 2018 which qualified in building and municipal public works, being granted with a number of governmental housing projects and municipal engineering projects by virtue of its numerous building and installation construction qualifications, also contributed significantly to this business segment in the period ended 30 June 2020, with revenue of HK\$310,088,000 (2019: HK\$187,448,000), representing an increase of 65.4% as compared to that of the last interim period.

Manufacturing and Trading

The module plant of the Group in Peixian of Xuzhou recorded segment sales to external customers of HK\$107,131,000 (2019: HK\$94,177,000) and segment loss of HK\$6,714,000 (2019: segment loss of HK\$7,964,000) for the six months ended 30 June 2020. The module plant was principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules. This business segment faced challenges during the period ended 30 June 2020, mainly due to keen market competition which led to decrease in orders.

Power Generation

As at 30 June 2020, the Group owned and operated a total installed capacity of 210.39 MW solar photovoltaic power stations and rooftop distributed solar photovoltaic power facilities in Jiangsu Province, Hebei Province and Yunnan Province, generating electricity income for the Group. For the period ended 30 June 2020, the Group participated in the construction and development of wind power projects in Liangji Town and Weiji Town in Jiangsu Province, the PRC with a total capacity of 145MW. Details of the wind power projects were included in the circular of the Company dated 27 November 2019. The wind power projects were still under construction and development during the period ended 30 June 2020, it is expected to generate revenue for the power generation segment in second half of 2020.

On 21 January 2020, CNI (Nanjing) Energy Development Company Limited (transliterated as 中核(南京)能源發展有限公司) (“**CNI Nanjing**”), an indirect wholly-owned subsidiary of the Company, entered into two sale and purchase agreements, with independent third party vendors to acquire the entire equity interests of 阜陽衡銘太陽能電力有限公司 (transliterated as Fuyang Hengming Solar Power Ltd.) (“**Hengming**”) and 鎮江協鑫新能源有限公司 (transliterated as Zhenjiang GCL New Energy Co., Ltd) (“**Zhenjiang**”). As at 30 June 2020, completion of the aforesaid two acquisitions had taken place and accordingly both Hengming and Zhejiang have become wholly-owned subsidiaries of the Company and they started to contribute to the power generation segment.

With respect to energy storage aspect, through technical exchanges and investigations with energy storage integrators, power plants and other units, the Group has mastered the technical route, cost benefit analysis and policy trends of Automatic General Control assisted frequency modulation in power plants, and carried out energy storage participation in power plant black start, energy storage participation, research on technology and policy of new energy auxiliary peak and frequency modulation. In the first half of year 2020, the Group has completed research on the technical solution for supporting energy storage for the Suining Wind Farm.

This segment recorded segment sales to external customers of HK\$89,293,000 (2019: HK\$86,715,000) and segment result of HK\$38,338,000 (2019: HK\$36,871,000) for the six months ended 30 June 2020. This segment brings in positive impact to the Group, mainly from the contribution of certain photovoltaic power stations acquired and operated during the period. These Group's self-owned photovoltaic power stations have formed certain scale and generated stable revenue. The solar power plants and facilities of the Group are located in China and most of the revenue is contributed by State Grid Corporation of China, which is a state-owned enterprise in China and the default risk is low. Therefore, the Board considered that the credit risk was minimal. On the other hand, the results of the power generation segment were affected by the hours of daylight during the interim period.

Financing

For the six months ended 30 June 2020, the Group's finance leasing business recorded segment sales to external customers of HK\$7,956,000 (2019: HK\$13,157,000) decreased by 39.5% and segment loss of HK\$15,058,000 (2019: loss of HK\$10,218,000) increased by 47.4%. The increase in segment loss was mainly due to the Group received less interest income and handling fee during the period from certain financial leasing projects and the increase in finance costs for the period ended 30 June 2020 as compared with 2019. It is mainly due to the increase in average total bank and other borrowings as well as lease liability as compared with the same period in 2019. During the interim period, the Group had focused on intragroup financial leasing projects.

Taking Precautionary Measures Against COVID-19 to Ensure Production Safety

Since the beginning of 2020, COVID-19 pandemic has swept the world. The Group immediately prepared the "New Coronavirus Pneumonia Prevention and Control Work Plan", "New Coronavirus Pneumonia Emergency Plan", "New Coronavirus Pneumonia Prevention and Control Plan" and other prevention and control guidance documents, as well as implemented various protective measures to resume production and work.

The Group closely focuses on the safety and environmental protection management goals, strictly implements production safety and production responsibility, strengthens the construction of risk management and control mechanisms, enhances management of daily production safety hazards and seasonal safety hazards in spring and summer, and organizes safety production inspections. The "Production Safety Month" campaign has achieved the goal of zero production safety accidents and ensured the smooth operation of the company's production and business activities.

Business Prospect

The Group will strengthen general contracting capacity of wind power, photovoltaic, solar thermal projects in Xuzhou, Zhenjiang, Inner Mongolia Autonomous Region, and continue to develop new EPC projects by focusing on Jiangsu Province as the centre of construction engineering market development. It will closely monitor housing construction projects in Suqian, Huaibei and other places in China, expand market scope and connect with high quality projects to lay a solid foundation for revenue in the second half of the year.

The Group will facilitate investment in new energy development by actively participating in bidding and parity projects in various places, accelerate research and development progress of existing projects and strive to complete project site selection as well as land pre-review opinions in a timely manner. It will continue to identify suitable projects in North China and Northwest China, follow up closely on state subsidy progress of power stations, streamline new energy and wind power project operation and maintenance models to develop external operation business and increase operating income.

The Group plans to adopt differentiated competitive strategy to expand its advantageous growth in emerging industries in the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Port. It will also seize opportunities on clean energy industry to cooperate with high-quality enterprises to achieve balanced and stable development. The Group will utilize capital strength, focus to promote investment-loan linkages and supply chain finance to expedite development of group companies, their upstream and downstream customers, realize closed-loop risk, ameliorate core competitiveness of the factoring business, create new sources of profits and attain synergistic effects with stakeholders.

Being one of the seasoned players of EPC and consultancy in PRC new energy-based power generation industry and in view of the growth potential of the new energy market, the Group has secured and implemented a number of major solar photovoltaic power projects and is searching for other potential wind power projects aiming to expedite its development, enhance its competitiveness and optimise its production in order to cultivate new profits to the Group. The Group will endeavour to enhance its market competitiveness through precise management and risk mitigation efforts. In addition, the Group will proactively explore investment opportunities in other new energy and EPC sectors in the PRC and overseas to achieve positive returns and enable sustainability.

FINANCIAL REVIEW

The Group's revenue decreased 6.8% from HK\$1,037,388,000 for the six months ended 30 June 2019 to HK\$966,788,000 for the six months ended 30 June 2020. The decrease was mainly due to less revenue generated from the EPC and consultancy and general construction segment during the period. Profit attributable to owners of the Company amounted to HK\$28,337,000 (2019: HK\$38,609,000) which represented a decrease of 26.6% when compared to that of the corresponding period in 2019. Basic earnings per share for the period was at HK2.16 cents when compared with HK2.94 cents recorded for the six months ended 30 June 2019.

Financial Results

During the period under review, the Group achieved revenue of HK\$966,788,000 (2019: HK\$1,037,388,000), representing a decline rate of 6.8% as compared to that of the last corresponding period.

Composition of revenue for the six months ended 30 June 2020 and 2019 is shown in the following table:

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)		% Change
	HK\$'000	%	HK\$'000	%	
EPC and consultancy and general construction	762,408	78.9	843,339	81.3	-9.6
Power generation	89,293	9.2	86,715	8.3	3.0
Financing	7,956	0.8	13,157	1.3	-39.5
Manufacturing and trading	107,131	11.1	94,177	9.1	13.8
Total	<u>966,788</u>	<u>100.0</u>	<u>1,037,388</u>	<u>100.0</u>	<u>-6.8</u>

EPC and consultancy and general construction segment remained the major revenue generator of the Group which contributed HK\$762,408,000 (2019: HK\$843,339,000) to the Group's revenue for the period ended 30 June 2020, representing a decrease of 9.6% as compared to that of the last corresponding period. The decrease in revenue was attributable to EPC and consultancy and general construction projects with lower percentage of completion recognised during the period ended 30 June 2020, which stemmed from COVID-19 pandemic.

Benefited from an addition of 47MW self-owned and self-operated solar power facilities connected to the national grid in 2020 and the existing solar power facilities forming certain scale, revenue derived from power generation segment achieved a growth of approximately 3.0% to HK\$89,293,000 (2019: HK\$86,715,000).

Revenue from financing segment recorded a decline of 39.5% to HK\$7,956,000 (2019: HK\$13,157,000) as the Group received less interest income and handling fee during the period from certain financial leasing projects.

Manufacturing and trading segment achieved revenue of HK\$107,131,000 (2019: HK\$94,177,000), contributing to 11.1% (2019: 9.1%) of the Group's overall revenue for the period. This business segment faced challenges during the interim period, mainly due to keen market competition which led to decrease in orders.

Profit for the period ended 30 June 2020 amounted to HK\$32,914,000 (2019: HK\$41,081,000), representing a decrease of approximately 19.9% as compared to that for the period ended 30 June 2019. The decrease in profit was caused by (i) the EPC and consultancy and general construction segment of the Group which imposed certain impact, mainly attributed to the COVID-19 pandemic that slowed down the progress of EPC projects and also affected the photovoltaic EPC market development in the first half of 2020. In addition, the launch of grid parity and competitive models have caused to the general decrease in the total costs of photovoltaic projects. This business segment recorded a decrease of net profit of 9.3% as compared with that for the period ended 30 June 2019; (ii) the significant increase in finance costs caused by the increase in average total bank and other borrowings as well as lease liability as compared with the same period in 2019. The net profit margin of the Group decreased to 3.4% (2019: 4.0%). Net profit margin of the Group varied in different segments depending on its business nature. Profit attributable to owners of the Company for the period ended 30 June 2020 decreased by approximately 26.6% to HK\$28,337,000 (2019: HK\$38,609,000) and basic earnings per share was HK2.16 cents (2019: HK2.94 cents).

Included in other revenue and gains of HK\$13,998,000 (2019: HK\$3,982,000) were mainly interest income and sundry income.

The cost of inventories used and the construction costs for the period under review were HK\$436,813,000 (2019: HK\$641,752,000) and HK\$389,699,000 (2019: HK\$236,475,000) respectively, representing corresponding decrease of 31.9% and increase of 64.8%. Such changes were primarily due to the increase in governmental housing and municipal engineering projects in the EPC general construction segment which led to the increase in construction costs and the decrease in new energy projects in the EPC and consultancy segment which lead to the decrease in cost of inventories used.

The increase in staff costs by 7.4% to HK\$19,974,000 (2019: HK\$18,601,000) was due to hiring more staff to accommodate business needs.

Depreciation of the Group decreased by approximately 15.3% to HK\$42,074,000 for the period ended 30 June 2020 (2019: HK\$49,688,000) as a result of the decrease in depreciation of right-of-use assets.

Other operating expenses increased 9.7% to HK\$26,276,000 (2019: HK\$23,952,000) which included primarily exchange differences, bank charges, professional fees, administrative expenses and research and development fees.

Finance costs for the interim period escalated 30.7% to HK\$38,707,000 (2019: HK\$29,621,000) as compared to that of the last corresponding period. It was mainly due to the increase in average total bank and other borrowings as well as lease liability during the period. Taking into account the capital intensive nature of the energy industry whereby (i) the Group enlarged its investment in possessing and operating power stations and facilities in PRC for power generation income; and (ii) the business practice of the EPC market in PRC that the Group is required to pay upfront expenses for purchasing parts, components and equipment for customers, as a result, the bank and other borrowings secured by the Group increased.

For the period ended 30 June 2020, income tax expense of the Group decreased by 1.9% to HK\$8,098,000 (2019: HK\$8,254,000) which is in line with a decline in revenue.

Financial Position

As at 30 June 2020 total assets of the Group were HK\$6,190,973,000 (31 December 2019: HK\$5,686,376,000), representing an increase of 8.9% as compared to that of 31 December 2019. In particular, current assets increased by 2.4% to HK\$4,307,495,000 (31 December 2019: HK\$4,206,117,000) and non-current assets increased by 27.2% to HK\$1,883,478,000 (31 December 2019: HK\$1,480,259,000). The increase in total assets of the Group was mainly contributed from certain photovoltaic power stations acquired during the period.

Total liabilities at 30 June 2020 were HK\$5,247,284,000 (31 December 2019: HK\$4,749,498,000), an increase by 10.5% as compared to that of the last balance sheet date. In particular, current liabilities at 30 June 2020 were HK\$4,080,846,000 (31 December 2019: HK\$3,962,554,000), an increase of 3.0% as compared to that of 31 December 2019 which was principally due to the increase in bank and other borrowings. Non-current liabilities were HK\$1,166,438,000 (31 December 2019: HK\$786,944,000), an increase of 48.2% as compared to that of 31 December 2019 as a result of the increase in long-term bank and other borrowings.

Total equity attributable to owners of the Company as at 30 June 2020 was HK\$931,177,000 (31 December 2019: HK\$928,762,000), an increase of 0.3% as compared with that of 31 December 2019, primarily resulting from the contribution of the total comprehensive income for the period ended 30 June 2020.

Capital Raising Exercise

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

Liquidity, Financial Resources and Gearing

As at 30 June 2020, net current assets of the Group amounted to HK\$226,649,000 (31 December 2019: HK\$243,563,000). Besides, the Group maintained cash and cash equivalents of HK\$583,026,000 (31 December 2019: HK\$448,553,000), of which approximately 4% was in Hong Kong dollars, 54% was in Renminbi (“**RMB**”), 41% was in United States dollars (“**USD**”) and 1% was in Eurodollars (“**EUR**”) (31 December 2019: approximately 2% was in Hong Kong dollars, 75% was in RMB, 22% was in USD and 1% was in EUR).

As at 30 June 2020, the Group had outstanding bank and other borrowings of HK\$3,350,493,000 (31 December 2019: HK\$2,484,520,000), of which approximately, 20% was in Hong Kong dollars, 74% was in RMB and 6% was in USD (31 December 2019: approximately 18% was in Hong Kong dollars, 72% was in RMB, 8% was in USD and 2% was in EUR). All of the Group’s borrowings as at 30 June 2020 were arranged on floating rate basis with effective interest rates ranged from 3.3% to 6.7% per annum (31 December 2019: ranged from 2.0% to 6.3% per annum). Except for certain bank and other borrowings which were committed loan facilities with specific maturity dates, the Group’s borrowings contained repayment on demand clause at any time at the discretion of the banks. Under the Hong Kong Accounting Standards, the Group separated and classified the bank and other borrowings as current and non-current liabilities in the consolidated statement of financial position as at 30 June 2020 in accordance with the settlement term. Of the total bank and other borrowings as at 30 June 2020, HK\$2,188,405,000 (31 December 2019: HK\$1,699,801,000) was loans repayable within one year and the balance of HK\$1,162,088,000 (31 December 2019: HK\$784,719,000) was repayable in more than one year.

As at 30 June 2020, included in other payables of approximately HK\$98,654,000 (RMB90,000,000) (31 December 2019: approximately HK\$100,575,000 (RMB90,000,000) which represents an unsecured interest bearing borrowings from 中核投資有限公司 (transliterated as China Nuclear Investment Company Limited (“**CNICL**”)), an intermediate holding company of the Company. The interest rate of the loan is at the prevailing benchmark lending interest rate to be promulgated by The People’s Bank of China (“**PBOC**”) multiplied by (1+20%) per annum.

As at 30 June 2020, the Group’s gearing ratio was 3.67 (31 December 2019: 2.77), 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, obligations under finance lease and lease liabilities.

The board of directors (the “**Board**”) of China Nuclear Energy Technology Corporation Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended	
		30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Revenue	4	966,788	1,037,388
Other revenue and gains		13,998	3,982
Cost of inventories used		(436,813)	(641,752)
Construction costs		(389,699)	(236,475)
Staff costs		(19,974)	(18,601)
Depreciation		(42,074)	(49,688)
Other operating expenses	6(b)	(26,276)	(23,952)
Gain on bargain purchases	20	3,531	–
Loss on disposal of financial assets at fair value through profit or loss		(34)	–
Finance costs	5	(38,707)	(29,621)
Share of results of associates, net		10,272	8,054
Profit before income tax expense	6(a)	41,012	49,335
Income tax expense	7	(8,098)	(8,254)
Profit for the period		32,914	41,081
Other comprehensive income for the period, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(24,200)	(3,719)
Share of other comprehensive income of associates		(1,903)	(2,926)
		(26,103)	(6,645)
Total comprehensive income for the period		6,811	34,436

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

For the six months ended 30 June 2020

	<i>Notes</i>	For the six months ended	
		30 June 2020 (Unaudited) <i>HK\$'000</i>	30 June 2019 (Unaudited) <i>HK\$'000</i>
Profit for the period attributable to:			
Owners of the Company		28,337	38,609
Non-controlling interests		4,577	2,472
		<u>32,914</u>	<u>41,081</u>
Total comprehensive income attributable to:			
Owners of the Company		2,415	32,001
Non-controlling interests		4,396	2,435
		<u>6,811</u>	<u>34,436</u>
Earnings per share			
– basic and diluted (HK cents per share)	<i>8</i>	<u>2.16</u>	<u>2.94</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	<i>10</i>	1,438,765	946,290
Right-of-use assets		29,814	28,217
Financial assets at fair value through profit or loss		26,756	28,139
Interest in associates	<i>11</i>	114,083	110,735
Finance lease receivables		245,819	333,930
Loan receivables		28,241	32,948
		<u>1,883,478</u>	<u>1,480,259</u>
Current assets			
Inventories		7,632	4,875
Trade and bills receivables	<i>12</i>	1,563,132	1,591,104
Loan receivables		17,742	15,167
Prepayments, deposits and other receivables		747,416	758,419
Contract assets		810,116	848,636
Finance lease receivables		48,948	57,644
Pledged bank deposits	<i>13</i>	529,483	481,719
Cash and cash equivalents		583,026	448,553
		<u>4,307,495</u>	<u>4,206,117</u>
Less: Current liabilities			
Trade and bills payables	<i>14</i>	1,438,015	1,890,080
Other payables and accruals	<i>15</i>	368,698	309,834
Contract liabilities		72,623	45,384
Bank and other borrowings	<i>16</i>	2,188,405	1,699,801
Lease liabilities		5,224	4,338
Tax payable		7,881	13,117
		<u>4,080,846</u>	<u>3,962,554</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Net current assets		<u>226,649</u>	<u>243,563</u>
Total assets less current liabilities		<u><u>2,110,127</u></u>	<u><u>1,723,822</u></u>
Less: Non-current liabilities			
Bank and other borrowings	<i>16</i>	<u>1,162,088</u>	784,719
Lease liabilities		<u>4,350</u>	<u>2,225</u>
		<u><u>1,166,438</u></u>	<u><u>786,944</u></u>
Net assets		<u><u>943,689</u></u>	<u><u>936,878</u></u>
Capital and reserves			
Share capital	<i>17</i>	<u>131,309</u>	131,309
Reserves		<u>799,868</u>	<u>797,453</u>
Equity attributable to owners of the Company		<u>931,177</u>	928,762
Non-controlling interests		<u>12,512</u>	8,116
Total equity		<u><u>943,689</u></u>	<u><u>936,878</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2020, the Company and its subsidiaries (collectively referred to as the “**Group**”) were engaged in the following principal activities:

- the engineering, procurement and construction (“**EPC**”) and consultancy and general construction segment comprises the Group’s EPC and consulting services operations relating to construction of photovoltaic power plant and general construction services;
- the power generation segment comprises the Group’s power generation operations;
- the financing segment comprises the Group’s financing operations;
- the manufacturing and trading business segment comprises the Group’s manufacturing and trading of solar power related products; and
- the all other segments comprise the Group’s corporate management, investment and treasury services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 (the “**Interim Financial Statements**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The accounting policies applied and the significant judgements made by the management are consistent with those described in the annual financial statements for the year ended 31 December 2019, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2020 as described below.

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the accounting period beginning on 1 January 2020 (and 1 June 2020 for the amendment to HKFRS 16) and therefore relevant to these Interim Financial Statements.

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 7, HKFRS 9 and HKAS 39, Interest Rate Benchmark Reform
- Conceptual Framework for Financial Reporting (revised)
- Amendment to HKFRS 16, COVID-19 Related Rent Concessions

All new or amended HKFRSs that are effective from 1 January 2020 (and 1 June 2020 for the amendment to HKFRS 16) did not have any material impact on the group’s accounting policies. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

3. FINANCIAL INSTRUMENTS

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

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

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

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

There were no transfers between levels for the six months ended 30 June 2020 and 2019.

The directors of the Company consider that except for financial assets at fair value through profit or loss ("FVTPL"), the carrying amounts of financial and non-financial assets and financial liabilities recognised in the Interim Financial Statements approximate to their fair values.

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

	30 June 2020 Level 3 (Unaudited) HK\$'000	31 December 2019 Level 3 (Audited) HK\$'000
Financial assets at FVTPL		
– Unlisted equity investments	<u>26,756</u>	<u>28,139</u>

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

The fair value of unlisted equity investments designated at FVTPL have been estimated by using a marketbased valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation (“**EV/EBITDA**”) multiple, price to earnings (“**P/E**”) multiples and price to book (“**P/B**”) multiple for each comparable company identified. The multiples are calculated by dividing the enterprise value of the comparable company by earnings measure. The trading multiples then discounted for considerations such as illiquidity and size differences between the comparable companies based on the company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair value resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair value (if any), which are recorded in consolidated profit or loss, are reasonable and were the most appropriate value at the end of the reporting period.

4. SEGMENT REPORTING

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

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

The Group has five (six months ended 30 June 2019: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

4. SEGMENT REPORTING

	EPC and consultancy and general construction <i>HK\$'000</i>	Power generation <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Manufacturing and trading <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2020						
(Unaudited)						
Segment revenue:						
Sales to external customers	762,408	89,293	7,956	107,131	–	966,788
Intersegment sales	–	–	29,554	–	–	29,554
Other revenue and gains	3,709	729	1,723	83	563	6,807
	<u>766,117</u>	<u>90,022</u>	<u>39,233</u>	<u>107,214</u>	<u>563</u>	<u>1,003,149</u>
Reportable segment revenue						
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(29,554)</u>
Consolidated revenue						973,595
Segment results	56,574	38,338	(15,058)	(6,714)	(14,381)	58,759
<i>Reconciliation:</i>						
Interest income						7,191
Finance costs						(38,707)
Gain on bargain purchases						3,531
Loss on disposal of financial asset at fair value through profit or loss						(34)
Share of results of associates, net						<u>10,272</u>
Profit before income tax expense						41,012
Income tax expense						<u>(8,098)</u>
Profit for the period						<u><u>32,914</u></u>
	EPC and consultancy and general construction <i>HK\$'000</i>	Power generation <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Manufacturing and trading <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2020 (Unaudited)						
Segment assets	3,124,107	2,192,811	490,994	85,010	183,968	6,076,890
<i>Reconciliation:</i>						
Unallocated assets						<u>114,083</u>
Total assets						<u><u>6,190,973</u></u>
Segment liabilities	2,812,127	579,309	913,769	98,659	843,420	5,247,284
<i>Reconciliation:</i>						
Unallocated liabilities						<u>–</u>
Total liabilities						<u><u>5,247,284</u></u>

	EPC and consultancy and general construction <i>HK\$'000</i>	Power generation <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Manufacturing and trading <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	843,339	86,715	13,157	94,177	–	1,037,388
Intersegment sales	–	–	27,789	–	–	27,789
Other revenue and gains	665	–	–	389	–	1,054
Reportable segment revenue	844,004	86,715	40,946	94,566	–	1,066,231
<i>Reconciliation:</i>						
Elimination of intersegment sales						(27,789)
Consolidated revenue						1,038,442
Segment results	61,494	36,871	(10,218)	(7,964)	(12,209)	67,974
<i>Reconciliation:</i>						
Interest income						2,928
Finance costs						(29,621)
Share of results of associates, net						8,054
Profit before income tax expense						49,335
Income tax expense						(8,254)
Profit for the period						41,081

	EPC and consultancy and general construction <i>HK\$'000</i>	Power generation <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Manufacturing and trading <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2019 (Unaudited)						
Segment assets	2,593,807	1,404,174	756,783	90,070	89,361	4,934,195
<i>Reconciliation:</i>						
Unallocated assets						102,680
Total assets						5,036,875
Segment liabilities	2,455,941	203,261	890,435	12,741	580,736	4,143,114
<i>Reconciliation:</i>						
Unallocated liabilities						–
Total liabilities						4,143,114

5. FINANCE COSTS

	For the six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings	38,503	28,217
Interest on lease liabilities	204	1,404
	<u>38,707</u>	<u>29,621</u>

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	19,373	17,276
Pension scheme contributions	601	1,325
	<u>19,974</u>	<u>18,601</u>
Total staff costs		
	<u>19,974</u>	<u>18,601</u>
Depreciation of property, plant and equipment	37,310	37,475
Depreciation of right-of-use assets	4,764	12,213
	<u>42,074</u>	<u>49,688</u>

(b) Other operating expenses

	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Auditor's remuneration	990	990
Bank charges	5,787	3,652
Legal and professional fee	4,551	3,206
Short-term and low-value lease expenses	63	2,319
Research and development	6,964	5,926
Others*	<u>7,921</u>	<u>7,859</u>
Total	<u><u>26,276</u></u>	<u><u>23,952</u></u>

* Others included business trips, exchange losses, motor vehicle expenses, utilities and sundries, which individually not material to the Group.

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of People's Republics of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (six months ended 30 June 2019: 25%), except for those subsidiaries described below.

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

The Group is in the progress of renewing the registration as "Advanced Technology Enterprise" for the periods from 2020 to 2022. The directors of the Company expect the registration progress will be completed within current year and therefore, the related subsidiaries continued to apply the reduced 15% enterprise income tax rate for the six months ended 30 June 2020.

	For the six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax for the period		
Hong Kong	–	–
Other than Hong Kong	<u>8,098</u>	<u>8,254</u>
Income tax expense	<u><u>8,098</u></u>	<u><u>8,254</u></u>

8. EARNINGS PER SHARE

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

Earnings

	For the six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u><u>28,337</u></u>	<u><u>38,609</u></u>

Number of shares

	For the six months ended	
	30 June 2020 (Unaudited) '000	30 June 2019 (Unaudited) '000
Issued share capital at beginning and at the end of the period	<u>1,313,095</u>	<u>1,313,095</u>
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	<u>1,313,095</u>	<u>1,313,095</u>

9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost approximately HK\$262,916,000 (six months ended 30 June 2019: HK\$6,320,000).

The Group's buildings are measured at fair value.

The fair value of the buildings, which are classified as level 3 of the fair value hierarchy at 30 June 2020 (31 December 2019: level 3 of the fair value hierarchy), was determined by reference to comparable sale transactions as available in the relevant market for similar properties in the same locations and conditions. The fair value of buildings as at 30 June 2020 was HK\$18,908,000 (31 December 2019: HK\$19,623,000).

In estimating the fair value of the relevant properties, the highest and best use of the properties does not differ from their actual use.

There were no transfers into or out of level 3 during the six months ended 30 June 2020 and 2019.

11. INTEREST IN ASSOCIATES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Share of net assets (including goodwill)	<u>114,083</u>	<u>110,735</u>

Details of the material associates as at 30 June 2020 are as follows:

Name		Place of incorporation, operation and principal activity	Percentage of equity attributable to the Group
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd “CNI Maintenance”)	<i>Note (i)</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 equipments, technology consultancy and technical services.	14.43%
中核齊齊哈爾太陽能發電 有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited)	<i>Note (ii)</i>	PRC. Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC.	47.13%

Note (i): According to the articles of CNI Maintenance, the Company has a right to appoint a director who represents the Company in the board of directors' meeting of CNI Maintenance. Although the Group's equity interests in CNI Maintenance is less than 20%, the Group has significant influence over CNI Maintenance.

The primary business of CNI Maintenance 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 and general construction 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 power generation segment.

12. TRADE AND BILLS RECEIVABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	1,123,866	954,357
Bills receivables	456,772	654,253
	1,580,638	1,608,610
Less: Impairment losses	(17,506)	(17,506)
	<u>1,563,132</u>	<u>1,591,104</u>

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0–90 days	376,547	609,832
91–180 days	192,353	235,549
181–365 days	752,395	590,628
Over 1 year	<u>259,343</u>	<u>172,601</u>
	<u>1,580,638</u>	<u>1,608,610</u>

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

13. PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK\$529,483,000 (31 December 2019: HK\$481,719,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carry interest at fixed rates ranging from 0.3% to 3% (31 December 2019: 0.3% to 3%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Pledged bank deposits denominated in Renminbi (“RMB”) amounted to approximately HK\$529,483,000 (31 December 2019: approximately HK\$481,719,000) as at 30 June 2020. Remittance of funds at of the PRC is subject to exchange restriction imposed by the PRC government.

14. TRADE AND BILLS PAYABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0–90 days	491,226	563,027
91–180 days	499,717	451,114
181–365 days	372,589	799,742
Over 1 year	<u>74,483</u>	<u>76,197</u>
	<u>1,438,015</u>	<u>1,890,080</u>

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

15. OTHER PAYABLES AND ACCRUALS

As at 30 June 2020, included in other payables of approximately HK\$98,654,000 (RMB90,000,000) (31 December 2019: approximately HK\$100,575,000 (RMB90,000,000) which represents an unsecured interest bearing borrowings from 中核投资有限公司 (transliterated as China Nuclear Investment Company Limited) (“CNICL”), an intermediate holding company of the Company. The interest rate of the borrowing is at the prevailing benchmark lending interest rate to be promulgated by The People’s Bank of China (the “PBOC”) multiplied by (1+20%) per annum.

16. BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
Current		
Short-term bank borrowings, secured	572,738	169,755
Short-term bank borrowings, unsecured	782,654	636,354
Long-term bank borrowings, secured, current portion	319,094	74,344
Long-term bank borrowings, unsecured, current portion	31,788	5,588
Other borrowings, secured, current portion	385,639	809,905
Other borrowings, unsecured, current portion	96,492	3,855
	<u>2,188,405</u>	<u>1,699,801</u>
Non-current		
Long-term bank borrowings, secured	220,057	628,607
Long term bank borrowings, unsecured	449,874	–
Other borrowings, secured	404,465	130,125
Other borrowings, unsecured	87,692	25,987
	<u>1,162,088</u>	<u>784,719</u>
Total bank and other borrowings	<u><u>3,350,493</u></u>	<u><u>2,484,520</u></u>

- (i) The bank and other borrowings were secured by (i) corporate guarantee provided by subsidiaries of the Company (31 December 2019: subsidiaries of the Company); (ii) finance lease receivables amounted to HK\$181,050,000 (31 December 2019: HK\$238,363,000); (iii) trade receivables amounted to HK\$16,422,000 (31 December 2019: HK\$22,350,000); (iv) pledged bank deposits amounted to HK\$529,483,000 (31 December 2019: HK\$481,719,000); and (v) the share capital of a subsidiary (31 December 2019: the share capital of a subsidiary).
- (ii) All bank and other borrowings bear interest at floating rates, with effective interest rates ranging from 3.3% to 6.7% per annum (31 December 2019: 2.0% to 6.3% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(iii) As at 30 June 2020, included in other borrowings of (i) approximately HK\$323,364,000 (RMB295,000,000) (31 December 2019: approximately HK\$385,538,000 (RMB345,000,000)) which represents secured interest bearing borrowing from 中核建融資租賃股份有限公司 (transliterated as China Nuclear Engineering and Construction Financial Leasing Co., Ltd. (“CNECFL”)), a fellow subsidiary of the Company. The borrowing is secured by certain trade receivables of the Group amounting to HK\$16,442,000 (31 December 2019: HK\$22,350,000), bearing interest at 5.8% per annum (31 December 2019: 5.8% per annum) and repayable on demand and (ii) approximately HK\$27,410,000 (RMB25,006,000) (31 December 2019: approximately HK\$29,842,000 (RMB26,704,000)) which represents a unsecured interest bearing borrowing from CNECFL. The interest rate of the borrowing was 5.8% per annum (31 December 2019: 5.8% per annum) and repayable on 31 May 2021.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
HK\$	684,000	450,000
RMB	2,464,953	1,776,093
United States dollars (“USD”)	201,540	207,127
Euros (“EUR”)	–	51,300
	<u>3,350,493</u>	<u>2,484,520</u>

At 30 June 2020, the Group had undrawn bank borrowings facilities of approximately HK\$76,826,000 (RMB70,087,000) (31 December 2019: approximately HK\$295,950,000 (RMB261,154,000)).

At 30 June 2020, total current and non-current bank and other borrowings were scheduled to repay as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
On demand or within one year	2,188,405	1,699,801
More than one year, but not exceeding two years	427,790	390,487
More than two years, but not exceeding five years	495,056	377,967
After five years	239,242	16,265
	<u>3,350,493</u>	<u>2,484,520</u>

17. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Issued and fully paid:		
As at 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	<u>1,313,095</u>	<u>131,309</u>

18. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2020 and 31 December 2019.

19. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended	
	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Transaction with intermediate holding company		
– Loan interest expense (<i>note (i)</i>)	<u>2,454</u>	<u>1,451</u>
Transaction with a fellow subsidiary		
– Handling fee expense (<i>note (ii)</i>)	–	833
– Loan interest expense (<i>note (ii)</i>)	<u>8,621</u>	<u>–</u>

Notes:

- (i) The Group borrowed from CNICL, with the sum of approximately HK\$98,654,000 (RMB90,000,000) which was unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by the PBOC multiplied by (1+20%) per annum and repayable on demand; and
- (ii) The Group borrowed from CNECFI, with the sum of (i) approximately HK\$323,364,000 (RMB295,000,000) which was secured, interest bearing at 5.8% per annum and repayable on demand; and (ii) approximately HK\$27,410,000 (RMB25,006,000) which was unsecured, interest bearing at 5.8% per annum and repayable on 31 May 2021.

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

	For the six months ended	
	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Short term employee benefits	4,572	2,384
Pension scheme contributions	82	33
Total compensation paid to key management personnel	<u>4,654</u>	<u>2,417</u>

20. ACQUISITION OF SUBSIDIARIES

On 1 January 2020, 21 January 2020 and 21 January 2020, the Group entered into three sale and purchase agreements with independent third party vendors to acquire 90%, 100% and 100% of voting equity interests of Danyang Jinyanguang, Photovoltaic Power Co., Ltd. (丹陽金陽光光伏電力有限公司) (“**Danyang Photovoltaic Power**”), Fuyang Hengming Solar Power Co., Ltd. (阜陽衡銘太陽能電力有限公司) (“**Fuyang Solar Power**”), and Zhenjiang GCL New Energy Co., Ltd. (鎮江協鑫新能源有限公司) (“**Zhenjiang GCL**”) respectively. The principal activities of the above companies are power generation operations of photovoltaic power station. The considerations are approximately HK\$12,140,000 (RMB10,860,000); HK\$38,328,000 (RMB34,966,000); and HK\$46,597,000 (RMB42,510,000) respectively. The acquisitions were made with the aims to acquire high-quality assets for the expansion of the Group’s power generation business. The acquisitions were completed on 17 January 2020, 13 March 2020 and 23 June 2020 respectively.

(a) **Danyang Photovoltaic Power (丹陽金陽光光伏電力有限公司)**

Prior to the acquisition of 90% of equity interests in Danyang Photovoltaic Power, the Group owns 10% of voting equity interests in Danyang Photovoltaic Power and recognized as financial assets at FVTPL with carrying amount of HK\$1,383,000. At the date of acquisition, the Group remeasured the financial assets at FVTPL and recognised loss on disposal of financial assets at FVTPL of HK\$34,000. Upon the completion of the acquisition, the Group owns 100% of voting equity interests in Danyang Photovoltaic Power.

The provision fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

HK\$'000

The fair value of identifiable assets and liabilities as at the date of acquisition were:

Property, plant and equipment	35,453
Trade and bills receivables	769
Prepayment, deposits and other receivables	7,524
Cash and cash equivalents	1,746
Trade and bills payables	(169)
Other payables and accruals	<u>(31,834)</u>
	<u><u>13,489</u></u>

The fair value of consideration transferred:

Cash	12,140
Financial assets at fair value through profit or loss	<u>1,349</u>
	<u><u>13,489</u></u>

Cash outflow arising from acquisition of a subsidiary

Cash consideration paid	(9,413)
Consideration payable	(2,727)
Cash and cash equivalents acquired	<u>1,746</u>
	<u><u>(10,394)</u></u>

Had the business combination taken place on 1 January 2020, revenue and net profit of the Group for the six months ended 30 June 2020 would have been approximately HK\$2,760,000 and HK\$462,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Investee been completed on 1 January 2020 nor are they intended to be a projection of future results.

(b) **Fuyang Solar Power*** (阜陽衡銘太陽能電力有限公司)

The provision fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

HK\$'000

The fair value of identifiable assets and liabilities as at the date of acquisition were:

Property, plant and equipment	131,986
Trade and bills receivables	34,376
Prepayment, deposits and other receivables	8,645
Cash and cash equivalents	800
Trade and bills payables	(384)
Other payables and accruals	(67,104)
Other borrowings	(69,188)
Tax payable	<u>(571)</u>
	38,560

The fair value of consideration transferred:

Cash	<u>(38,328)</u>
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Gain on bargain purchase	<u><u>232</u></u>
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Cash outflow arising from acquisition of a subsidiary

Cash consideration paid	(38,328)
Cash and cash equivalents acquired	<u>800</u>

(37,528)

Had the business combination taken place on 1 January 2020, revenue and net profit of the Group for the six months ended 30 June 2020 would have been approximately HK\$10,106,000 and HK\$4,725,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Investee been completed on 1 January 2020 nor are they intended to be a projection of future results.

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The provision fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

HK\$'000

The fair value of identifiable assets and liabilities as at the date of acquisition were:

Property, plant and equipment	119,589
Trade and bills receivables	25,171
Prepayment, deposits and other receivables	(3,986)
Cash and cash equivalents	5,177
Trade and bills payables	(1,308)
Contract liabilities	(245)
Other payables and accruals	<u>(94,502)</u>
	49,896

The fair value of consideration transferred:

Cash	<u>(46,597)</u>
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Gain on bargain purchase	<u><u>3,299</u></u>
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Cash outflow arising from acquisition of a subsidiary

Consideration payable	(46,597)
Cash and cash equivalents acquired	<u>5,177</u>

(41,420)

Had the business combination taken place on 1 January 2020, revenue and net profit of the Group for the six months ended 30 June 2020 would have been approximately HK\$9,941,000 and HK\$1,773,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition of the Investee been completed on 1 January 2020 nor are they intended to be a projection of future results.

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors of the Company on 20 August 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Company has applied the principles of Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and has complied with all applicable code provisions of the CG Code throughout the six months ended 30 June 2020.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal control. The Audit Committee comprises four members, namely, Mr. Chan Ka Ling Edmond, Mr. Kang Xinquan, Mr. Tian Aiping and Mr. Wang Jimin, all of which are Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and also discussed the financial reporting matters including the review of the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

Model Code for Securities Transactions by the Directors

The Company has adopted its own code of conduct regarding directors’ dealings in the Company’s securities (the “**Code of Conduct**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors confirmed that they complied with the required standard of dealings as set out in the Code of Conduct and Model Code throughout the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

EVENT AFTER THE REPORTING PERIOD

There were no major subsequent event occurred since 30 June 2020 and up to the date of this announcement.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

On behalf of the Board
China Nuclear Energy Technology Corporation Limited
Zhao Yixin
Chairman

Hong Kong, 20 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Yixin (Chairman), Mr. Liu Genyu (Vice Chairman), Mr. Chung Chi Shing, Mr. Fu Zhigang (Chief Executive Officer), Ms. Jian Qing, Mr. Li Jinying, Mr. Tang Jianhua (Chief Operation Officer), Mr. Wu Yuanchen; and the independent non-executive directors of the Company are Mr. Chan Ka Ling Edmond, Mr. Kang Xinquan, Mr. Tian Aiping and Mr. Wang Jimin.