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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

|   | <b>Financial year ended</b> |                  | <b>Change</b> |
|---|-----------------------------|------------------|---------------|
|   | <b>2021</b>                 | <b>2020</b>      |               |
| <b>Year ended 31 December</b>                                       | <b>HK\$'000</b>             | <b>HK\$'000</b>  |               |
| Revenue from continuing operations                                  | <b>2,586,654</b>            | <b>2,104,568</b> | 22.9%         |
| Profit for the year   | <b>105,674</b>              | <b>70,368</b>    | 50.2%         |
| Basic and diluted earnings per share<br><i>(HK cents per share)</i> | <b>6.84</b>                 | <b>4.35</b>      | 57.2%         |
| <b>As at 31 December</b>  | <b>2021</b>                 | <b>2020</b>      | <b>Change</b> |
|   | <b>HK\$'000</b>             | <b>HK\$'000</b>  |               |
| Total assets  | <b>7,983,587</b>            | <b>7,272,572</b> | 9.8%          |
| Net assets  | <b>1,277,657</b>            | <b>1,126,825</b> | 13.4%         |

## 2021 ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Nuclear Energy Technology Corporation Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020. The annual results have been reviewed by the Audit Committee of the Company (the “**Audit Committee**”).

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

|  | <i>Notes</i> | <b>2021</b><br><i>HK\$’000</i> | 2020<br><i>HK\$’000</i><br>(Restated) |
|--|--------------|--------------------------------|---------------------------------------|
| <b>Continuing operations</b>   |              |                                |                                       |
| Revenue  | 4            | <b>2,586,654</b>               | 2,104,568                             |
| Other income and gains   | 4            | <b>21,762</b>                  | 25,153                                |
| Cost of sales  |              | <b>(1,116,710)</b>             | (836,344)                             |
| Construction costs   |              | <b>(963,761)</b>               | (962,849)                             |
| Staff costs  |              | <b>(66,266)</b>                | (48,502)                              |
| Depreciation   |              | <b>(159,236)</b>               | (97,102)                              |
| Other operating expenses   |              | <b>(51,910)</b>                | (45,621)                              |
| Expected credit losses on trade and bills receivables and contract assets          |              | <b>(7,469)</b>                 | (14,126)                              |
| Gain on bargain purchases  |              | –                              | 3,531                                 |
| Loss on disposal of financial asset at fair value through profit or loss (“FVTPL”) |              | –                              | (34)                                  |
| Change in fair value of financial asset at FVTPL                                   |              | <b>1,167</b>                   | –                                     |
| Finance costs  | 5            | <b>(147,491)</b>               | (42,567)                              |
| Share of results of associates, net  |              | <b>27,085</b>                  | 21,996                                |
| Profit before income tax expense   | 6            | <b>123,825</b>                 | 108,103                               |
| Income tax expense   | 7            | <b>(29,021)</b>                | (19,394)                              |
| Profit for the year from continuing operations                                     |              | <b>94,804</b>                  | 88,709                                |
| <b>Discontinued operations</b>   |              |                                |                                       |
| Profit/(loss) for the period/year from discontinued operations                     | 8            | <b>10,870</b>                  | (18,341)                              |
| <b>Profit for the year</b>   |              | <b>105,674</b>                 | 70,368                                |

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

|   | <i>Notes</i> | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i><br>(Restated) |
|---|--------------|--------------------------------|---------------------------------------|
| <b>Other comprehensive income for the year, net of tax</b>                              |              |                                |                                       |
| <i>Items that will not be reclassified to profit or loss</i>                            |              |                                |                                       |
| Gain on revaluation of property, plant and equipment                                    |              | –                              | 16,120                                |
| <i>Items that may be reclassified subsequently to profit or loss</i>                    |              |                                |                                       |
| Exchange differences on translating foreign operations                                  |              | <b>39,219</b>                  | 95,616                                |
| Exchange differences reclassified to profit or loss upon deregistration of a subsidiary |              | <b>(3,747)</b>                 | –                                     |
| Share of other comprehensive income of associates                                       |              | <b>3,779</b>                   | 7,843                                 |
|   |              | <b>39,251</b>                  | 103,459                               |
| Other comprehensive income for the year, net of tax                                     |              | <b>39,251</b>                  | 119,579                               |
| Total comprehensive income for the year   |              | <b>144,925</b>                 | 189,947                               |
| <b>Profit for the year attributable to:</b>   |              |                                |                                       |
| Owners of the Company   |              |                                |                                       |
| Profit for the year from continuing operations  |              | <b>78,914</b>                  | 75,405                                |
| Profit/(loss) for the period/year from discontinued operations                          |              | <b>10,870</b>                  | (18,341)                              |
|   |              | <b>89,784</b>                  | 57,064                                |
| Non-controlling interests   |              |                                |                                       |
| Profit for the year from continuing operations  |              | <b>15,890</b>                  | 13,304                                |
|   |              | <b>105,674</b>                 | 70,368                                |
| <b>Total comprehensive income for the year attributable to:</b>                         |              |                                |                                       |
| Owners of the Company   |              | <b>127,916</b>                 | 178,082                               |
| Non-controlling interests   |              | <b>17,009</b>                  | 11,865                                |
|   |              | <b>144,925</b>                 | 189,947                               |
| Earnings per share from continuing and discontinued operations                          |              |                                |                                       |
| – basic and diluted (HK cents per share)  | <i>10</i>    | <b>6.84</b>                    | 4.35                                  |
| Earnings per share from continuing operations   |              |                                |                                       |
| – basic and diluted (HK cents per share)  | <i>10</i>    | <b>6.01</b>                    | 5.74                                  |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

|   | <i>Notes</i> | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                     |              |                                |                         |
| Property, plant and equipment                 |              | <b>2,298,730</b>               | 2,421,528               |
| Right-of-use assets                           |              | <b>19,856</b>                  | 29,464                  |
| Financial assets at FVTPL                     |              | <b>27,941</b>                  | 26,756                  |
| Interest in associates                        |              | <b>7,593</b>                   | 135,145                 |
| Finance lease receivables                     |              | <b>142,636</b>                 | 239,097                 |
| Loan receivables                              | <i>13</i>    | <b>14,694</b>                  | 18,431                  |
| Prepayment for property, plant and equipment  |              | <b>153,237</b>                 | 117,882                 |
|   |              | <b>2,664,687</b>               | 2,988,303               |
| <b>Current assets</b>                         |              |                                |                         |
| Inventories                                   |              | –                              | 2,987                   |
| Trade and bills receivables                   | <i>12</i>    | <b>2,181,398</b>               | 1,479,696               |
| Loan receivables                              | <i>13</i>    | <b>161,805</b>                 | 101,471                 |
| Prepayments, deposits and other receivables   | <i>14</i>    | <b>785,012</b>                 | 657,362                 |
| Contract assets                               | <i>11(a)</i> | <b>1,025,220</b>               | 1,176,454               |
| Finance lease receivables                     |              | <b>45,975</b>                  | 61,643                  |
| Pledged bank deposits                         |              | <b>229,184</b>                 | 418,183                 |
| Cash and cash equivalents                     |              | <b>741,318</b>                 | 386,473                 |
|   |              | <b>5,169,912</b>               | 4,284,269               |
| Non-current asset classified as held for sale |              | <b>148,988</b>                 | –                       |
|   |              | <b>5,318,900</b>               | 4,284,269               |
| <b>Less: Current liabilities</b>              |              |                                |                         |
| Trade and bills payables                      | <i>15</i>    | <b>2,651,114</b>               | 2,295,124               |
| Other payables and accruals                   | <i>16</i>    | <b>302,487</b>                 | 252,752                 |
| Contract liabilities                          | <i>11(b)</i> | <b>114,801</b>                 | 84,737                  |
| Bank and other borrowings                     |              | <b>1,617,754</b>               | 1,614,823               |
| Lease liabilities                             |              | <b>5,046</b>                   | 5,460                   |
| Tax payable                                   |              | <b>15,158</b>                  | 5,638                   |
|   |              | <b>4,706,360</b>               | 4,258,534               |
| <b>Net current assets</b>                     |              | <b>612,540</b>                 | 25,735                  |
| <b>Total assets less current liabilities</b>  |              | <b>3,277,227</b>               | 3,014,038               |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Less: Non-current liabilities</b>                |                         |                         |
| Bank and other borrowings                           | 1,993,816               | 1,879,738               |
| Lease liabilities                                   | 5,754                   | 1,781                   |
| Deferred tax liabilities                            | –                       | 5,694                   |
|   | <u>1,999,570</u>        | <u>1,887,213</u>        |
| <b>Net assets</b>                                   | <u>1,277,657</u>        | <u>1,126,825</u>        |
| <b>Capital and reserves</b>                         |                         |                         |
| Share capital                                       | 131,309                 | 131,309                 |
| Reserves  | <u>1,103,451</u>        | <u>975,535</u>          |
| <b>Equity attributable to owners of the Company</b> | <u>1,234,760</u>        | 1,106,844               |
| <b>Non-controlling interests</b>                    | <u>42,897</u>           | <u>19,981</u>           |
| <b>Total equity</b>                                 | <u>1,277,657</u>        | <u>1,126,825</u>        |

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

### (c) Functional and presentation currency

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

|   |  |
|---|--|
| Amendments to HKFRS 9, HKAS 39,<br>HKFRS 7 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
|---|--|

None of these amended HKFRSs effective on 1 January 2021 has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that are not yet effective for the current accounting period.

## 3. 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.

### 3. SEGMENT REPORTING (CONTINUED)

Segment revenue, expenses, results, assets and liabilities 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.

The Group has five (2020: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- the EPC and consultancy and general construction segment comprises the Group's EPC and consulting services operations relating to construction of photovoltaic power plants 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
- all other segments comprise the Group's corporate management, investment and treasury services.

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

All of the Group's revenue from external customers is derived from the Group's operations in the PRC. All external customers of the Group are located in the PRC. As at 31 December 2021, except for the interest in associates amounted to HK\$7,593,000 (2020: HK\$135,145,000), property, plant and equipment amounted to HK\$2,298,646,000 (2020: HK\$2,421,445,000) and right-of-use assets amounted to HK\$14,297,000 (2020: HK\$27,290,000) 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 and general construction segment of HK\$528,720,000 and HK\$316,200,000 (2020: HK\$339,718,000 and HK\$241,347,000) arose from the Group's first and second largest customers. For the year ended 31 December 2021, except for the above first and second largest customers, no other customers (2020: one customer of EPC and consultancy and general construction segment) of the Group with revenue represent more than 10% of the Group's revenue.

### 3. SEGMENT REPORTING (CONTINUED)

|  | Continuing operations   |                                     |                              |                                       | Discontinued operations  |   |                          |
|--|---|-------------------------------------|------------------------------|---------------------------------------|--------------------------|---|--------------------------|
|  | EPC and consultancy and general construction<br><i>HK\$'000</i> | Power generation<br><i>HK\$'000</i> | Financing<br><i>HK\$'000</i> | All other segments<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> | Manufacturing and trading business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>Year ended 31 December 2021</b>               |   |                                     |                              |                                       |                          |   |                          |
| Segment revenue:                                 |   |                                     |                              |                                       |                          |   |                          |
| Sales to external customers                      | 2,115,398   | 428,838                             | 42,418                       | –                                     | 2,586,654                | 20,757  | 2,607,411                |
| Intersegment sales                               | –   | –                                   | 32,753                       | –                                     | 32,753                   | –   | 32,753                   |
| Other income and gains                           | 6,608   | 5,182                               | 25                           | 1                                     | 11,816                   | 13,176  | 24,992                   |
| Reportable segment revenue                       | 2,122,006   | 434,020                             | 75,196                       | 1                                     | 2,631,223                | 33,933  | 2,665,156                |
| <i>Reconciliation:</i>                           |   |                                     |                              |                                       |                          |   |                          |
| Elimination of intersegment sales                |   |                                     |                              |                                       | (32,753)                 | –   | (32,753)                 |
| Total segment revenue from external customers    |   |                                     |                              |                                       | <u>2,598,470</u>         | <u>33,933</u>   | <u>2,632,403</u>         |
| <b>Segment results</b>                           | <b>33,186</b>   | <b>206,347</b>                      | <b>14,829</b>                | <b>(21,244)</b>                       | <b>233,118</b>           | <b>5,105</b>  | <b>238,223</b>           |
| <i>Reconciliation:</i>                           |   |                                     |                              |                                       |                          |   |                          |
| Bank interest income                             |   |                                     |                              |                                       | 9,946                    | 6   | 9,952                    |
| Finance costs                                    |   |                                     |                              |                                       | (147,491)                | –   | (147,491)                |
| Change in fair value of financial asset at FVTPL |   |                                     |                              |                                       | 1,167                    | –   | 1,167                    |
| Share of results of associates, net              |   |                                     |                              |                                       | <u>27,085</u>            | <u>–</u>  | <u>27,085</u>            |
| Profit before income tax expense                 |   |                                     |                              |                                       | 123,825                  | 5,111   | 128,936                  |
| Income tax (expense)/credit                      |   |                                     |                              |                                       | <u>(29,021)</u>          | <u>5,759</u>  | <u>(23,262)</u>          |
| Profit for the year                              |   |                                     |                              |                                       | <u>94,804</u>            | <u>10,870</u>   | <u>105,674</u>           |



### 3. SEGMENT REPORTING (CONTINUED)

|  | Continuing operations  |  |                              |  | Discontinued operations     |   |                          |
|--|--|--|------------------------------|--|-----------------------------|---|--------------------------|
|  | EPC and<br>consultancy<br>and general<br>construction<br><i>HK\$'000</i> | Power<br>generation<br><i>HK\$'000</i> | Financing<br><i>HK\$'000</i> | All other<br>segments<br><i>HK\$'000</i> | Subtotal<br><i>HK\$'000</i> | Manufacturing<br>and trading<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>Year ended 31 December 2020</b>               |  |  |                              |  |                             |   |                          |
| Segment revenue:                                 |  |  |                              |  |                             |   |                          |
| Sales to external customers                      | 1,867,569  | 212,033                                | 24,966                       | –  | 2,104,568                   | 66,626  | 2,171,194                |
| Intersegment sales                               | –  | –                                      | 56,574                       | –  | 56,574                      | –   | 56,574                   |
| Other income and gains                           | –  | 1,380                                  | –                            | 6,808                                    | 8,188                       | 113   | 8,301                    |
| Reportable segment revenue                       | 1,867,569  | 213,413                                | 81,540                       | 6,808                                    | 2,169,330                   | 66,739  | 2,236,069                |
| <i>Reconciliation:</i>                           |  |  |                              |  |                             |   |                          |
| Elimination of intersegment sales                |  |  |                              |  | (56,574)                    | –   | (56,574)                 |
| Total segment revenue from<br>external customers |  |  |                              |  | <u>2,112,756</u>            | <u>66,739</u>   | <u>2,179,495</u>         |
| <b>Segment results</b>                           | 70,283   | 85,091                                 | (30,611)                     | (16,551)                                 | 108,212                     | (18,267)  | 89,945                   |
| <i>Reconciliation:</i>                           |  |  |                              |  |                             |   |                          |
| Bank interest income                             |  |  |                              |  | 16,965                      | 9   | 16,974                   |
| Finance costs                                    |  |  |                              |  | (42,567)                    | (34)  | (42,601)                 |
| Gain on bargain purchases                        |  |  |                              |  | 3,531                       | –   | 3,531                    |
| Loss on disposal of financial<br>asset at FVTPL  |  |  |                              |  | (34)                        | –   | (34)                     |
| Share of results of associates, net              |  |  |                              |  | <u>21,996</u>               | <u>–</u>  | <u>21,996</u>            |
| Profit/(loss) before income tax<br>expense       |  |  |                              |  | 108,103                     | (18,292)  | 89,811                   |
| Income tax expense                               |  |  |                              |  | <u>(19,394)</u>             | <u>(49)</u>   | <u>(19,443)</u>          |
| Profit/(loss) for the year                       |  |  |                              |  | <u>88,709</u>               | <u>(18,341)</u>   | <u>70,368</u>            |

### 3. SEGMENT REPORTING (CONTINUED)

|   | Continuing operations                                    |                              |                       |                                | Discontinued operations |  |                   |
|---|--|------------------------------|-----------------------|--------------------------------|-------------------------|--|-------------------|
|   | EPC and consultancy and general construction<br>HK\$'000 | Power generation<br>HK\$'000 | Financing<br>HK\$'000 | All other segments<br>HK\$'000 | Total<br>HK\$'000       | Manufacturing and trading business<br>HK\$'000 | Total<br>HK\$'000 |
| <b>At 31 December 2021</b>                    |  |                              |                       |                                |                         |  |                   |
| Segment assets                                | 4,139,119  | 3,193,272                    | 453,495               | 41,120                         | 7,827,006               | -  | 7,827,006         |
| <i>Reconciliation:</i>                        |  |                              |                       |                                |                         |  |                   |
| Unallocated assets                            |  |                              |                       |                                | 156,581                 | -  | 156,581           |
| Total assets                                  |  |                              |                       |                                | <u>7,983,587</u>        | <u>-</u>                                       | <u>7,983,587</u>  |
| Segment liabilities                           | 3,699,955  | 1,678,765                    | 817,216               | 509,994                        | 6,705,930               | -  | 6,705,930         |
| <i>Reconciliation:</i>                        |  |                              |                       |                                |                         |  |                   |
| Unallocated liabilities                       |  |                              |                       |                                | -                       | -  | -                 |
| Total liabilities                             |  |                              |                       |                                | <u>6,705,930</u>        | <u>-</u>                                       | <u>6,705,930</u>  |
| <b>Other segment information</b>              |  |                              |                       |                                |                         |  |                   |
| Expected credit losses                        | 6,562  | 907                          | -                     | -                              | 7,469                   | -  | 7,469             |
| Depreciation of property, plant and equipment | 753  | 146,648                      | 94                    | 32                             | 147,527                 | 4,741  | 152,268           |
| Depreciation of right-of-use assets           | 4,547  | 3,846                        | 569                   | 2,747                          | 11,709                  | 341  | 12,050            |
| Additions to property, plant and equipment    | 1,161  | 48,387                       | 28                    | 33                             | 49,609                  | -  | 49,609            |

Included in the unallocated assets, there are interest in associates, including those classified as held for sales amounting to HK\$148,988,000.

### 3. SEGMENT REPORTING (CONTINUED)

|  | Continuing operations   |                                 |                       |                                   | Discontinued operations |  | Total<br>HK\$'000 |
|--|---|---------------------------------|-----------------------|-----------------------------------|-------------------------|--|-------------------|
|  | EPC and<br>consultancy<br>and general<br>construction<br>HK\$'000 | Power<br>generation<br>HK\$'000 | Financing<br>HK\$'000 | All other<br>segments<br>HK\$'000 | Subtotal<br>HK\$'000    | Manufacturing<br>and trading<br>business<br>HK\$'000 |                   |
| <b>At 31 December 2020</b>                       |   |                                 |                       |                                   |                         |  |                   |
| <b>Segment assets</b>                            | 3,233,317   | 3,166,852                       | 577,990               | 55,031                            | 7,033,190               | 104,237  | 7,137,427         |
| <i>Reconciliation:</i>                           |   |                                 |                       |                                   |                         |  |                   |
| Unallocated assets                               |   |                                 |                       |                                   | 135,145                 | –  | 135,145           |
| Total assets                                     |   |                                 |                       |                                   | <u>7,168,335</u>        | <u>104,237</u>                                       | <u>7,272,572</u>  |
| <b>Segment liabilities</b>                       | 2,712,642   | 1,862,192                       | 934,530               | 625,983                           | 6,135,347               | 10,400   | 6,145,747         |
| <i>Reconciliation:</i>                           |   |                                 |                       |                                   |                         |  |                   |
| Unallocated liabilities                          |   |                                 |                       |                                   | –                       | –  | –                 |
| Total liabilities                                |   |                                 |                       |                                   | <u>6,135,347</u>        | <u>10,400</u>  | <u>6,145,747</u>  |
| <b>Other segment information</b>                 |   |                                 |                       |                                   |                         |  |                   |
| Expected credit losses                           | 13,507  | 619                             | –                     | –                                 | 14,126                  | –  | 14,126            |
| Depreciation of property, plant and<br>equipment | 645   | 87,107                          | 109                   | 63                                | 87,924                  | 5,191  | 93,115            |
| Depreciation of right-of-use assets              | 3,848   | 2,558                           | –                     | 2,772                             | 9,178                   | 371  | 9,549             |
| Additions to property, plant and<br>equipment    | <u>439</u>  | <u>1,106,086</u>                | <u>8</u>              | <u>24</u>                         | <u>1,106,557</u>        | <u>3,303</u>   | <u>1,109,860</u>  |

Included in the unallocated assets, there are interest in associates amounting to HK\$135,145,000.

#### 4. REVENUE, OTHER INCOME AND GAINS

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

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Revenue:</b>                           |                         |                         |
| <b>Continuing operations</b>              |                         |                         |
| Construction of photovoltaic power plants |                         |                         |
| – Material and equipment                  | 948,057                 | 732,065                 |
| – Construction works                      | 350,148                 | 448,802                 |
| General construction                      |                         |                         |
| – Construction contract revenue           | 814,126                 | 685,638                 |
| Design service income                     | 560                     | 1,064                   |
| Finance lease interest income             | 19,730                  | 12,635                  |
| Loan interest income                      | 16,242                  | 4,087                   |
| Handling fee income                       | 10,517                  | 8,244                   |
| Sales of electricity                      | 427,274                 | 212,033                 |
|   | <u>2,586,654</u>        | <u>2,104,568</u>        |
| <b>Discontinued operations</b>            |                         |                         |
| Sales of goods                            | 20,757                  | 66,626                  |
|   | <u>2,607,411</u>        | <u>2,171,194</u>        |
| <b>Timing of revenue recognition</b>      |                         |                         |
| At a point in time                        | 968,814                 | 798,691                 |
| Over time                                 | 1,638,597               | 1,372,503               |
|   | <u>2,607,411</u>        | <u>2,171,194</u>        |
| <b>Other income and gains:</b>            |                         |                         |
| <b>Continuing operations</b>              |                         |                         |
| Bank interest income                      | 9,946                   | 16,965                  |
| Others*                                   | 11,816                  | 8,188                   |
|   | <u>21,762</u>           | <u>25,153</u>           |
| <b>Discontinued operations</b>            |                         |                         |
| Bank interest income                      | 6                       | 9                       |
| Others*                                   | 9,429                   | 113                     |
|   | <u>9,435</u>            | <u>122</u>              |
|   | <u>31,197</u>           | <u>25,275</u>           |

Included in others was gain on disposal of property, plant and equipment of HK\$11,836,000 (2020: HK\$Nil) for the year ended 31 December 2021.

## 5. FINANCE COSTS

|  | <b>2021</b>            | 2020            |
|--|------------------------|-----------------|
|  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| <b>Continuing operations</b>                           |                        |                 |
| Interest on bank and other borrowings                  | <b>152,224</b>         | 70,599          |
| Interest on lease liabilities                          | <b>498</b>             | 482             |
|  | <hr/>                  | <hr/>           |
| Total finance costs                                    | <b>152,722</b>         | 71,081          |
| Less: amount capitalised in cost of qualifying assets* | <b>(5,231)</b>         | (28,514)        |
|  | <hr/>                  | <hr/>           |
|  | <b>147,491</b>         | 42,567          |
|  | <hr/>                  | <hr/>           |
| <b>Discontinued operations</b>                         |                        |                 |
| Interest on bank borrowings                            | –                      | 34              |
|  | <hr/>                  | <hr/>           |
|  | <b>147,491</b>         | 42,601          |
|  | <hr/>                  | <hr/>           |

\* The borrowing costs have been capitalised at a rate of 3.91% (2020: 2.63%) per annum.

## 6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Continuing operations</b>   |                         |                         |
| Cost of sales:   |                         |                         |
| Construction of photovoltaic power plants                              |                         |                         |
| – Material and equipment   | <b>939,590</b>          | 695,793                 |
| – Sub-contract costs for design and consultancy services               | <b>88,738</b>           | 30,356                  |
| Other costs <sup>#</sup>   | <b>88,382</b>           | 110,195                 |
|  | <u>1,116,710</u>        | <u>836,344</u>          |
| Total cost of sales  |                         |                         |
|  | <b>1,116,710</b>        | 836,344                 |
| Staff costs (including directors' and chief executive's remuneration): |                         |                         |
| Wages, salaries and bonuses  | <b>56,513</b>           | 43,523                  |
| Pension scheme contributions   | <b>9,753</b>            | 4,979                   |
|  | <u>66,266</u>           | <u>48,502</u>           |
| Total staff costs  |                         |                         |
|  | <b>66,266</b>           | 48,502                  |
| Depreciation of property, plant and equipment                          | <b>147,527</b>          | 87,924                  |
| Depreciation of right-of-use assets                                    | <b>11,709</b>           | 9,178                   |
|  | <u>159,236</u>          | <u>97,102</u>           |
| Other operating expenses:  |                         |                         |
| Auditor's remuneration   | <b>2,110</b>            | 1,980                   |
| Bank charges   | <b>9,818</b>            | 10,302                  |
| Legal and professional fee   | <b>7,998</b>            | 9,839                   |
| Short-term and low-value lease expense                                 | <b>875</b>              | 2,634                   |
| Research and development expense                                       | <b>15,153</b>           | 12,282                  |
| Others*  | <b>15,956</b>           | 8,584                   |
|  | <u>51,910</u>           | <u>45,621</u>           |

<sup>#</sup> Other costs included maintenance costs for the power plants and finance costs under financing segment.

<sup>\*</sup> Others included business trips, exchange losses, motor vehicles expenses, utilities and sundries, which individually not material to the Group.

## 7. INCOME TAX EXPENSE

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

|                              | <b>2021</b>          | 2020            |
|------------------------------|----------------------|-----------------|
|                              | <i>HK\$'000</i>      | <i>HK\$'000</i> |
| <b>Continuing operations</b> |                      |                 |
| Current tax for the year     |                      |                 |
| Hong Kong                    | –                    | –               |
| Other than Hong Kong         | <u>29,021</u>        | <u>19,394</u>   |
| Income tax expense           | <u><b>29,021</b></u> | <u>19,394</u>   |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2020: 25%), except for those subsidiaries described below.

Certain subsidiaries operating in the PRC were accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate in the period during 2020-2022.

## 8. DISCONTINUED OPERATIONS

On 29 December 2021, a subsidiary, 徐州核潤光能有限公司, was deregistered by the Group. Prior to the deregistration, the subsidiary's principal activities were manufacturing and trading of solar power related products. Upon the completion of deregistration, the Group has discontinued its operations in manufacturing and trading business segment.

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:

|  | <b>1 January<br/>2021 to<br/>29 December<br/>2021 (date of<br/>completion of<br/>the disposal)<br/>HK\$'000</b> | 1 January<br>2020 to<br>31 December<br>2020<br>HK\$'000 |
|--|---|---|
| Revenue  | <b>20,757</b>   | 66,626  |
| Other income and gains   | <b>9,435</b>  | 122   |
| Cost of inventories used   | <b>(22,613)</b>   | (77,127)  |
| Staff cost   | <b>(255)</b>  | (1,309)   |
| Depreciation   | <b>(5,082)</b>  | (5,562)   |
| Other operating expenses   | <b>(878)</b>  | (1,008)   |
| Finance costs  | <b>–</b>  | (34)  |
| Profit/(loss) before income tax expense  | <b>1,364</b>  | (18,292)  |
| Income tax credit/(expense)  | <b>5,759</b>  | (49)  |
| Profit/(loss) for the period/year from discontinued operations   | <b>7,123</b>  | (18,341)  |
| Gain on deregistration of a subsidiary, net of nil tax<br>– Exchange differences reclassified to profit or<br>loss upon deregistration | <b>3,747</b>  | –   |
| Profit/(loss) for the period/year from discontinued operations,<br>attributable to owners of the Company                               | <b>10,870</b>   | (18,341)  |
| Operating cash flows   | <b>(3,938)</b>  | 8,804   |
| Investing cash flows   | <b>6</b>  | (3,291)   |
| Financing cash flows   | <b>–</b>  | 156   |
| Total cash flows   | <b>(3,932)</b>  | 5,669   |

For the purpose of presenting the above discontinued operations, the comparative figures in the consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.



## 9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2021 (2020: Nil).

## 10. EARNINGS PER SHARE

### From continuing and discontinued operations

#### *Earnings*

|   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Earnings for the purposes of basic and diluted earnings per share | <b><u>89,784</u></b>           | <u>57,064</u>           |

#### *Number of shares*

|  | <b>2021</b><br><i>'000</i> | 2020<br><i>'000</i> |
|--|----------------------------|---------------------|
| Issued share capital at 1 January and 31 December  | <b>1,313,095</b>           | 1,313,095           |
| Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation | <b><u>1,313,095</u></b>    | <u>1,313,095</u>    |

No adjustment is made in the calculation of diluted earnings per share for the years ended 31 December 2021 and 2020 as there was no potential ordinary share in existence during the year.

### 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*

|  | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit for the year attributable to owners of the Company                                    | <b>89,784</b>                  | 57,064                  |
| Less:  |                                |                         |
| Profit/(loss) for the period/year from discontinued operations                               | <b><u>10,870</u></b>           | <u>(18,341)</u>         |
| Earnings for the purposes of basic and diluted earnings per share from continuing operations | <b><u>78,914</u></b>           | <u>75,405</u>           |

## 10. EARNINGS PER SHARE (CONTINUED)

### From continuing operations (Continued)

*Number of shares*

|  | <b>2021</b>             | 2020             |
|--|-------------------------|------------------|
|  | <b>'000</b>             | <b>'000</b>      |
| Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation | <b><u>1,313,095</u></b> | <u>1,313,095</u> |

### From discontinued operations

Basic and diluted earning per share for the discontinued operation is \$0.83 cent per share (2020: loss of \$1.40 cents per share) based on the profit for the period/year from discontinued operations of HK\$10,870,000 (2020: loss of HK\$18,341,000) and the denominators detailed above for both basic and diluted profit/(loss) per share.

## 11. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

Amounts represent (i) the Group's rights to consideration from customers for construction work computed but not billed at the end of the reporting date under such contracts. Any amounts previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customers; and (ii) retention receivables, which the Group's right to receive consideration for work performed whereby the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of warranty by the Group on the service quality of the construction work performed by the Group. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

|   | <b>31 December</b>      | 31 December      |
|---|-------------------------|------------------|
|   | <b>2021</b>             | 2020             |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b>  |
| <i>Contract assets arising from:</i>  |                         |                  |
| Provision of EPC and consultancy services and general construction contract works | <b>1,030,667</b>        | 1,186,121        |
| Less: Impairment losses   | <b><u>(5,447)</u></b>   | <u>(9,667)</u>   |
|   | <b><u>1,025,220</u></b> | <u>1,176,454</u> |

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

### (a) Contract assets (Continued)

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Gross carrying amount as at 1 January                   | <u>1,186,121</u>        | <u>852,900</u>          |
| Decrease as a result of:                                |                         |                         |
| – retention receivable transferred to trade receivables | (140,715)               | (139,644)               |
| – issuance of invoices to customers                     | <u>(1,058,871)</u>      | <u>(718,798)</u>        |
|   | <u>(1,199,586)</u>      | <u>(858,442)</u>        |
| Increase as a result of:                                |                         |                         |
| – retention receivable recognised for the year          | 167,978                 | 131,298                 |
| – unbilled construction contract revenue for the year   | <u>846,638</u>          | <u>988,010</u>          |
|   | <u>1,014,616</u>        | <u>1,119,308</u>        |
| Exchange alignments                                     | <u>29,516</u>           | <u>72,355</u>           |
| Gross carrying amount as at 31 December                 | <u><b>1,030,667</b></u> | <u><b>1,186,121</b></u> |

Typical payment terms which impact on the amount of contract assets are as follows:

The Group's contracts with customers for the provision of EPC and consultancy services and general construction services include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 and 2020 are as follows:

|                 | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within one year | <u><b>1,025,220</b></u> | <u><b>1,176,454</b></u> |

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

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At beginning of year                              | 9,667                   | 4,264                   |
| (Reversal of impairment losses)/impairment losses | <u>(4,220)</u>          | <u>5,403</u>            |
| At end of year                                    | <u><b>5,447</b></u>     | <u><b>9,667</b></u>     |

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

### (a) Contract assets (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

As at 31 December 2021, retention held by customers for contract work amounted to approximately HK\$170,635,000 (2020: HK\$139,136,000). The retention receivables are unsecured, interest-free and recoverable at the end of the retention period of individual contracts, ranging from three to six months from the date of the completion of the respective project.

### (b) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to customers for which the Group has received consideration (or an amount of consideration is due) from the customer.

|   | <b>31 December<br/>2021<br/>HK\$'000</b> | 31 December<br>2020<br>HK\$'000 |
|---|--|---------------------------------|
| <i>Contract liabilities arising from:</i>   |  |                                 |
| Provision of EPC and consultancy services and<br>general construction services  | <b>114,801</b>                           | 84,737                          |
|   | <b>2021<br/>HK\$'000</b>                 | 2020<br>HK\$'000                |
| Balance as at 1 January   | <b>84,737</b>                            | 45,384                          |
| Decrease in contract liabilities as a result of recognition of<br>revenue during the year   | <b>(85,699)</b>                          | (45,679)                        |
| Increase in contract liabilities as a result of billing in<br>advance of provision of EPC and consultancy services and<br>general construction services | <b>113,013</b>                           | 79,713                          |
| Increase as a result of acquisition of subsidiaries   | –  | 245                             |
| Exchange alignments   | <b>2,750</b>                             | 5,074                           |
| Balance as at 31 December   | <b>114,801</b>                           | 84,737                          |

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

All the contract liabilities as at 31 December 2020 are recognised as revenue during the year ended 31 December 2021. The Group expects that the contract liabilities as at 31 December 2021 will be recognised as revenue within a year or less.

## 12. TRADE AND BILLS RECEIVABLES

The Group normally allows a 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 relationships 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.

|                         | <b>2021</b>             | 2020             |
|-------------------------|-------------------------|------------------|
|                         | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i>  |
| Trade receivables       | <b>1,190,901</b>        | 950,866          |
| Bills receivable        | <b>1,028,415</b>        | 555,059          |
|                         | <u>2,219,316</u>        | <u>1,505,925</u> |
| Less: Impairment losses | <b>(37,918)</b>         | (26,229)         |
|                         | <u><b>2,181,398</b></u> | <u>1,479,696</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:

|               | <b>2021</b>             | 2020             |
|---------------|-------------------------|------------------|
|               | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i>  |
| 0-90 days     | <b>1,483,264</b>        | 871,904          |
| 91-180 days   | <b>263,419</b>          | 174,720          |
| 181-365 days  | <b>134,361</b>          | 222,842          |
| Over 365 days | <b>338,272</b>          | 236,459          |
|               | <u><b>2,219,316</b></u> | <u>1,505,925</u> |

Bills receivables are received from the customers under EPC and consultancy and general construction segment and are due within six months from date of billing.

### 13. LOAN RECEIVABLES

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loan receivables comprise:                    |                         |                         |
| Within one year                               | <b>161,805</b>          | 101,471                 |
| In the second to fifth years, inclusive       | <b>14,694</b>           | 14,259                  |
| After five years                              | <u>–</u>                | <u>4,172</u>            |
| Total loan receivables                        | <b>176,499</b>          | 119,902                 |
| Less: Portion classified under current assets | <u>(161,805)</u>        | <u>(101,471)</u>        |
| Non-current assets                            | <u><b>14,694</b></u>    | <u>18,431</u>           |

Loan receivables as at 31 December 2021 represented loans to third parties which were secured by the finance lease receivables and trade receivables of the borrowers, bearing fixed interest rates at 6% to 8% (2020: 6% to 8%) per annum and repayable in one to five years (2020: one to six years).

### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Prepayments       | <b>403,140</b>          | 199,638                 |
| Deposits          | <b>11,760</b>           | 28,165                  |
| Other receivables | <u><b>370,112</b></u>   | <u>429,559</u>          |
|                   | <u><b>785,012</b></u>   | <u>657,362</u>          |

As at 31 December 2021, included in prepayments were HK\$363,469,000 (2020: HK\$173,109,000) of prepayments for cost of materials or sub-contract costs for construction works for construction contracts.

As at 31 December 2021, included in other receivables were (i) VAT recoverable of HK\$149,352,000 (2020: HK\$297,985,000); (ii) other receivables of HK\$103,346,000 (2020: HK\$Nil) on disposal of property, plant and equipment; and (iii) remaining balances related to the advance for construction contracts.

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.

**15. TRADE AND BILLS PAYABLES**

|                | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Trade payables | <b>1,707,852</b>               | 1,635,174               |
| Bills payable  | <b>943,262</b>                 | 659,950                 |
|                | <b><u>2,651,114</u></b>        | <b><u>2,295,124</u></b> |

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

|               | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0-90 days     | <b>791,470</b>                 | 987,512                 |
| 91-180 days   | <b>681,724</b>                 | 336,535                 |
| 181-365 days  | <b>860,031</b>                 | 854,330                 |
| Over 365 days | <b>317,889</b>                 | 116,747                 |
|               | <b><u>2,651,114</u></b>        | <b><u>2,295,124</u></b> |

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

**16. OTHER PAYABLES AND ACCRUALS**

|                                 | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---------------------------------|--------------------------------|-------------------------|
| Payables for construction works | <b>272,447</b>                 | 226,732                 |
| Accruals                        | <b>30,040</b>                  | 26,020                  |
|                                 | <b><u>302,487</u></b>          | <b><u>252,752</u></b>   |

## **BUSINESS REVIEW AND PROSPECTS**

### **REVIEW OF INDUSTRY DEVELOPMENT STATUS**

2021 is the starting year of the 14th Five-Year Plan. During 2021, the Chinese government successively launched a number of policies to support the development of new energy industry by enhancing the consumption of renewable energy and constructing new power system, further improving the comprehensive development of wind power and PV industry.

#### **Review of Major Policies in Relation to China's New Energy Industry**

On 24 February 2021, National Development and Reform Commission of the PRC (NDRC), Ministry of Finance of the PRC, People's Bank of China, China Banking and Insurance Regulatory Commission and the National Energy Administration of the PRC (NEA) jointly issued the Notice on the Guidance of Increasing Financial Support to Promote the Sound and Orderly Development in Wind and PV Power Generation Industry (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》), requiring financial institutions to assume "green responsibility" by extending or renewing loans for renewable energy companies, granting and reasonably supporting the grant to loans with confirmed rights, prioritizing the grant of subsidies and increasing credit support, which is beneficial to alleviate the production and operation difficulties of the renewable energy companies as a result of cash flow shortage, and further enhance financial support.

On 11 May 2021, the NEA issued the Notice on Matters Relating to the Development and Construction of Wind and PV Power Generation in 2021 (《關於2021年風電、光伏發電開發建設有關事項的通知》), which stipulates the requirement for strengthening the weight guidance mechanism of renewable energy power consumption responsibility, establishing multiple grid connection guarantee mechanisms such as guaranteed grid connection, and accelerating the project stocks and construction in order to continuously promote the high-quality development of wind and PV power generation.

On 7 June 2021, the NDRC issued the Notice on Matters Relating to the 2021 Feed-In-Tariff Policy for New Energy (《關於2021年新能源上網電價政策有關事項的通知》), which states that the Central Budget will no longer subsidise the newly filed centralized PV power plants, commercial and industrial distributed PV projects and newly approved onshore wind power projects, and the grid parity will be achieved in 2021. From 2021, the on-grid tariff for newly approved (filed) offshore wind power projects and PV thermal power projects shall be stipulated by the provincial pricing authorities, and the on-grid tariff for qualified projects can be formed through competitive allocation. For on-grid tariff higher than the local benchmark price of coal-fired power generation, the power grid companies shall settle the portion within the benchmark price.



On 20 June 2021, the NEA issued the Notice on Submitting the County (City, District) Roof Distributed PV Development Pilot Scheme (《關於報送縣(市、區)屋頂分佈式光伏開發試點方案的通知》), which proposes the pilot work on promoting roof distributed PV development within the entire county (city, district) and clarifies the requirements for the pilot scheme application, stipulates the minimum requirements for the proportion of PV power generation that can be installed on the roofs of specific public buildings and rural residential buildings. It can fully allow the mobilization and the leverage of the local strength, integrate resources to achieve intensive development, and further accelerate the promotion of the roof distributed PV development.

### **Review of Development Status of the PV Power Generation Industry**

According to the statistics from the NEA, newly installed PV power generation capacity in China reached a record high of 54.88GW in 2021, of which newly installed capacity of centralized power stations were 25.60GW and newly installed capacity of distributed power stations were 29.28GW. In terms of newly installed capacity, north China, east China and central China accounted for higher proportions of the installed capacity, representing 39%, 19% and 15% of the newly installed capacity, respectively. As of the end of December 2021, China's accumulative installed PV power generation capacity reached 306GW.

During 2021, China's PV power generation was 325.9 billion kWh, representing a year-on-year increase of 25.1%; the average utilisation hours of such power were 1,163 hours, representing a year-on-year increase of 3 hours. The utilisation rate of photovoltaic power generation was 98%, which was basically the same as prior year.

### **Review of Development Status of the Wind Power Generation Industry**

According to the statistics from the NEA, the newly installed wind power capacity in China far exceeded expectations to 47.57GW in 2021, of which newly installed capacity of onshore wind power was 30.67GW and newly installed capacity of offshore wind power was 16.90GW. In terms of the allocation of newly installed capacity, the central eastern China and southern China accounted for approximately 61%, while northeast China, north China and northwest China accounted for 39%, indicating the further optimisation of wind power development allocation. As of the end of December 2021, China's accumulative installed wind power capacity reached 328GW.

During 2021, the output of wind power in China was 652.6 billion kWh, representing a year-on-year increase of 40.5%. The average utilisation hours of such power stations were 2,246 hours, representing a year-on-year increase of 149 hours. The utilisation rate of wind power generation was 97%, representing a year-on-year increase of approximately 0.4%.

## **BUSINESS REVIEW**

During 2021, the ongoing COVID-19 pandemic has caused increasing challenges and complexity to the global macroeconomic environment. Despite various external pressure, China's economy continued demonstrating strong resilience and navigating through the new development outlook to pursue high-quality development. This marked a good start to the "14th Five-Year Plan" period.

During the year, the Group continuously accelerated the progress of project development and construction and further increased its project reserves, leading to the stable growth of installed capacity and continuously increasing in power generation and profit therefrom. The Group also further advanced its assets optimization, representing by further reducing reliance on renewable energy subsidies and improving asset quality to achieve accumulated positive growth. Moreover, the Group actively expanded financing business to seize market opportunities, and aims to foster its core competitive advantages by means of capabilities enhancement as well as market exploration.

For the year ended 31 December 2021, revenue increased by approximately 20.1% year-on-year to HK\$2,607,411,000 (2020: HK\$2,171,194,000); profit attributable to owners of the Group amounted to HK\$89,784,000 (2020: HK\$57,064,000), representing an increase of approximately 57.3% over the same period of last year; The basic earnings per share was HK6.84 cents, indicating an increase of HK2.49 cents or approximately 57.2% from HK4.35 in the same period of last year.

### **EPC and Consultancy and General Construction**

Revenue from the EPC and consultancy and general construction segment was recognised based on stage of completion of the projects. Segment sales to external customers increased by approximately 13.3% to HK\$2,115,398,000 (2020: HK\$1,867,569,000). The increase in segment revenue was primarily attributable to COVID-19 pandemic which dragged on projects' percentage of completion recognized in the same period last year. The EPC and consultancy and general construction segment recorded segment profit (before deducting tax and finance cost) of HK\$33,186,000 (2020: HK\$70,283,000) for the year ended 31 December 2021, representing a year-on-year decrease of approximately 52.8%. The decrease in segment profit (before deducting tax and finance cost) was mainly due to the lower bidding prices of EPC projects caused by reduction in overall investment costs of photovoltaic projects as a result of grid-parity system facilities.

During the year, the Group continued to actively diversify its EPC and consultancy and general construction segment to other renewable energy segments such as wind power and other segments, and new business portfolios. The construction and engineering company acquired in 2018, by virtue of its numerous building and installation construction qualifications and specialization in conducting governmental housing projects and municipal engineering projects, also contributed significantly to this business segment in 2021 by generating revenue of HK\$814,126,000 (2020: HK\$685,638,000), representing an increase of approximately 18.7% as compared to same period of last year.

During 2021, the Group stuck to the traditional EPC business and moderately diversified development. Since the beginning of 2020, COVID-19 pandemic has swept the world. Under the premise of strictly implementing various measures for epidemic prevention and control, the Group is adept in combining reality, daring to break through routines, and steadily promoting the production and operation of the business. During 2021, all projects were completed on schedule with high quality. For example, Yangjiang, Liaohe Oilfield and Xinyi Free Trade Zone photovoltaic power generation projects were connected to the grid as scheduled; and other municipal engineering projects were progressed smoothly. The Company has conducted continuous follow-up on 5G business and is currently in contact with Yunnan Communications Administration. It has completed the market access procedure and entered into a cooperation agreement with Kunming Telecom to strive for orders and investment rights of base stations from the three major operators as soon as possible.

In 2021, the Group was granted 8 patents. It completed technology investment planning and launched 5 new technology research and development projects. Meanwhile, the Group has been approved as a high-tech enterprise in Jiangsu Province and is applying for headquarter enterprise in Jiangsu Province. The Group has accredited three awards of the 10th “Polaris Cup” Influential Brand of Photovoltaic Power Plant Operation and Maintenance, Influential Brand of Photovoltaic Development Investor/EPC and Influential Case of Featured Photovoltaic Application Projects for 2021, which exhibited its professional excellence.

### **Power Generation Business**

As of 31 December 2021, the Group owned and operated solar photovoltaic power stations and rooftop distributed solar photovoltaic power generation facilities in Jiangsu, Hebei, Guangdong, Anhui, Liaoning and Yunnan Provinces, with a total recorded scale of 265 MW, representing an increase of 55 MW (26.2%) as compared to the same period last year. The total recorded scale of wind power plants was 140 MW. In 2021, the Group completed 589 million kilowatt-hour power generation output, representing an increase of 326 million kilowatt-hour (124.0%) as compared to the same period last year, which contributed steady power generation income to the Group. In 2021, the weighted average utilisation hours of the Group’s invested photovoltaic plants was 1,180 hours, representing an increase of 7 hours as compared to the same period last year and higher than the average of the nationwide level.

As mentioned aforesaid, the wind power and photovoltaic industries have generally proceeded to the parity stage. In the absence of fiscal subsidies, market players need to pursue a market-oriented development amidst fierce competition. The tariff for newly completed solar farms is based on the local benchmark price for coal-fired power generation. New projects may also participate in market transactions on a voluntary basis and develop open market tariffs.

As of 31 December 2021, the accumulated approved capacity of solar photovoltaic and wind power plants owned and operated by the Group was 405 MW, of which 272 MW were eligible for subsidies under the Feed-in Tariff Policy for a period of 20 years.

Meanwhile, the Group proactively carried out its energy storage, hydrogen energy and solar thermal businesses and conducted technical research, reserve and investigation of relevant well-known enterprises to develop related business. Currently, we are tracking the research, development and investigation on energy storage projects in Shandong and Shanxi, developing and investigating solar thermal and new energy bases in Gansu, Ningxia, Qinghai and other northwestern regions, and studying the technology applications of upstream new energy hydrogen production and downstream hydrogen fuel cell by investigating well-known electrolyzer manufacturers in the industry, as well as the expansion of hydrogen energy applications. All of these have paved the way for our new business development in 2022.

During the year ended 31 December 2021, this segment recorded a year-on-year revenue growth of approximately 102.3%, contributing HK\$428,838,000 (2020: HK\$212,033,000) to the Group's revenue, and an increase in segment profit (before deducting tax and finance cost) of approximately 142.5% to HK\$206,347,000 (2020: HK\$85,091,000). The increase in segment revenue was mainly due to the contribution of the full-year operation of the Group's wind power station in Suining County, Jiangsu Province during the year, while the increase in segment profit (before deducting tax and finance cost) was benefited from the full-year operation profit of the wind power station in Suining County, Jiangsu Province.

## **Financing Business**

During the year ended 31 December 2021, the Group's finance leasing business recorded segment revenue to external customers of HK\$42,418,000 (2020: HK\$24,966,000), representing an increase of approximately 69.9%, and segment profit (before deducting tax and finance cost) of HK\$14,829,000 (2020: segment loss (before deducting tax and finance cost) of HK\$30,611,000). The increase in segment revenue was mainly due to the increase in finance lease interest income received from certain finance lease projects during the year as a result of continued exploration of external markets to increase revenue yields during the year. The turnaround from loss (before deducting tax and finance cost) to profit (before deducting tax and finance cost) of this segment was mainly benefited from the contribution of increased external revenue.

In 2021, the Company focused on the development of external non-related projects. In terms of financing and leasing, the Company's business team focused on the new energy industry (including photovoltaic and energy storage), new infrastructure (including 5G base stations and data centers) and healthcare (rehabilitation medical treatment, pandemic prevention equipment) and other fields to conduct market analysis. Through actively anticipating the market conditions and potential risks, the Company not only strengthened its capabilities to conduct professional and market-oriented business development, but also reserved projects and provided reference for the determination of business direction and the formulation of risk control criteria. In respect of factoring business, we focused on the development of reverse factoring and supply chain fintech for core enterprises such as state-owned central enterprises. In particular, the factoring business provided for the suppliers of our internal subsidiaries in Baoyuan, Anhui, has achieved good results based on its promotion last year, and maintained the cooperative relationship, with the business model gradually improved and a higher recognition received from suppliers. The business not only solved financial difficulties for suppliers, but also eased the cash flow pressure on internal subsidiaries, and expanded the external business and channel for the factoring company. In 2021, we have transacted with more than 15 qualified suppliers of our internal subsidiaries.

### **Manufacturing and Trading Business**

The module plant of the Group in Pei County, Xuzhou has ceased production since the second half of 2020. The local government and relevant authorities have completed the disposal of all relevant assets. Therefore, it has been reclassified as a discontinued operation.

### **FOCUSING ON PRODUCTION SAFETY, ENHANCING PROJECT MANAGEMENT, IMPROVING GOVERNANCE STRUCTURE AND OPTIMISING THE DEVELOPMENT OF INTERNAL CONTROL**

Production safety has always been prioritized by the Group in its development. The Group fully implemented the principle of "safety first, prevention as principle and comprehensive management", and carried out various safety management measures. Meanwhile, the Group formulated the schedule and promoted the project progress based on the project development target, striving to promote construction and catch up with the progress while ensuring quality and safety. The Group has done a good job in both project management and pandemic prevention and control, and its EPC construction capacity has been further improved.

In 2021, adhering to the policy of “grounding our efforts in the new development stage, applying the new development philosophy, creating a new pattern of development and pursuing high-quality development”, the Group pressed ahead with the reform, optimised the development planning, improved the top-level design and systematically pursued a path of high-quality development. It established the Legal Affairs Department which co-located with the Investment Management Department to carry out industry policy research, investment analysis and demonstration, investment project evaluation and investment risk control while promoting the construction of the rule of law and providing legal protection for the Company’s production and operation, so as to effectively respond to operational risks. It also established the Discipline Inspection and Supervision Office which co-located with the Internal Control Department to enhance internal control management across all departments and business segments of the Company while strengthening the anti-corruption and discipline supervision to promote the healthy development of the Company, developing a regulated, institutionalized, standardized and procedure-based management model and improving the Company’s management capability. Besides, the Group established the Industrial Development Department to expand its business to energy storage and hydrogen production based on its original business of photovoltaic, wind power and solar thermal, striving to tap into new energy sub-segments and create new growth point for the Company.

In order to ensure the safe and efficient operation of the Company’s photovoltaic power plants and wind power plants, an intelligent centralized control platform has been incorporated in all power plants to monitor their real-time status. Live shots would be transmitted to the controlling center at the headquarters in Nanjing through video cloud transmission, which significantly increased the efficiency of the headquarters’ monitoring, management and troubleshooting of power plants. The operational rate of equipment was also improved. Meanwhile, on the premise of implementing pandemic prevention and control measures, the Company has inspected the power generation units with lower efficiency in the power plants by intensifying the cleaning of distributed components and speeding up fault handling, so as to increase the power generation capacity and secure the safe operation of power plants.

## **BUSINESS PROSPECTS**

### **Recovering Energy Demand and the Promotion of Renewable Energy**

Since the conclusion of the 18th National Congress of the Communist Party of China, China has devoted effort as never seen before to the development of an ecological civilisation, culminating in the full accomplishment of the periodic goals and missions for the critical battle against pollution. In the next stage, ecological protection initiatives will focus on the underlying issues and trend-oriented issues of environmental pollution and in-depth environmental treatment in key regions and key industries will be conducted. Meanwhile, the Chinese economy has transitioned from rapid growth to the new stage of qualitative growth. To drive the transformation and upgrade of industry mix, “Dual Carbon” will inevitably lead to extensive and profound economic revolution as it ushers in a new low-carbon green era.

Following successive promulgation of the 14th Five-Year Plan for the new energy industry by the national and local governments, the short-term and medium- to long-term planning for the new energy development has been basically determined, and the industry has ushered in a period of faster and healthier development. During the 14th Five-Year Plan period, the Group is committed to vigorously develop new energy business, with wind power and photovoltaic investment, construction and operation as its main business, energy storage and solar thermal as its important sectors, and hydrogen production from new energy as supplement, in a bid to become a comprehensive energy service provider for photovoltaic, wind power, solar thermal, energy storage, and hydrogen energy, and make an important contribution to the clean energy development. At the same time, the Company endeavors to explore additional profit growth points in the fields of 5G communication tower base station, central heating, housing construction and municipal administration to maintain a sustainable and balanced development.

With an aim to hit peak emissions before 2030 and for carbon neutrality by 2060, the photovoltaic industry is facing historic opportunities and challenges. According to the National Energy Administration, the photovoltaic industry development will have much better prospects during the 14th Five-Year Plan period than the 13th Five-Year Plan period, with an average annual capacity of 70 to 90GW, at least double the previous period. Given the official implementation of the 14th Five-Year Plan and the promotion of subsidy-free grid-parity, players in the fully market-oriented photovoltaic industry are facing more intense competition that they shall either upgrade themselves or be eliminated. At the same time, driven by the “3060 Target”, the cumulative installed capacity of China’s wind power is expected to reach 800GW in 2035 and 3000GW in 2060, while the current installed capacity of wind power is only 328GW, which also pushes China’s wind power industry to work toward a common goal.

According to the forecast from Fitch Solutions, by 2030, the total installed solar capacity in the world will increase from 715.9GW at the end of 2020 to 1747.5GW, representing an increase of 144%; the total installed solar capacity in China, the United States and India will increase by 436.9GW, 151.3GW and 88.2GW respectively, accounting for more than two-thirds of total expected additional solar energy; China will remain the largest solar market, with total installed solar capacity expected to increase from 253.4GW at the end of 2020 to 690.3GW in 2030, accounting for 42% of the total additional solar in the world in 2030. In 2030, China's additional installed capacity of photovoltaic power is expected to reach 416-536GW, with a Compound Annual Growth Rate of 24%-26%.

The Group will strengthen the preliminary service and consulting for internal investment projects, and focus on maintaining key regular customers in line with the purpose of expanding the market with large customers and large projects. Moreover, the Group will explore and develop 4-5 enterprises with relevant qualifications for horizontal cooperation to achieve effective complementarity of resource advantages in bidding, construction, service, etc., so as to establish a long-term cooperative and win-win relationship. In addition, the Group will establish an interaction mechanism with equipment suppliers with strong advantages in the industry to establish relationships based on the principle of win-win, so as to promote our project contracting. For municipal engineering housing construction projects, the Group will actively establish relationships with government departments at all levels, design institutes, municipal engineering management departments, and large-scale enterprises, as well as extensively collect engineering information to make full use of information and interpersonal networks, so as to promote the development of municipal, environmental protection, and affordable housing projects.

The Group will continue to make great efforts to develop new energy power generation industries, including photovoltaic, wind power, energy storage, charging, solar thermal, biomass/waste power generation and other national strategic energy industries, on the basis of ensuring the safety of investment funds, and to make further deployment in new energy industry chain. On the premise of strictly controlling risks, the Group will also strive to explore the external high-quality projects, focusing on the photovoltaic projects including “large base photovoltaics” and “county-wide distributed photovoltaics”, wind power projects including “base wind power” and “offshore wind power”, and energy storage projects including “building zero-carbon power system by integrating photovoltaics and energy storage”, so as to develop projects in other areas such as solar thermal, biomass and waste power generation in light of local conditions, as well as emerging strategic industries in the Guangdong-Hong Kong-Macao Greater Bay Area, thereby ensuring stable growth of asset within a reasonable range. With the increase of business, online operation and multi-stage circulation will be realized through the supply chain financial system platform in due course.



As disclosed in the announcement made by the Group dated 14 November 2021, the Company entered into the Share Subscription Agreement with Yahgee International (Hong Kong) Co., Limited (雅致國際(香港)有限公司) (the “**Subscriber**”), at an aggregate consideration of HK\$475,347,506. The Subscriber is principally engaged in investment holding and is a direct wholly-owned subsidiary of 深圳市新南山控股(集團)股份有限公司 (transliterated as Shenzhen New Nanshan Holdings Group Co. Ltd\*) (“**Nanshan Holdings**”), a company incorporated in the PRC with limited liability and is listed in the Shenzhen Stock Exchange (stock code: 002314) and headquartered in Shekou, Shenzhen. Nanshan Holdings is principally engaged in the businesses of, among others, modern warehousing and logistics services, property development and integrated development of industrial cities. Nanshan Holdings is held as to approximately 68.43% by its largest shareholder 中國南山開發(集團)股份有限公司 (transliterated as China Nanshan Development Group Co. Limited\*) (“**Nanshan Development**”), a company incorporated in the PRC with limited liability, which is principally engaged in the provision of modern integrated logistics services, integrated development of industrial cities, and the provision of financial services, asset management services. The largest shareholder of Nanshan Development is 招商局(南山)控股有限公司 (transliterated as China Merchants (Nanshan) Holdings Co., Ltd.\*) (“**China Merchants (Nanshan)**”), holding approximately 36.52% of Nanshan Development, while the rest of the shareholding is held by other shareholders. The parent company of China Merchants (Nanshan) is China Merchants Port Holdings Company Limited, a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange (stock code: 144), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The subscription offers a good opportunity for the Company to raise additional funds for business development purposes and to reduce the debt-to-asset ratio and the corresponding finance expenses on the Company. Having regard to the business of Nanshan Holdings, the beneficial owner of the Subscriber, the Company considers that there is potential synergy between the business of Nanshan Holdings with certain of the business segments of the Group requiring logistical support and warehousing services, such as the engineering, procurement and construction business of the Group. In addition, both parties can share commercial resources in the cooperative development of rooftop distributed photovoltaic business to increase their values. The Group believes that bringing into strategic investors with the same state-owned background will definitely increase the Group’s market competitiveness in the new energy industry in a quick and effective manner.

\* For identification purposes only

## FINANCIAL REVIEW

The Group's revenue increased by approximately 20.1% from HK\$2,171,194,000 for the year ended 31 December 2020 to HK\$2,607,411,000 for the year ended 31 December 2021. The increase was mainly due to the increase of revenue generated from the power generation segment during the year ended 31 December 2021. Profit attributable to owners of the Company amounted to HK\$89,784,000 for the year ended 31 December 2021, which represented a year-on-year increase of approximately 57.3% when compared with that for the year ended 31 December 2020. Basic earnings per share for the year ended 31 December 2021 was HK6.84 cents when compared with HK4.35 cents recorded for the year ended 31 December 2020.

### Revenue

During the year ended 31 December 2021, the Group achieved revenue of HK\$2,607,411,000 (2020: HK\$2,171,194,000), representing an increase of approximately 20.1% as compared to that of the year ended 31 December 2020. Composition of revenue for the years ended 31 December 2021 and 2020 is shown in the following table:

#### Year ended 31 December

|   | 2021             |   | 2020            |   |
|---|------------------|---|-----------------|---|
|   | <i>HK\$'000</i>  | Percentage of<br>the Group's<br>total revenue | <i>HK\$'000</i> | Percentage of<br>the Group's<br>total revenue |
| Continuing operations                           |                  |   |                 |   |
| EPC and consultancy and<br>general construction | <b>2,112,891</b> | <b>81.0%</b>                                  | 1,867,569       | 86.0%   |
| Power generation                                | <b>427,274</b>   | <b>16.4%</b>                                  | 212,033         | 9.8%  |
| Financing                                       | <b>46,489</b>    | <b>1.8%</b>                                   | 24,966          | 1.1%  |
|   | <b>2,586,654</b> | <b>99.2%</b>                                  | 2,104,568       | 96.9%   |
| Discontinued operations                         |                  |   |                 |   |
| Manufacturing and trading                       | <b>20,757</b>    | <b>0.8%</b>                                   | 66,626          | 3.1%  |
| Total   | <b>2,607,411</b> | <b>100.0%</b>                                 | 2,171,194       | 100.0%  |

For the year ended 31 December 2021, EPC and consultancy and general construction segment remained the major source of revenue for the Group which contributed HK\$2,112,891,000 (2020: HK\$1,867,569,000) representing an increase of approximately 13.1% as compared to that for the year ended 31 December 2020. The increase in revenue was attributable to the COVID-19 pandemic which dragged on projects' percentage of completion recognised for the year ended 31 December 2020.

Benefited from the full year operation of 140MW self-owned and self-operated wind power station in 2021, power generation output increased by approximately 124.0% compared with same period of last year. Revenue derived from power generation segment achieved a growth of approximately 101.5% to HK\$427,274,000 (2020: HK\$212,033,000).

Revenue from the Group's financing segment achieved a growth of approximately 86.2% to HK\$46,489,000 (2020: HK\$24,966,000) compared with last year, mainly contributed by the increase in finance lease interest income, loan interest income and handling fee from certain financial leasing projects during the year.

Revenue from manufacturing and trading segment (discontinued operations) decreased by approximately 68.8% to HK\$20,757,000 (2020: HK\$66,626,000) due to the module plant in Peixian County of Xuzhou has ceased production since the second half of 2020.

## **Profit**

Profit for the year ended 31 December 2021 amounted to HK\$105,674,000 (2020: HK\$70,368,000), representing an increase of approximately 50.2% compared with 2020. The increase in profit was caused by (i) the full year operation profit for Jiangsu Province Suining County wind power station during 2021 in the Group's power generation segment, this segment recorded an increase of approximately 142.5% in the profit (before deducting tax and finance cost) compared with 2020; (ii) the increase in finance lease interest income, loan interest income and handling fee from certain financial leasing projects during the year in the Group's financing segment which caused the turnaround of this segment from loss (before deducting tax and finance cost) to profit (before deducting tax and finance cost) compared with 2020.

The net profit margin of the Group increased to 4.1% (2020: 3.2%). 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 2021 increased by approximately 57.3% to HK\$89,784,000 (2020: HK\$57,064,000) and basic earnings per share was HK\$6.84 cents (2020: HK\$4.35 cents).

## **Other income and gains**

Other income and gains for the year ended 31 December 2021 amounted of HK\$31,197,000 (2020: HK\$25,275,000) which were mainly derived from interest income and gain on disposal of property, plant and equipment.

## **Cost of Sales and Construction Costs**

The cost of sales and the construction cost for the year ended 31 December 2021 amounted to HK\$1,139,323,000 (2020: HK\$913,471,000) and HK\$963,761,000 (2020: HK\$962,849,000) respectively, representing an increase of approximately 24.7% and an increase of approximately 0.1% respectively as compared to the corresponding period. The increase in cost of sales was in line with increase in revenue in EPC and consultancy and general construction segment during the year.

## **Staff Costs**

The increase in staff costs by approximately 33.5% to HK\$66,521,000 (2020: HK\$49,811,000) was due to competitiveness of labour force market conditions.

## **Depreciation**

The depreciation of the Group increased by approximately 60.1% to HK\$164,318,000 for the year ended 31 December 2021 (2020: HK\$102,664,000), which was due to the full year operation of Jiangsu Province Suining County wind power station and the recognition of the depreciation.

## **Other Operating Expenses**

Other operating expenses mainly included exchange differences, bank charges, professional fees, administrative expenses, research and developments expenses, travelling expenses etc, which amounted to HK\$52,788,000 (2020: HK\$46,629,000) for the year ended 31 December 2021, representing an increase of approximately 13.2% compared with last year. The increase was due to business expansion.

## **Finance Costs**

Finance costs primarily represented interest expenses on bank and other borrowings. Finance costs for the year ended 31 December 2021 increased by approximately 246.2% to HK\$147,491,000 (2020: HK\$42,601,000). Taking into account the capital intensive nature of the energy industry, the Group expanded its investment in owned wind power stations and power stations and facilities for power generation income. As a result, the bank and other borrowings received by the Group increased for the expansion of power generation businesses.

## **Income Tax Expense**

For the year ended 31 December 2021, income tax expense of the Group increased by approximately 19.6% to HK\$23,262,000 (2020: HK\$19,443,000) which was mainly due to the increase in profit for power generation segment during the period. In 2020, a subsidiary of the Group was accredited as “Advanced Technology Enterprise” by the Science and Technology Bureau of relevant provinces and authorities in the PRC for a term of three years from 2020 to 2022 with the entitlement of applying a reduced 15% enterprise income tax rate. The Group has engaged a PRC tax adviser to determine the subsidiary’s eligibility for the reduced 15% enterprise income tax rate. According to the tax report, the subsidiary may well have fulfilled the basic annual requirement and it is eligible for the reduced 15% enterprise income tax rate for the year ended 31 December 2021. The effective tax rate applicable to the profit of the Group for the year ended 31 December 2021 was 18.6% (2020: 21.6%).

## **Financial Position**

As at 31 December 2021, total assets of the Group were HK\$7,983,587,000 (2020: HK\$7,272,572,000), representing an increase of approximately 9.8% as compared to that for the year ended 31 December 2020. In particular, current assets increased by approximately 24.1% to HK\$5,318,900,000 (2020: HK\$4,284,269,000) and non-current assets decreased by approximately 10.8% to HK\$2,664,687,000 (2020: HK\$2,988,303,000). The increase in total assets of the Group was mainly contributed by increase in trade and bills receivables during the year.

Total liabilities as at 31 December 2021 were HK\$6,705,930,000 (2020: HK\$6,145,747,000), an increase of approximately 9.1% as compared to that as at 31 December 2020. In particular, current liabilities as at 31 December 2021 were HK\$4,706,360,000 (2020: HK\$4,258,534,000), representing an increase of approximately 10.5% as compared to that as at 31 December 2020, which was principally due to the increase in trade and bills payables. Non-current liabilities as at 31 December 2021 were HK\$1,999,570,000 (2020: HK\$1,887,213,000), representing an increase of approximately 5.8% as compared to that as at 31 December 2020 as a result of the increase in long-term bank and other borrowings.

Total equity attributable to owners of the Company as at 31 December 2021 was HK\$1,234,760,000 (31 December 2020: HK\$1,106,844,000), representing an increase of approximately 11.6% as compared with that as at 31 December 2020, primarily resulted from the contribution of the total comprehensive income for the year ended 31 December 2021.

### **Liquidity, Financial Resources and Gearing**

As at 31 December 2021, net current assets of the Group amounted to HK\$612,540,000 (2020: net current assets of HK\$25,735,000). Besides, the Group maintained cash and cash equivalents of HK\$741,318,000 as at 31 December 2021 (2020: HK\$386,473,000), of which approximately 2% was in Hong Kong dollars, 95% was in Renminbi (“**RMB**”), 2% was in United States dollars and 1% was in Eurodollars (2020: approximately 6% was in Hong Kong dollars, 87% was in RMB, 6% was in United States dollars and 1% was in Eurodollars).

As at 31 December 2021, the Group had outstanding bank and other borrowings of HK\$3,611,570,000 (2020: HK\$3,494,561,000), of which approximately 11% was in Hong Kong dollars, 82% was in RMB and 7% was in United States dollars (2020: approximately 9% was in Hong Kong dollars, 81% was in RMB and 10% was in United States dollars). All of the Group’s borrowings as at 31 December 2021 were arranged on floating rate basis with effective interest rates ranged from 2.0% to 6.3% per annum (2020: 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 31 December 2021 in accordance with terms of settlement. Of the total bank and other borrowings as at 31 December 2021, HK\$1,617,754,000 (2020: HK\$1,614,823,000) was loans repayable within one year and the balance of HK\$1,993,816,000 (2020: HK\$1,879,738,000) was repayable more than one year.

As at 31 December 2021, the Group's gearing ratio was 2.84 (2020: 3.11), 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 Group's gearing ratio was 0.84 (31 December 2020: 0.85), which decreased by 1% compared with last year.

### **Charges on Assets**

As at 31 December 2021, the Group had trade receivables, finance lease receivables, pledged bank deposits and power plants amounting to HK\$Nil (2020: HK\$13,111,000), HK\$155,880,000 (2020: HK\$182,082,000), HK\$229,184,000 (2020: HK\$418,183,000), HK\$1,608,246,000 respectively, which have been pledged to secure the bank and other facilities granted to the Group.

Save as disclosed above, the Group had no other charges on its assets as at 31 December 2021 (2020: Nil).

### **Capital Expenditure and Commitments**

During the year ended 31 December 2021, the Group had capital expenditure of HK\$44,378,000 (2020: HK\$1,081,346,000), which was used for the purchase of property, plant and equipment.

As at 31 December 2021, the Group did not have any capital commitments (2020: HK\$Nil).

### **Contingent liabilities**

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

## **CORPORATE GOVERNANCE**

The board (the “**Board**”) of directors (the “**Director**”) of China Nuclear Energy Technology Corporation Limited (the “**Company**”) has committed to achieve high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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 2021.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2021.

## **MODEL CODE FOR 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 for 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 2021.

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.

## **AUDIT COMMITTEE**

The Company has an audit committee (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and risk management and internal controls.

The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group’s external auditor, BDO Limited, to the amounts set out in the audited financial statements.



## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021.

## **ANNUAL GENERAL MEETING**

The annual general meeting (“AGM”) of the Company will be convened on Friday, 27 May 2022 at 10:00 a.m. Notice of AGM will be published and issued to shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM to be held on Friday, 27 May 2022, the register of members of the Company will be closed from Monday, 23 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 May 2022.

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

Hong Kong, 29 March 2022

*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.*