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中核集团
CNNC

# 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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

**FINANCIAL HIGHLIGHTS**

| | **Financial year ended** | | |
|---|---|---|---|
| | **2022** | 2021 | Change |
| **Year ended 31 December** | ***HK$'000*** | *HK$'000* | |
| Revenue from continuing operations | **2,138,482** | 2,586,654 | -17.3% |
| Profit for the year | **98,354** | 105,674 | -6.9% |
| Basic and diluted earnings per share *(HK cents per share)* | **5.55** | 6.84 | -18.9% |

| | **2022** | 2021 | Change |
|---|---|---|---|
| **As at 31 December** | ***HK$'000*** | *HK$'000* | |
| Total assets | **9,418,915** | 7,983,587 | 18.0% |
| Net assets | **1,693,430** | 1,277,657 | 32.5% |

**2022 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 2022 together with comparative figures for the year ended 31 December 2021. 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 2022*

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **2,138,482** | 2,586,654 |
| Cost of sales | | **(1,724,026)** | (2,225,712) |
| Gross profit | | **414,456** | 360,942 |
| Other income and gains | 4 | **45,622** | 21,762 |
| Administrative expenses | | **(156,329)** | (132,171) |
| Expected credit losses on trade and bills receivables and contract assets | | **(6,194)** | (7,469) |
| Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") | | **1,830** | 1,167 |
| Finance costs | 5 | **(160,666)** | (147,491) |
| Share of results of associates | | **582** | 27,085 |
| Profit before income tax expense | 6 | **139,301** | 123,825 |
| Income tax expense | 7 | **(40,947)** | (29,021) |
| Profit for the year from continuing operations | | **98,354** | 94,804 |
| **Discontinued operations** | | | |
| Profit for the period from discontinued operations | 16 | **–** | 10,870 |
| **Profit for the year** | | **98,354** | 105,674 |

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Other comprehensive income for the year, net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translating foreign operations | | **(136,945)** | 39,219 |
| Exchange differences reclassified to profit or loss upon disposal of an associate | | **(668)** | – |
| Exchange differences reclassified to profit or loss upon deregistration of a subsidiary | | **–** | (3,747) |
| Share of other comprehensive (loss)/income of associates | | **(337)** | 3,779 |
| | | **(137,950)** | 39,251 |
| Total comprehensive (loss)/income for the year | | **(39,596)** | 144,925 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | | |
| Profit for the year from continuing operations | | **92,243** | 78,914 |
| Profit for the year/period from discontinued operations | | **–** | 10,870 |
| | | **92,243** | 89,784 |
| Non-controlling interests | | | |
| Profit for the year from continuing operations | | **6,111** | 15,890 |
| | | **98,354** | 105,674 |
| **Total comprehensive (loss)/income for the year attributable to:** | | | |
| Owners of the Company | | **(43,664)** | 127,916 |
| Non-controlling interests | | **4,068** | 17,009 |
| | | **(39,596)** | 144,925 |
| Earnings per share from continuing and discontinued operations | | | |
| – basic and diluted (HK cents per share) | *9* | **5.55** | 6.84 |
| Earnings per share from continuing operations | | | |
| – basic and diluted (HK cents per share) | *9* | **5.55** | 6.01 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **3,081,953** | 2,298,730 |
| Right-of-use assets | | **203,706** | 19,856 |
| Financial assets at FVTPL | | **28,953** | 27,941 |
| Interest in an associate | | **7,838** | 7,593 |
| Finance lease receivables | | **15,264** | 142,636 |
| Loan receivables | *12* | **27,977** | 14,694 |
| Prepayment for property, plant and equipment | *13* | **111,768** | 153,237 |
| | | **3,477,459** | 2,664,687 |
| **Current assets** | | | |
| Trade and bills receivables | *11* | **1,528,420** | 2,181,398 |
| Loan receivables | *12* | **241,050** | 161,805 |
| Prepayments, deposits and other receivables | *13* | **1,201,051** | 785,012 |
| Contract assets | *10(a)* | **883,466** | 1,025,220 |
| Finance lease receivables | | **7,644** | 45,975 |
| Pledged bank deposits | | **1,075,948** | 229,184 |
| Cash and cash equivalents | | **1,003,877** | 741,318 |
| | | **5,941,456** | 5,169,912 |
| Non-current asset classified as held for sale | | **–** | 148,988 |
| | | **5,941,456** | 5,318,900 |

| | Notes | **2022** | 2021 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Less: Current liabilities** | | | |
| Trade and bills payables | *14* | **1,529,765** | 2,651,114 |
| Other payables and accruals | *15* | **344,660** | 302,487 |
| Contract liabilities | *10(b)* | **614,945** | 114,801 |
| Bank and other borrowings | | **2,646,606** | 1,617,754 |
| Lease liabilities | | **14,933** | 5,046 |
| Tax payable | | **15,508** | 15,158 |
| | | **5,166,417** | 4,706,360 |
| **Net current assets** | | **775,039** | 612,540 |
| **Total assets less current liabilities** | | **4,252,498** | 3,277,227 |
| **Less: Non-current liabilities** | | | |
| Bank and other borrowings | | **2,390,309** | 1,993,816 |
| Lease liabilities | | **168,759** | 5,754 |
| | | **2,559,068** | 1,999,570 |
| **Net assets** | | **1,693,430** | 1,277,657 |
| **Capital and reserves** | | | |
| Share capital | | **185,204** | 131,309 |
| Reserves | | **1,474,873** | 1,103,451 |
| **Equity attributable to owners of the Company** | | **1,660,077** | 1,234,760 |
| **Non-controlling interests** | | **33,353** | 42,897 |
| **Total equity** | | **1,693,430** | 1,277,657 |

## NOTES:

### 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 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.

#### (d) Change in presentation of the consolidated statement of profit or loss and other comprehensive income

The presentation of the consolidated statement of profit or loss and other comprehensive income was changed from by nature to by function following with the change in corporate structure during the year. The directors of the Company consider that such presentation would be more appropriate and consistent with the prevailing industry practice.

### 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 HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS41 | Annual Improvements to HKFRSs 2018-2020 cycle |
| Amendment to HKFRS 16 | COVID-19-related rent concessions beyond 30 June 2021 |
| Amendment to HKAS 16 | Property, Plant and Equipment - Proceed before Intended Use |
| Amendment to HKFRS 3 | Reference to the Conceptual Framework |

None of these amended HKFRSs effective on 1 January 2022 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 representing the Group's chief operating decision-maker 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 reportable segments in the consolidated financial statements.

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 three (2021: three) reportable segments. An operating segment regarding the manufacturing and trading business was discontinued in 2021. The segment information reported below does not include any amounts for this discontinued operation. Prior year segment disclosures have been represented to conform with the current year's presentation. 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; and

- the financing segment comprises the Group's financing operations.

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

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 2022, except for the property, plant and equipment amounted to HK$763,000 (2021: HK$84,000) and right-of-use assets amounted to HK$3,398,000 (2021: HK$5,559,000) are located in Hong Kong, all other non-current assets are located in the PRC.

Included in revenue arising from EPC and consultancy and general construction segment of HK$296,520,000 and HK$175,676,000 (2021: HK$528,720,000 and HK$316,205,000) arose from the Group's first and second largest customers. For the year ended 31 December 2022, except for the above first largest customers, no other customers (2021: 2 customer of EPC and consultancy and general construction segment) of the Group with revenue represent more than 10% of the Group's revenue.

| | Continuing operations | | | |
|---|---|---|---|---|
| | **EPC and consultancy and general construction** *HK$'000* | **Power generation** *HK$'000* | **Financing** *HK$'000* | **Total** *HK$'000* |
| **Year ended 31 December 2022** | | | | |
| Segment revenue: | | | | |
| Sales to external customers | **1,637,410** | **470,510** | **30,562** | **2,138,482** |
| Intersegment sales | **–** | **–** | **35,710** | **35,710** |
| Reportable segment revenue | **1,637,410** | **470,510** | **66,272** | **2,174,192** |
| *Reconciliation:* | | | | |
| Elimination of intersegment sales | | | | **(35,710)** |
| Total segment revenue from external customers | | | | **2,138,482** |
| **Segment results** | **46,719** | **235,178** | **6,567** | **288,464** |
| *Reconciliation:* | | | | |
| Unallocated corporate expenses | | | | **(32,616)** |
| Bank interest income | | | | **13,976** |
| Finance costs | | | | **(160,666)** |
| Change in fair value of financial asset at FVTPL | | | | **1,830** |
| Dividend income | | | | **10,006** |
| Gain on disposal an associate | | | | **17,725** |
| Share of results of an associate | | | | **582** |
| Profit before income tax expense | | | | **139,301** |
| Income tax expense | | | | **(40,947)** |
| Profit for the year | | | | **98,354** |

| | Continuing operations | | | |
|---|---|---|---|---|
| | EPC and consultancy and general construction *HK$'000* | Power generation *HK$'000* | Financing *HK$'000* | Total *HK$'000* |
| **Year ended 31 December 2021 (represented)** | | | | |
| Segment revenue: | | | | |
| Sales to external customers | 2,115,398 | 428,838 | 42,418 | 2,586,654 |
| Intersegment sales | – | – | 32,753 | 32,753 |
| Reportable segment revenue | 2,115,398 | 428,838 | 75,171 | 2,619,407 |
| *Reconciliation:* | | | | |
| Elimination of intersegment sales | | | | (32,753) |
| Total segment revenue from external customers | | | | 2,586,654 |
| **Segment results** | 33,186 | 206,347 | 14,829 | 254,362 |
| *Reconciliation:* | | | | |
| Unallocated corporate expenses | | | | (21,244) |
| Bank interest income | | | | 9,946 |
| Finance costs | | | | (147,491) |
| Change in fair value of financial assets at FVTPL | | | | 1,167 |
| Share of results of associates, net | | | | 27,085 |
| Profit before income tax expense | | | | 123,825 |
| Income tax expense | | | | (29,021) |
| Profit for the year | | | | 94,804 |

| | Continuing operations | | | |
|---|---|---|---|---|
| | **EPC and consultancy and general construction** *HK$'000* | **Power generation** *HK$'000* | **Financing** *HK$'000* | **Total** *HK$'000* |
| **At 31 December 2022** | | | | |
| **Segment assets** | **4,664,692** | **4,203,260** | **371,305** | **9,239,257** |
| *Reconciliation:* | | | | |
| Unallocated assets | | | | **179,658** |
| Total assets | | | | **9,418,915** |
| **Segment liabilities** | **4,168,365** | **2,456,204** | **613,248** | **7,237,817** |
| *Reconciliation:* | | | | |
| Unallocated liabilities | | | | **487,668** |
| Total liabilities | | | | **7,725,485** |
| **Other segment information** | | | | |
| Expected credit losses | **6,160** | **25** | **9** | **6,194** |
| Depreciation of property, plant and equipment | **887** | **175,350** | **167** | **176,404** |
| Depreciation of right-of-use assets | **3,107** | **11,189** | **1,177** | **15,473** |
| Additions to property, plant and equipment | **522** | **1,154,621** | **1,114** | **1,156,257** |
| Additions to right-of-use assets | **6,540** | **169,249** | **–** | **175,789** |

All assets are allocated to operating segments, except for certain property, plant and equipment, right-of-use assets, prepayment and other receivables and cash and cash equivalents of head office, financial assets at FVTPL and interest in an associate.

All liabilities are allocated to operating segments, except for certain accruals and other payables, lease liabilities and bank borrowings of head office.

Depreciation of property, plant and equipment and right-of-use assets of HK$120,000 and HK$2,161,000 respectively are included in unallocated corporate expenses.

Additions to property, plant and equipment of HK$798,000 is included in unallocated assets.

| | Continuing operations | | | |
|---|---|---|---|---|
| | EPC and consultancy and general construction *HK$'000* | Power generation *HK$'000* | Financing *HK$'000* | Total *HK$'000* |
| **At 31 December 2021 (represented)** | | | | |
| **Segment assets** | 4,139,119 | 3,193,272 | 453,495 | 7,785,886 |
| *Reconciliation:* | | | | |
| Unallocated assets | | | | 197,701 |
| Total assets | | | | 7,983,587 |
| **Segment liabilities** | 3,699,955 | 1,678,765 | 817,216 | 6,195,936 |
| *Reconciliation:* | | | | |
| Unallocated liabilities | | | | 509,994 |
| Total liabilities | | | | 6,705,930 |
| **Other segment information** | | | | |
| Expected credit losses | 6,562 | 907 | – | 7,469 |
| Depreciation of property, plant and equipment | 753 | 146,648 | 94 | 147,495 |
| Depreciation of right-of-use assets | 4,547 | 3,846 | 569 | 8,962 |
| Additions to property, plant and equipment | 1,161 | 48,387 | 28 | 49,576 |
| Additions to right-of-use assets | – | 6,027 | 4,096 | 10,123 |

All assets are allocated to operating segments, except for certain property, plant and equipment, right-of-use assets, prepayments and other receivables and cash and cash equivalents of head office, financial assets at FVTPL and interest in an associate.

All liabilities are allocated to operating segments, except for certain accruals and other payables, lease liabilities and bank borrowings of head office.

Depreciation of property, plant and equipment and right-of-use assets of HK$32,000 and HK$2,747,000 respectively are included in unallocated corporate expenses.

Additions to property, plant and equipment and right-of-use assets of HK$33,000 and HK$6,131,000 respectively are included in unallocated assets.

## 4. REVENUE, OTHER INCOME AND GAINS

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue:** | | |
| **Continuing operations** | | |
| *EPC and consultancy and general construction segment* | | |
| Construction of photovoltaic power plants | | |
| – Construction contract revenue | **450,969** | 733,549 |
| General construction | | |
| – Construction contract revenue | **755,955** | 814,126 |
| Sale of goods | **370,507** | 567,163 |
| Service income | **59,979** | 560 |
| *Financing segment* | | |
| Finance lease interest income | **14,073** | 19,730 |
| Loan interest income | **7,692** | 14,678 |
| Handling fee income | **8,797** | 8,010 |
| *Power generation segment* | | |
| Sale of electricity | **470,510** | 428,838 |
| | **2,138,482** | 2,586,654 |
| **Discontinued operations** | | |
| Sales of goods | **–** | 20,757 |
| | **2,138,482** | 2,607,411 |
| **Timing of revenue recognition under HKFRS 15:** | | |
| At a point in time | **370,507** | 567,163 |
| Over time | **1,737,413** | 1,977,073 |
| | **2,107,920** | 2,544,236 |

**Transaction price allocated to the remaining performance obligations**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) and the expected timing of recognising revenue are as follows:

| | | |
|---|---|---|
| Within one year | **538,688** | 706,441 |
| More than one year but no more than two year | **1,749,574** | 221,108 |
| | **2,288,262** | 927,549 |

| | | |
|---|---|---|
| **Other income and gains:** | | |
| **Continuing operations** | | |
| Bank interest income | **13,976** | 9,946 |
| Dividend income | **10,006** | – |
| Gain on disposal of an associate | **17,725** | – |
| Others* | **3,915** | 11,816 |
| | **45,622** | 21,762 |
| **Discontinued operations** | | |
| Bank interest income | **–** | 6 |
| Others | **–** | 9,429 |
| | **–** | 9,435 |
| | **45,622** | 31,197 |

* Included in other was gain on disposal of property, plant and equipment and right-of use assets of HK$Nil in total (2021: HK$11,836,000) for the year ended 31 December 2022.

## 5. FINANCE COSTS

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Interest on bank and other borrowings | **170,074** | 152,224 |
| Interest on lease liabilities | **5,609** | 498 |
| Total finance costs | **175,683** | 152,722 |
| Less: amount capitalised in cost of qualifying assets* | **(15,017)** | (5,231) |
| | **160,666** | 147,491 |

* The borrowing costs have been capitalised at a rate of 3.64% (2021: 3.91%) per annum.

## 6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Cost of sales: | | |
| Construction of photovoltaic power plants | | |
| – Material and equipment | **356,204** | 377,256 |
| – Sub-contract costs for construction | **21,788** | 190,720 |
| – Sub-contract costs for design and consultancy services | **19,120** | 88,738 |
| General construction | | |
| – Sub-contract costs for construction | **730,993** | 773,396 |
| Cost of inventories sold | **348,010** | 562,334 |
| Other costs# | **247,911** | 233,268 |
| Total cost of sales | **1,724,026** | 2,225,712 |
| Depreciation of property, plant and equipment | **176,524** | 152,268 |
| Depreciation of right-of-use assets | **17,634** | 12,050 |
| | **194,158** | 164,318 |
| Administrative expenses: | | |
| Staff costs (including directors' and chief executive's remuneration): | | |
| Wages, salaries and bonuses | **64,711** | 56,513 |
| Pension scheme contributions | **11,122** | 9,753 |
| Total staff costs | **75,833** | 66,266 |
| Auditor's remuneration | **2,262** | 2,110 |
| Bank charges | **21,807** | 9,818 |
| Exchange loss/(gain) | **5,387** | (2,734) |
| Legal and professional fee | **6,942** | 7,998 |
| Short-term and low-value lease expense | **630** | 875 |
| Research and development expense | **15,905** | 15,153 |

\# Other costs included depreciation and maintenance costs for the power plants and finance costs under financing segment.

## 7. INCOME TAX EXPENSE

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

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Continuing operations** | | |
| Current tax for the year | | |
| Hong Kong | **–** | – |
| Other than Hong Kong | **40,947** | 29,021 |
| Income tax expense | **40,947** | 29,021 |

No provision for Hong Kong profits has been made for both years as the Group did not generate any assessable profits arising in Hong Kong.

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% (2021: 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. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2022 (2021: Nil).

## 9. EARNINGS PER SHARE

**From continuing and discontinued operations**

*Earnings*

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings for the purposes of basic and diluted earnings per share | **92,243** | 89,784 |

*Number of shares*

| | **2022** | 2021 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued share capital at 1 January | **1,313,095** | 1,313,095 |
| Subscription of new shares | **538,942** | – |
| Issued share capital at 31 December | **1,852,037** | 1,313,095 |
| Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation | **1,661,561** | 1,313,095 |

No adjustment is made in the calculation of diluted earnings per share for the years ended 31 December 2022 and 2021 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*

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year attributable to owners of the Company | **92,243** | 89,784 |
| Less: | | |
| Profit for the period from discontinued operations | **–** | 10,870 |
| Earnings for the purposes of basic and diluted earnings per share from continuing operations | **92,243** | 78,914 |

*Number of shares*

| | **2022** | 2021 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation | **1,661,561** | 1,313,095 |

**From discontinued operations**

Basic and diluted earning per share for the discontinued operation is HK$Nil cent per share (2021: earnings of HK$0.83 cents per share) based on the profit for the period from discontinued operations of HK$Nil (2021: profit of HK$10,870,000) and the denominators detailed above for both basic and diluted profit/(loss) per share.

10. **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.

| | **31 December 2022** | 31 December 2021 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| *Contract assets arising from:* | | |
| Provision of EPC and consultancy services and general construction contract works | **884,526** | 1,030,667 |
| Less: Impairment losses | **(1,060)** | (5,447) |
| | **883,466** | 1,025,220 |

| | **2022** | 2021 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Gross carrying amount as at 1 January | **1,030,667** | 1,186,121 |
| Decrease as a result of: | | |
| – retention receivable transferred to trade receivables | **(162,119)** | (140,715) |
| – issuance of invoices to customers | **(676,672)** | (1,058,871) |
| | **(838,791)** | (1,199,586) |
| Increase as a result of: | | |
| – retention receivable recognised for the year | **–** | 167,978 |
| – unbilled construction contract revenue for the year | **771,756** | 846,638 |
| | **771,756** | 1,014,616 |
| Exchange alignments | **(79,106)** | 29,516 |
| Gross carrying amount as at 31 December | **884,526** | 1,030,667 |

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 2022 and 2021 are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **883,466** | 1,025,220 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of year | **5,447** | 9,667 |
| Reversal of impairment losses | **(4,387)** | (4,220) |
| At end of year | **1,060** | 5,447 |

An impairment analysis is performed at each reporting date using a collective basis with 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 2022, retention held by customers for contract work amounted to approximately HK$Nil (2021: HK$170,635,000). 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.

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Contract liabilities arising from:* | | |
| Provision of EPC and consultancy services and general construction services | **614,945** | 114,801 |

| | 2022 | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance as at 1 January | **114,801** | 84,737 |
| Decrease in contract liabilities as a result of recognition of revenue during the year | **(109,071)** | (85,699) |
| Increase in contract liabilities as a result of billing in advance of provision of EPC and consultancy services and general construction services | **634,177** | 113,013 |
| Exchange alignments | **(24,962)** | 2,750 |
| Balance as at 31 December | **614,945** | 114,801 |

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 2021 are recognised as revenue during the year ended 31 December 2022. The Group expects that the contract liabilities as at 31 December 2022 will be recognised as revenue within a year or less.

## 11. 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.

| | 2022 | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **1,353,814** | 1,190,901 |
| Bills receivable | **223,105** | 1,028,415 |
| | **1,576,919** | 2,219,316 |
| Less: Impairment losses | **(48,499)** | (37,918) |
| | **1,528,420** | 2,181,398 |

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:

| | 2022 | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-90 days | **753,665** | 1,483,264 |
| 91-180 days | **150,535** | 263,419 |
| 181-365 days | **274,924** | 134,361 |
| Over 365 days | **397,795** | 338,272 |
| | **1,576,919** | 2,219,316 |

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.

## 12. LOAN RECEIVABLES

| | 2022<br>*HK$'000* | 2021<br>*HK$'000* |
|---|---|---|
| Loan receivables comprise: | | |
| Within one year | **241,050** | 161,805 |
| In the second to fifth years, inclusive | **27,977** | 14,694 |
| Total loan receivables | **269,027** | 176,499 |
| Less: Portion classified under current assets | **(241,050)** | (161,805) |
| Non-current assets | **27,977** | 14,694 |

Loan receivables as at 31 December 2022 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% (2021: 6% to 8%) per annum and repayable in one to five years (2021: one to five years).

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2022<br>*HK$'000* | 2021<br>*HK$'000* |
|---|---|---|
| Prepayments | **953,182** | 556,377 |
| Deposits | **6,655** | 11,760 |
| Other receivables | **352,982** | 370,112 |
| | **1,312,819** | 938,249 |

| | 2022<br>*HK$'000* | 2021<br>*HK$'000* |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Current assets | **1,201,051** | 785,012 |
| Non-current assets (prepayment for property, plant and equipment) | **111,768** | 153,237 |
| | **1,312,819** | 938,249 |

As at 31 December 2022, included in prepayments were HK$839,935,000 (2021: HK$363,469,000) of prepayments for cost of materials or sub-contract costs for construction.

As at 31 December 2022, included in other receivables were (i) VAT recoverable of HK$130,373,000 (2021: HK$149,352,000); (ii) other receivables of HK$Nil (2021: HK$103,346,000) on disposal of property, plant and equipment; and (iii) remaining balances related to the advance for construction contracts which are unsecured and repayable on demand.

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.

## 14. TRADE AND BILLS PAYABLES

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **1,138,766** | 1,707,852 |
| Bills payable | **390,999** | 943,262 |
| | **1,529,765** | 2,651,114 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-90 days | **520,462** | 791,470 |
| 91-180 days | **206,374** | 681,724 |
| 181-365 days | **551,013** | 860,031 |
| Over 365 days | **251,916** | 317,889 |
| | **1,529,765** | 2,651,114 |

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

## 15. OTHER PAYABLES AND ACCRUALS

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Payables for construction works | **313,177** | 272,447 |
| Accruals | **31,483** | 30,040 |
| | **344,660** | 302,487 |

## 16. DISCONTINUED OPERATIONS

On 29 December 2021, a subsidiary, 徐州核潤光能有限公司, was deregistrated 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:

| | 1 January 2021 to 29 December 2021 (date of completion of the disposal) *HK$'000* |
|---|---|
| Revenue | 20,757 |
| Other income and gains | 9,435 |
| Cost of inventories used | (22,613) |
| Staff cost | (255) |
| Depreciation | (5,082) |
| Other operating expenses | (878) |
| Finance costs | – |
| Profit before income tax expense | 1,364 |
| Income tax credit | 5,759 |
| Profit for the period from discontinued operations | 7,123 |
| Gain on deregistration of a subsidiary, net of nil tax | |
| – Exchange differences reclassified to profit or loss upon deregistration | 3,747 |
| Profit for the period from discontinued operations, attributable to owners of the Company | 10,870 |
| Operating cash flows | (3,938) |
| Investing cash flows | 6 |
| Financing cash flows | – |
| Total cash flows | (3,932) |

## BUSINESS REVIEW AND PROSPECTS

## REVIEW OF INDUSTRY DEVELOPMENT STATUS

2022 is a critical year of the "14th Five-Year Plan". The Chinese government successively launched a number of policies to comprehensively promote the development of wind power and PV industry, including the construction of large-scale wind and photovoltaic bases, the construction of a clean, low-carbon, safe and efficient energy system.

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

In March 2022, the Report on the Work of the Government delivered in Two Sessions, namely NPC & CPPCC National Committee annual sessions has proposed that, the newly-added renewable energy and energy used as raw materials would be excluded from the total amount of energy consumption, advance the construction of large-scale wind and photovoltaic bases focusing on deserts, Gobi and barren beaches. The construction of large-scale wind and photovoltaic bases was included in Report on the Work of the Government for the first time and the focus of new infrastructure and government work in 2022. In May, the General Office of the State Council forwarded the Implementation Plan for Promoting High-Quality Development of New Energy in the New Era (《關於促進新時代新能源高質量發展實施方案》) issued by the NDRC and the National Energy Administration. The plan anchors the goal that the total installed capacity of wind power and solar power will reach more than 1,200 million KW by 2030, and proposes to accelerate the construction of a clean, low-carbon, safe and efficient energy system. For the first time, the state regarded photovoltaic industry as the starting point and tool for stable economic growth. "New energy" was also first included in the list of policies to resume work and production after the epidemic and stimulate the economy.

The Plan clearly states that, according to the 2025 requirement of the percentage of non-fossil energy consumption being approximately 20%, in 2025, the total energy consumption of renewable energy will reach approximately 1,000 million tons of standard coal, representing approximately 18% of primary energy consumption; the annual power generation of renewable energy will reach around 3.3 trillion KWh; the weight of responsibility for total national renewable energy power consumption and non-hydropower consumption will reach around 33% and 18% respectively; the non-electricity utilization scale including solar thermal application, geothermal energy heating, biomass heat supply and biomass fuel will reach over 60 million tons of standard coal. On 29 June, the MIIT, the NDRC, the Ministry of Finance, the Ministry of Ecology and Environment, the SASAC and the SAMR issued the Action Plan to Improve Industrial Energy Efficiency (《工業能效提升行動計劃》). The plan proposed to encourage to purchase green electricity through the electricity market and use renewable energy in nearby areas on a large scale and in a high proportion; promote the innovation and upgrading of intelligent photovoltaic and the application of industry characteristics, innovate the "photovoltaic +" model, and accelerate the diversified layout of photovoltaic power generation.

On 16 October 2022, the 20th National Congress was held in Beijing. The report of the 20th Party Congress proposed to actively and steadily promote carbon peak and carbon neutrality with China's energy and resources endowment, adhere to the principle of "starting from the start and then breaking through" and implement the carbon peak action in a planned and step-by-step manner; further promote the energy revolution, strengthen the clean and efficient use of coal, accelerate the planning and construction of a new energy system, and actively participate in global governance in response to climate change. The report also proposed to actively and steadily promote carbon peak and carbon neutrality, focus on controlling fossil energy consumption and gradually shift to control the total amount and intensity of carbon emissions.

On 28 November 2022, the National Energy Administration issued the Notice of the General Department of the National Energy Administration on Actively Promoting the Work of Merging New Energy Power Generation Projects as Possible and Early as Possible (《國家能源局綜合司關於積極推動新能源發電項目應併盡併、能併早併有關工作的通知》), which proposed that, on the premise of ensuring the safe and stable power grid and orderly supply of electricity, all power grid enterprises shall, in accordance with the principle of "as possible and early as possible", take effective measures to ensure timely grid connection for wind power and photovoltaic power generation projects that meet the conditions for grid connection, allow grid connection in batches, and shall not take the full capacity as a necessary condition for grid connection for new energy projects.

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

According to the statistics from the National Energy Administration, newly installed PV power generation capacity in China reached a record high of 87.41GW in 2022, representing a year-on-year increase of 59.3%, of which newly installed capacity of centralized power stations were 36.3GW, representing a year-on-year increase of 41.8%; and newly installed capacity of distributed power stations were 51.1GW, representing a year-on-year increase of 74.5%. The newly installed PV power generation capacity ranked first in the world for 10 consecutive years. As of the end of December 2022, China's accumulative installed PV power generation capacity reached 392.61GW, and the cumulative installed PV power generation capacity ranked first in the world for 8 consecutive years.

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

The newly grid-connected installed wind power capacity nationwide was 37.63GW in 2022, and the cumulative installed wind power capacity reached 365.44GW, accounting for 14.25% of the total installed wind power capacity.

For the whole year of 2022, China's wind and solar power generation exceeded 1 trillion KWh in 2022, reaching 1.19 trillion KWh, representing an increase of 207.3 billion KWh as compared to 2021, representing a year-on-year increase of 21%, and accounting for 13.8% of the total electricity consumption of the society, representing a year-on-year increase of two percentage points.

## BUSINESS REVIEW

2022 witnessed a troubled trade globalization caused by the factors such as ongoing outbreak of COVID-19, slow recovery of the world economy and turbulent international situation. With scientific, practical, stable and effective macro-economic policies, China's economy presented a steady rise, reflecting China's solid economic foundation and sound risk prevention and mitigation mechanism, and indicating that China has taken a key step in the critical stage of the "14th Five-Year Plan".

During the Year, the Group completed the goal of introducing strategic investors after unremitting efforts, and 深圳市新南山控股(集團)股份有限公司 (transliterated as Shenzhen New Nanshan Holding (Group) Co., Ltd.*) ("**Nanshan Holding**") became the largest shareholder of the Group. In the future, with the support of the two shareholders who are state-owned enterprises, the Group will promote the new energy business to a new level through resource sharing, joint expansion and business synergy.

For the year ended 31 December 2022, revenue decreased by approximately 18.0% year-on-year to HK$2,138,482,000 (2021: HK$2,607,411,000); profit attributable to owners of the Group amounted to HK$92,243,000 (2021: HK$89,784,000), representing an increase of approximately 2.7% over the same period of last year. The basic earnings per share was HK5.55 cents, indicating a decrease of HK1.29 cents or approximately 18.9% from HK6.84 cents 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 decreased by approximately 22.6% to HK$1,637,410,000 (2021: HK$2,115,398,000). The decrease in segment revenue was mainly due to the focus of the EPC business of photovoltaic power stations on the development and construction of internal power stations, and the decrease in external engineering and equipment procurement business.

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 2022 by generating revenue of HK$755,955,000 (2021: HK$814,126,000), representing a decrease of approximately 7.1% as compared to same period of last year.

In 2022, the Group's EPC business of power station developed steadily, and all projects undertaken by the Group were completed with high quality as scheduled, ranking among the top players among China EPC brands for 7 consecutive years. In terms of typical projects, the Company completed the construction of photovoltaic power generation projects including 80MW in Zhenkang, Yunnan, 20MW in Liaohe Oilfield, 8MW in DLS, Jiangsu and 5 + 5MW in Bengbu, Anhui. At the same time, the Group actively expanded the EPC business of new energy power stations, and successively undertook and constructed the 60MWh energy storage power station project in Dengkou, Inner Mongolia, and the 120MWh energy storage power station project in Qingshuihe, Inner Mongolia, which accumulated valuable experience for the Group in the construction of energy storage power stations.

In 2022, 1 new utility model patents was authorised, technology investment planning was completed and 3 new technology research and development projects were launched. 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 11th "Polaris Cup" Influential Brand of Photovoltaic Power Plant Operation and Maintenance, Influential Brand of Photovoltaic Development Investor/EPC and PVBL Top 20 Global Photovoltaic EPC Integration Products Brand for 2022, and the 3rd China Industrial and Commercial Photovoltaic Industry and Investment Leader Award, which exhibited its professional excellence.

**Power Generation Business**

In 2022, the Group completed the on-grid power generation of 193MW power stations through a combination of independent investment and mergers and acquisitions. Among them, the self-developed 80MW agricultural and photovoltaic complementary power generation project in Yunnan Zhenkang County was the first batch of new energy major projects in Yunnan in 2021 for "ensuring supply and promoting investment", and also the first on-grid project of that batch, which has been highly recognised by the Yunnan Provincial development and reform commission, the energy administration and the local county officials and departments. At the same time, the Group continued to strengthen the expansion of photovoltaic and wind power projects, and increased the reserve of photovoltaic and wind power projects by 3,000MW in Yunnan, Guangdong and other regions. The Group also made new breakthroughs in the layout of independent energy storage business, and obtained the filing of 200MW/400MWh independent energy storage power station project in Zhenkang, Yunnan. The Group will continue to implement the national deployment and strategy and increase investment to develop wind power, photovoltaic power generation and other non-fossil energy in an orderly manner.

In 2022, the Group continued to improve the operation and maintenance level through intelligent systems, generating stable revenue for power plants and leading the power generation index level in the industry. Currently, the Group has a total of 48 power plants under operation and maintenance, and total capacity of the Group's power plants under operation was 598MW, with annual power generation of 822 million KWh, representing an increase of 234 million KWh as compared with the power generation of 2021.

During the year, the cumulative power generation of self-invested power stations was 822.04 million KWh, of which the cumulative power generation of photovoltaic power stations was 501.58 million KWh, and the cumulative power generation of the wind farm was 320.46 million KWh.

The assessment index of annual equivalent utilization hours of wind power in 2022 was based on the actual equivalent utilization hours of wind power in 2021 of 2,500h. The annual equivalent utilization hours of feasibility study was 2,276h, and the power generation task exceeds feasibility study by 9.84%.

In 2022, the registered installed capacity was 2,338MW, and the scale of self-owned power plants increased by 193MW.

中核(南京)能源發展有限公司 (transliterated as CNI (Nanjing) Energy Development Company Limited*) ("**CNI (Nanjing)**"), an indirect wholly-owned subsidiary of the Company, entered into two sale and purchase agreements with independent third party vendors, respectively, to acquire the entire equity interest in 鳳陽協鑫光伏電力有限公司 (transliterated as Fengyang Xiexin Photovoltaic Power Co., Ltd.*) ("**Fengyang**") and 鎮江鑫能光伏電力有限公司 (transliterated as Zhenjiang Xinneng Photovoltaic Power Co., Ltd.*) ("**Zhenjiang**"). The aforesaid two acquisitions were completed in August 2022, as a result, both Fengyang and Zhenjiang became wholly-owned subsidiaries of the Company and have started to contribute to the Group's power generation business.

During the year ended 31 December 2022, this segment recorded a year-on-year revenue growth of approximately 9.7%, contributing HK$470,510,000 (2021: HK$428,838,000) to the Group's revenue, and an increase in segment profit (before deducting tax and finance cost) of approximately 14% to HK$235,178,000 (2021: HK$206,347,000). The increase in segment revenue was mainly due to the contribution of the full-year operation of the Group's projects during the period.

**Financing Business**

During the year ended 31 December 2022, the Group's finance leasing business recorded segment revenue to external customers of HK$30,562,000 (2021: HK$42,418,000), representing a decrease of approximately 27.9%, and segment profit (before deducting tax and finance cost) of HK$6,567,000 (2021: segment loss of HK$14,829,000). The decrease 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 2022, the Group continued to carry out finance leasing, factoring and other financial businesses in the new energy field, increased the proportion of external business income, and focused on the tasks of "guaranteeing investment, reducing leverage, ensuring liquidity, and reducing costs" to ensure the effective flow of funds and the effective reduction of financial costs.

In terms of finance 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.

**Environmental Policy and Performance**

As an enterprise specialized in renewable energy development, the Group unceasingly strives to improve our performance in environment, social and governance in all business segments so as to provide the general public with cleaner and more reliable electricity supply. In order to take accountability for the design, safety and quality of our construction projects, we regularly inspect and monitor the EPC procedures of each construction project and timely execute rectifications and modifications when defects arise. At the same time, we have established a comprehensive reporting and analysis mechanism, which enables the Group to flexibly resolve issues and prevent potential problems.

**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. The Group established a comprehensive system for safe and environmentally-friendly production and operation procedures, and 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 2022, 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 Company in Nanjing through video cloud transmission, which significantly increased the efficiency of the Company's 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 by intensifying the cleaning of distributed components in power plants and speeding up fault handling, so as to increase the power generation capacity and secure the safe operation of power plants.

**Compliance with Relevant Laws and Regulations**

During the year ended 31 December 2022, there was no evidence of non-compliance with the relevant laws and regulations that have significant impacts on the Group as far as the Board is aware.

### Relationship with Employees, Customers and Suppliers

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

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

During the year ended 31 December 2022, there is no circumstance of any event between the Group and its employees, customers and suppliers which will have a significant impact on the Group's business and on which the Group's success depends.

## BUSINESS PROSPECTS

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

During the "14th Five-Year Plan" period, China's renewable energy will enter a new stage of high-quality development, showing new features. The first feature is large-scale development, which means that it will further accelerate the increase in the proportion of installed power generation capacity on the basis of leapfrog development. The second feature is the high proportion of development that the energy and electricity consumption has become the main body of increment from incremental supplement so that the proportion of energy and electricity consumption has increased rapidly. The third feature is market-oriented development, shifting from development supported by subsidy to development supported by low-priced and parity, and from policy-driven development to market-driven development. The fourth feature is high-quality development, which means that large-scale development, high-level consumption and more guaranteed stable and reliable electricity supply. China's renewable energy will further lead the mainstream direction of energy production and consumption revolution, playing the leading role of energy green and low-carbon transformation, and providing main support for achieving the goals of carbon peaking and carbon neutrality.

Looking forward to 2035, China will basically achieve socialist modernization, and carbon emissions will steadily decrease after reaching peak. On the basis of the non-fossil energy consumption accounting for approximately 25% and the total installed capacity of wind power and solar power generation reaching more than 1,200 million KW by 2030, the above indicators will be further improved. Renewable energy will accelerate the replacement of fossil energy sources, new power systems should achieve substantial results, the competitiveness of the renewable energy industry will be further consolidated and enhanced, and a clean, low-carbon, safe and efficient energy system will be basically built.

During the "14th Five-Year Plan", the Group will continue to increase its investment and development efforts in PV and wind power projects.

The Company carried out investment activities through self-development, cooperative development, acquisition, mergers and acquisitions and other channels to rapidly expand its scale.

The Company will actively cultivate the energy storage market and hydrogen energy market, and seek new economic growth points for its sustainable and healthy development.

The Company will strengthen the cooperation with its shareholder, Blogi, to promote the implementation of distributed photovoltaic projects, and actively explore the cooperation with its partners, such as Baowan Industrial City*, in the integrated charging station projects for solar energy storage and charging. In addition, by maintaining the stable development of new energy EPC and housing construction businesses and properly participating in market-oriented project competition, the Company made its EPC business more competitive. The Company also focused on ensuring the construction needs of its self-invested projects, and the housing and municipal construction business remained the same as last year.

## FINANCIAL REVIEW

The Group's revenue decreased by approximately 18% from HK$2,607,411,000 for the year ended 31 December 2021 to HK$2,138,482,000 for the year ended 31 December 2022. The decrease was mainly due to the decrease of revenue generated from EPC and consultancy and general construction segment during the year ended 31 December 2022. Profit attributable to owners of the Company amounted to HK$92,243,000 for the year ended 31 December 2022, which represented a year-on-year increase of approximately 2.7% when compared with that for the year ended 31 December 2021. Basic earnings per share for the year ended 31 December 2022 was HK5.55 cents when compared with HK6.84 cents recorded for the year ended 31 December 2021.

* *For identification purposes only*

**Revenue**

During the year ended 31 December 2022, the Group achieved revenue of HK$2,138,482,000 (2021: HK$2,607,411,000), representing an decrease of approximately 18% as compared to that of the year ended 31 December 2021. Composition of revenue for the years ended 31 December 2022 and 2021 is shown in the following table:

**Year ended 31 December**

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | ***HK$'000*** | **Percentage of the Group's total revenue** | *HK$'000* | Percentage of the Group's total revenue |
| Continuing operations | | | | |
| EPC and consultancy and general construction | **1,637,410** | **76.6%** | 2,115,398 | 81.1% |
| Power generation | **470,510** | **22.0%** | 428,838 | 16.4% |
| Financing | **30,562** | **1.4%** | 42,418 | 1.7% |
| | **2,138,482** | **100%** | 2,586,654 | 99.2% |
| Discontinued operations | | | | |
| Manufacturing and trading | **–** | **0%** | 20,757 | 0.8% |
| Total | **2,138,482** | **100%** | 2,607,411 | 100.0% |

For the year ended 31 December 2022, EPC and consultancy and general construction segment remained the major source of revenue for the Group which contributed HK$1,637,410,000 (2021: HK$2,115,398,000), representing a decrease of approximately 22.6% as compared to that for the year ended 31 December 2021. The decrease in revenue was mainly due to the decrease in the total investment cost of photovoltaic projects driven by grid parity, resulting in a decrease in the bidding price of EPC projects, and the focus of photovoltaic power station EPC business was on the development and construction of internal power stations.

Benefiting from the increasing proportion of revenue from self-owned power plants, the power generation of the year was 822 million KWh, representing an increase of 234 million KWh as compared with the power generation of 2021. Revenue derived from power generation segment achieved a growth of approximately 9.7% to HK$470,510,000 (2021: HK$428,838,000).

Revenue from the Group's financing segment decreased by approximately 28% to HK$30,562,000 (2021: HK$42,418,000), mainly contributed by the decrease in finance lease interest income, loan interest income and handling fee from certain financial leasing projects compared with last year.

**Profit**

Profit for the year ended 31 December 2022 amounted to HK$98,354,000 (2021: HK$105,674,000), representing a decrease of approximately 6.9% compared with 2021. The decrease in profit was caused by (i) the expansion of financing scale, the increase in financial expenses and the increase in income tax; (ii) the Profit of HK$10,870,000 generated from the discontinued operation of Xuzhou Herun in 2021.

The net profit margin of the Group increased to 4.6% (2021: 4.1%). 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 2022 increased by approximately 2.7% to HK$92,243,000 (2021: HK$89,784,000) and basic earnings per share was HK$5.55 cents (2021: HK$6.84 cents).

**Other income and gains**

Other income and gains for the year ended 31 December 2022 amounted of HK$45,622,000 (2021: HK$31,197,000) which were mainly derived from interest income, dividend income and gain on disposal of an associate.

**Cost of Sales and Construction Costs**

The cost of sales and the construction cost for the year ended 31 December 2022 amounted to HK$969,618,000 (2021: HK$1,139,323,000) and HK$754,408,000 (2021: HK$963,761,000) respectively, representing a decrease of approximately 14.9% and a decrease of approximately 21.7% respectively as compared to the corresponding period. The decrease in cost of sales was in line with decrease in revenue in EPC and consultancy and general construction segment during the year.

**Staff Costs**

The increase in staff costs by approximately 14.4% to HK$75,833,000 (2021: HK$66,266,000) was due to competitiveness of labour force market conditions.

**Depreciation**

The deprecation of the Group increased by approximately 18.2% to HK$194,158,000 for the year ended 31 December 2022 (2021: HK$164,318,000), which was due to the operation of new 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$78,325,000 (2021: HK$52,788,000) for the year ended 31 December 2022, representing an increase of approximately 48.4% 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 2022 increased by approximately 8.9% to HK$160,666,000 (2021: HK$147,491,000) compared with last year. 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 2022, income tax expense of the Group increased by approximately 41.1% to HK$40,947,000 (2021: HK$29,021,000) which was mainly due to the increase in profit for power generation segment during the period, accrued using the tax rate on disposal of China Nuclear Industry Maintenance Corporation Limited and the income tax credit of HK$5,759,000 in 2021. 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.

**Financial Position**

As at 31 December 2022, total assets of the Group were HK$9,418,915,000 (2021: HK$7,983,587,000), representing an increase of approximately 18% as compared to that for the year ended 31 December 2021. Current assets increased by approximately 11.7% to HK$5,941,456,000 (2021: HK$5,318,900,000) and non-current assets increased by approximately 30.5% to HK$3,477,459,000 (2021: HK$2,664,687,000). The increase in total assets of the Group was mainly contributed by increase in property, plant and equipment and pledged bank deposits during the year.

Total liabilities as at 31 December 2022 were HK$7,725,485,000 (2021: HK$6,705,930,000), an increase of approximately 15.2% as compared to that as at 31 December 2021. In particular, current liabilities as at 31 December 2022 were HK$5,166,417,000 (2021: HK$4,706,360,000), representing an increase of approximately 9.8% as compared to that as at 31 December 2021, which was principally due to the increase in bank and other borrowings. Non-current liabilities as at 31 December 2022 were HK$2,559,068,000 (2021: HK$1,999,570,000), representing an increase of approximately 28% as compared to that as at 31 December 2021 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 2022 was HK$1,660,077,000 (31 December 2021: HK$1,234,760,000), representing an increase of approximately 34.4% as compared with that as at 31 December 2021, primarily resulted from the increase in capital of Nanshan Holding.

**Liquidity, Financial Resources and Gearing**

As at 31 December 2022, net current assets of the Group amounted to HK$775,039,000 (2021: net current assets of HK$612,540,000). Besides, the Group maintained cash and cash equivalents of HK$1,003,877,000 as at 31 December 2022 (2021: HK$741,318,000), of which approximately 14% was in Hong Kong dollars, 85% was in Renminbi and 1% was in Eurodollars (2021: approximately 2% was in Hong Kong dollars, 95% was in RMB, 2% was in United States dollars and 1% was in Eurodollars).

As at 31 December 2022, the Group had outstanding bank and other borrowings of HK$5,036,915,000 (2021: HK$3,611,570,000), of which approximately 9.5% was in Hong Kong dollars, and 90.5% was in RMB dollars (2021: approximately 10.4% was in Hong Kong dollars, 82.3% was in RMB and 7.3% in United States dollars). All of the Group's borrowings as at 31 December 2022 were arranged on floating rate basis with effective interest rates ranged from 3.4% to 6.6% per annum (2021: 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 2022 in accordance with terms of settlement. Of the total bank and other borrowings as at 31 December 2022, HK$2,646,606,000 (2021: HK$1,617,754,000) was loans repayable within one year and the balance of HK$2,390,309,000 (2021: HK$1,993,816,000) was repayable more than one year.

As at 31 December 2022, the Group's gearing ratio was 3.08 (2021: 2.84), 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 debt-to-asset ratio was 0.82 (31 December 2021: 0.84), which decreased by 2% compared with last year.

**Charges on Assets**

As at 31 December 2022, the Group had finance lease receivables, pledged bank deposits and power plants amounting to HK$22,908,000 (2021: HK$188,611,000), HK$1,075,948,000 (2021: HK$229,184,000), HK$1,703,687,000 (2021: 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 2022 (2021: Nil).

**Capital Expenditure and Commitments**

During the year ended 31 December 2022, the Group had capital expenditure of HK$780,968,000 (2021: HK$44,378,000), which was used for the purchase of property, plant and equipment.

As at 31 December 2022, the Group did not have any capital commitments (2021: Nil).

**Contingent liabilities**

As at 31 December 2022, the Group did not have any contingent liabilities (2021: 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 2022.

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

On 10 May 2022, the Company has completed the additional issuance of 538,942,750 shares to Yahgee International (Hong Kong) Co., Limited, which is a wholly-owned subsidiary of Nanshan Holding.

Save as disclosed above, 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 2022.

## 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 2022.

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.

## EVENT AFTER REPORTING PERIOD

There were no major subsequent events occurred since 31 December 2022 and up to the date of this announcement.

## FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022.

## ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be convened on Wednesday, 31 May 2023 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 Wednesday, 31 May 2023, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Wednesday, 31 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 May 2023.

By Order of the Board
**China Nuclear Energy Technology Corporation Limited**
**Shu Qian**
*Chairman*

Hong Kong, 29 March 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Shu Qian (Chairman), Mr. Wu Yuanchen (Vice Chairman), Mr. Li Hongwei (Vice Chairman), Mr. Liu Genyu, Ms. HuangYan, Ms. Liu Jianrong; and the independent non-executive directors of the Company are Dr. Xu Shiqing, Mr. Kang Xinquan and Dr. Su Lixin.*