Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2020

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2020 (continued)

The following are the new or amended Standards and Interpretations (issued by the ASC up to 30 September 2020) that are not yet applicable, but may be early adopted for the current financial year.

Annual periods commencing on	Description
1 June 2020	Amendments to: - IFRS 16 Leases (Covid-19-Related Rent Concessions)
1 January 2022	Amendments to: - IFRS 3 Business Combinations (Reference to the Conceptual Framework) - IAS 16 Property, Plant and Equipment (Proceeds before Intended Use) - IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract) Annual improvements to IFRSs 2018 - 2020
1 January 2023	Amendments to: - IFRS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
To be determined	Amendments to: - IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The new or amended accounting Standards and interpretations listed above are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Going concern

As at 31 December 2020, the current liabilities of the Group and the Company exceeded the current assets by approximately RMB1,135 million and approximately RMB898 million respectively. Furthermore, as disclosed in Note 31 to the financial statements, following the breach of financial covenants for two guaranteed borrowings, the banks are contractually entitled to request for immediate repayment of the outstanding borrowing amount from the Group of RMB958,846,000 and from the Company of RMB913,486,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns.

The financial statements have nevertheless been prepared on a going concern basis as the directors and management have assessed that it is appropriate to do so after considering the following:

(A) the lenders of the guaranteed borrowings have not called on the repayment of the borrowings mentioned above;

(B) the Group's ability to finalise and obtain additional credit facilities from financial institutions subsequent to year-end;

(C) the Group's ability to generate positive cash flows from its operations; and

2. Significant accounting policies (continued)

2.2 Going concern (continued)

(D) the Group will continue to seek financial support from its single largest shareholder, Zhejiang Provincial Energy Group Co., Ltd., which is a state-owned provincial energy enterprise.

The directors have reviewed the Group's cash flow projection prepared by management, which covers a period of at least 12 months from 31 December 2020. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the accompanying financial statements on a going concern basis.

Notwithstanding the plans and measures taken by management, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(A) the lenders of the guaranteed borrowings will not call for the repayment ahead of the stipulated repayment dates;

(B) the Group is successful in its efforts to obtain or timely execute the additional credit facilities before the stipulated repayment dates;

(C) the Group continues to generate positive cash flows from its operations; and

(D) the Group is able to obtain timely and sufficient financial support from its single largest shareholder when needed.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the financial statements, to provide for any future liabilities which might arise. In addition, in the event that the Group and the Company do not continue as going concerns, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. Such adjustments have not been made to the accompanying financial statements.

2.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(a) Sale of goods

The Group sells electricity and steam to the customers. Revenue is recognised when control of the electricity and steam has transferred to the end users upon usage based on the meter reading. A receivable is recognised by the Group when the electricity and steam are delivered to the customers as this represents the point in time which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

(b) Rendering of services

(i) Project technical and management service and Energy Management Contracting ("EMC") business

Project technical and management fees and EMC service fees from customers are recognised as revenue over time when services are rendered based on agreed rates. Management has assessed that the stage of completion is determined as the proportion of the total service period that has elapsed as at the end of the reporting period as it is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15 as the customer simultaneously receives and consumes the services provided by the Group over the service period.