

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2021

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2021 (continued)

The following are the new or amended Standards and Interpretations (issued up to 30 September 2021) that are not yet applicable, but may be early adopted for the current financial year.

| Annual periods commencing on | Description |
|------------------------------|--|
| 1 January 2022 | Amendments to: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - IAS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current) - IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Disclosure of Accounting Policies) - IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) - IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| To be determined | Amendments to: <ul style="list-style-type: none"> - 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 2021 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 of 31 December 2021, the current liabilities of the Group and of the Company exceeded the current assets by approximately RMB2,130,907,000 and RMB2,013,619,000 respectively. Furthermore, included in the current liabilities of the Group and of the Company are outstanding borrowings of RMB1,395,508,030 and RMB1,325,508,030 respectively, that are without pledged bank deposits and that the banks are contractually entitled to request for immediate repayment as a result of the non-compliance of the Financial Covenant (as described in Note 30 to the consolidated financial statements) and the consequential cross default in relation to other borrowings. 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.

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2. Significant accounting policies (continued)

2.2 Going concern (continued)

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 borrowings have not called on the repayment of the borrowings mentioned above and the Group has maintained communication with relevant banks and financial institutions to explain changes in the financial conditions;
- (B) the Group's ability to finalise and obtain additional financing including:
 - (i) additional credit facilities from financial institutions subsequent to year-end;
 - (ii) proposed issuance of up to RMB1 billion in aggregate principal amount of Asset-Backed Securities ("ABS") which is currently under review for approval by the Shenzhen Stock Exchange;
- (C) the Group's ability to generate positive cash flows from its operations;
- (D) as disclosed in Note 30 to the consolidated financial statements, the Group had obtained loans of RMB840 million as of 31 December 2021 from subsidiaries of its single largest shareholder, Zhejiang Provincial Energy Group Co., Ltd. ("Zheneng Group"), which is a state-owned provincial energy enterprise with great financial strength and good credit standing and will continue to actively seek financial support from Zheneng Group.

The directors have reviewed the Group's cash flow projection prepared by management, which covers a period of at least twelve months from 31 December 2021, and 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 2021. 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 one or more of the following:

- (A) the lenders of the 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 aforementioned financing before the stipulated repayment dates;
- (C) the Group continues to generate positive cash flows from its operations; and/or
- (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.

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2021

30. Borrowings

| | Group | | Company | |
|--|-------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Guaranteed borrowings | 2,498,640 | 2,575,438 | 1,495,364 | 2,236,791 |
| Secured and guaranteed bank borrowings | 3,456,713 | 3,735,436 | - | - |
| Secured bank borrowings | 719,293 | 117,863 | 519,269 | - |
| Secured and guaranteed other borrowings | 3,102,633 | 1,578,539 | - | - |
| Secured other borrowings | 434,254 | 672,064 | - | - |
| Unsecured borrowings | 269,850 | - | - | - |
| | <u>10,481,383</u> | <u>8,679,340</u> | <u>2,014,633</u> | <u>2,236,791</u> |
| The borrowings comprise: | | | | |
| - Fixed-rate borrowings | 2,085,719 | 836,843 | 676,366 | - |
| - Variable-rate borrowings | 8,395,664 | 7,842,497 | 1,338,267 | 2,236,791 |
| | <u>10,481,383</u> | <u>8,679,340</u> | <u>2,014,633</u> | <u>2,236,791</u> |
| Total borrowings | 10,481,383 | 8,679,340 | 2,014,633 | 2,236,791 |
| Less: Amount due within one year shown under current liabilities | (4,706,413) | (2,588,705) | (2,014,633) | (913,486) |
| Amounts shown under non-current liabilities | <u>5,774,970</u> | <u>6,090,635</u> | <u>-</u> | <u>1,323,305</u> |

The carrying amount of borrowings approximate their fair value. The borrowings are secured by the pledge of certain property, plant and equipment, trade receivables, shares of a subsidiary, bank deposits, investment property, right-of-use assets and intangible assets.

Included in the above are borrowings with an aggregate principal amount of RMB840,000,000 (2020: RMB100,000,000) from subsidiaries of Zheneng Group, namely Zhejiang Provincial Energy Group Finance Co., Ltd. and Shanghai Puneng Finance Leasing Co., Ltd.

Included in the borrowings as at 31 December 2021 is an amount of RMB1,312,828,000 under a syndicated term loan facility arranged by Standard Chartered Bank (Hong Kong) Limited ("the agent") of up to US\$270,000,000 (the "Facility"), which requires that Zheneng Group maintains more than 25% shareholding interest in the Company.

Under the terms of the Facility, the Company has to ensure that the ratio of its consolidated net debt to consolidated total equity does not exceed 125% for the period from 1 January 2021 to 31 December 2021 ("Financial Covenant"). The aforesaid ratio had exceeded 125% for the financial year resulting in non-compliance by the Company of the Financial Covenant.

Due to the non-compliance of the Financial Covenant, the banks are contractually entitled to request for immediate repayment of the outstanding borrowings with covenant breaches. Accordingly, the non-current portion of the borrowings with covenant breaches of the Group and the Company amounting to RMB1,184,002,000 (2020: RMB15,000,000) and RMB1,114,002,000 (2020: nil) respectively were reclassified as current liabilities. Under the terms of the Facility, the agent of the Facility may, at its discretion and if so directed by lenders representing two-thirds of the total commitments under the Facility, by notice call for repayment ahead of the stipulated repayment dates. As of the date of this report, the Group has not received any notice for the accelerated repayment from the agent.

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For the financial year ended 31 December 2021

30. Borrowings (continued)

Group

| <u>Type of borrowings</u> | <u>Guaranteed/secured by</u> | <u>2021</u> | <u>2020</u> |
|--|---|------------------|------------------|
| | | <u>RMB'000</u> | <u>RMB'000</u> |
| Guaranteed borrowings | Guarantees mainly from subsidiaries of the Group | 2,498,640 | 2,575,438 |
| | | <u>2,498,640</u> | <u>2,575,438</u> |
| Secured and guaranteed bank borrowings | Guarantees mainly from subsidiaries of the Group and the following: | | |
| | Certain property, plant and equipment (Note 21) | 460,000 | 499,790 |
| | Certain trade receivables (Note 14) | 748,644 | 445,189 |
| | Certain trade receivables (Note 14), property, plant and equipment (Note 21) | 1,081,647 | 1,198,085 |
| | Certain service concession receivables (Note 18) and intangible assets (Note 28) | 165,000 | 195,000 |
| | Certain service concession receivables (Note 18), intangible assets (Note 28) and receivables (Note 14) | 911,422 | 1,237,372 |
| | Certain shares of a subsidiary with carrying value of RMB1,620,230,000 | 90,000 | 160,000 |
| | | <u>3,456,713</u> | <u>3,735,436</u> |
| Secured bank borrowings | Certain bank deposits held by the Group (Note 13) | 658,897 | 100,000 |
| | Certain trade receivables (Note 14) | 43,972 | - |
| | Group's investment property (Note 25) | 16,424 | 17,863 |
| | | <u>719,293</u> | <u>117,863</u> |

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For the financial year ended 31 December 2021

30. Borrowings (continued)

Group

| Type of borrowings | Guaranteed/secured by | 2021 RMB'000 | 2020 RMB'000 |
|---|--|------------------|------------------|
| Secured and guaranteed other borrowings | Guarantees mainly from subsidiaries of the Group and the following: | | |
| | Certain property, plant and equipment (Note 21) | 1,031,512 | 1,289,501 |
| | Certain trade receivables (Note 14), property, plant and equipment (Note 21) | 955,291 | - |
| | Certain intangible Asset (Note 28) | 37,254 | - |
| | Certain trade receivables (Note 14) | 278,029 | 289,038 |
| | Certain trade receivables (Note 14), property, plant and equipment (Note 21), and certain shares of a subsidiary with carrying value of RMB136,336,000 | 260,547 | - |
| | Certain shares of a subsidiary with carrying value of RMB36,790,000 | 540,000 | - |
| | | <u>3,102,633</u> | <u>1,578,539</u> |
| Secured other borrowings | Property, plant and equipment (Note 21) | 431,504 | 658,564 |
| | Pledge of certain electricity tariffs receivables (Note 14) | 2,750 | 13,500 |
| | | <u>434,254</u> | <u>672,064</u> |

Company

| Type of borrowings | Guaranteed/secured by | 2021 RMB'000 | 2020 RMB'000 |
|-------------------------|---|------------------|------------------|
| Guaranteed borrowings | Guarantees mainly from subsidiaries of the Group | 1,495,364 | 2,236,791 |
| | | <u>1,495,364</u> | <u>2,236,791</u> |
| Secured bank borrowings | Certain bank deposits held by the Group (Note 13) | 519,269 | - |
| | | <u>519,269</u> | <u>-</u> |

The ranges of effective interest rates on the Group's and Company's borrowings are as follows:

| | Group | | Company | |
|----------------------------|----------------|-----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Effective interest rate: | | | | |
| - Fixed-rate borrowings | 0.9% to 10.25% | 2.25% to 10.75% | 0.9% to 3.50% | NA |
| - Variable-rate borrowings | 2.86% to 6.54% | 2.05% to 8.54% | 2.86% to 2.90% | 2.90% to 4.86% |

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2021

30. Borrowings (continued)

Reconciliation of liabilities arising from financing activities.

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | 1 January 2021 | Financing cash flows | Other changes ⁽¹⁾ | Exchange difference | 31 December 2021 |
|-------------------|-------------------|-------------------------|---------------------------------|------------------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Borrowings | 8,679,340 | 1,838,340 | 17,428 | (53,725) | 10,481,383 |
| Lease liabilities | 44,676 | (35,274) | (1,910) | - | 7,492 |
| | 8,724,016 | 1,803,066 | 15,518 | (53,725) | 10,488,875 |

| | 1 January 2020 | Financing cash flows | Other changes ⁽¹⁾ | Exchange difference | 31 December 2020 |
|-------------------|-------------------|-------------------------|---------------------------------|------------------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Borrowings | 6,039,296 | 2,831,201 | 5,971 | (197,128) | 8,679,340 |
| Lease liabilities | 375,200 | (366,963) | 36,439 | - | 44,676 |
| Notes payable | 1,423,212 | (1,415,900) | (27,721) | 20,409 | - |
| | 7,837,708 | 1,048,338 | 14,689 | (176,719) | 8,724,016 |

⁽¹⁾ Other changes include interest accruals and payments

The cash flows make up the net amount of proceeds and repayments of the financial liabilities presented under the financing activities in the statement of cash flows.

The carrying amount of borrowings approximate their fair value.

31. Deferred income taxes

| | Undistributed earnings of PRC subsidiaries | Fair value adjustment on acquisition of subsidiaries | Accelerated tax depreciation | Profit recognised on construction services provided under service concession arrangements | Total |
|--|---|---|------------------------------------|--|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2020 | 59,939 | 4,207 | 249,366 | 169,234 | 482,746 |
| Charge/(credit) to profit or loss (Note 11) | (208) | (325) | 14,984 | 45,195 | 59,646 |
| At 31 December 2020 | 59,731 | 3,882 | 264,350 | 214,429 | 542,392 |
| Charge/(credit) to profit or loss (Note 11) | - | (134) | 30,449 | 46,246 | 76,561 |
| At 31 December 2021 | 59,731 | 3,748 | 294,799 | 260,675 | 618,953 |