THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in GCL New Energy Holdings Limited 協鑫新能源控股有限公司, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

GCL New Energy Holdings Limited
協鑫新能源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 451)

(1) VERY SUBSTANTIAL DISPOSAL OF SUBSIDIARIES (2) POSSIBLE VERY SUBSTANTIAL ACQUISITION GRANT OF PUT OPTIONS AND (3) NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used in this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 15 to 52 of this circular.

A notice convening the SGM of the Company to be held at Strategy II–III, Level 8, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Wednesday, 10 February 2021 at 10 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Irrespective of whether you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The address of Tricor Abacus Limited is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the proxy form shall be deemed to be revoked.

22 January 2021

PRECAUTIONARY MEASURES FOR THE SGM

Please see pages 1 to 2 of this circular for precautionary measures being taken to prevent and control the spread of COVID-19 at the SGM, including without limitation:

- compulsory body temperature checks;
- compulsory wearing of surgical face masks (please bring your own mask);
- no refreshment will be served; and
- no souvenirs will be distributed.

Any person who does not comply with the above precautionary measures may be denied entry into the SGM venue. The Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and reminds the Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM as an alternative to attending the SGM in person.

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In view of the ongoing COVID-19 epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the SGM to protect the Shareholders, staff and other stakeholders who attend the SGM from the risk of infection:

(i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry into the SGM venue or be required to leave the SGM venue;

(ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats (please bring your own mask);

(iii) no refreshment will be served at the SGM;

(iv) no souvenirs will be distributed at the SGM; and

(v) no guest will be allowed to enter the SGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong.

Any person who does not comply with above requirements may be denied entry into the SGM venue or be required to leave the SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of other attendees at the SGM. In our case, denied entry to the SGM venue also means that person will not be allowed to attend the SGM.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of COVID-19, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM instead of attending the SGM in person.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company at www.gclnewenergy.com or the Stock Exchange at www.hkexnews.hk. If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If you have any questions relating to the SGM, please contact the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, via the following:

Address	:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email	:	is-enquiries@hk.tricorglobal.com
Telephone	:	+852 2980 1333
Fax	:	+852 2810 8185

Subject to the development of COVID-19, the Company may implement further precautionary measures and may issue further announcements on such measures as appropriate.

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Amount Payable"	the amount payable as set out in the Third Phase Share Purchase Agreements by each of the Target Companies to its affiliates (including the Sellers and other subsidiaries of GCL-Poly and the Company) as at the Reference Date
"Amount Receivable"	the amount receivable as set out in the Third Phase Share Purchase Agreements by each of the Target Companies from its affiliates (including the Sellers and other subsidiaries of GCL-Poly and the Company) as at the Reference Date
"Announcement"	the joint announcement of GCL-Poly and the Company dated 19 November 2020 in relation to the Third Phase Disposals and grant of the Third Phase Put Options
"Baoying Xinyuan"	Baoying Xinyuan Photovoltaic Power Co., Ltd.* (寶應鑫源光伏發電有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Jiangsu GCL New Energy and an indirect subsidiary of the Company
"Baoying Xinyuan Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Jiangsu GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Baoying Xinyuan
"Board"	the board of the Directors
"Business Day"	a day on which banks in China are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC
"Bye-laws"	the Bye-laws of the Company, as amended from time to time
"Changzhou Xintian New Energy Share Purchase Agreement"	an equity transfer agreement dated 30 December 2014 entered into between Suzhou Tenghui and Changshu Zhongli Talesun (as the sellers) and Suzhou GCL New Energy (as the purchaser) in relation to the sale of the entire equity interest in Changzhou Xintian New Energy
"Changzhou Xintian New Energy"	Changzhou Xintian New Energy Co., Ltd.* (常州新天新能源有限公司), a company established in the PRC with limited liability, which was directly wholly-owned by Suzhou GCL New Energy and previously owned the Operational Solar Power Plant operated by Zhongli Tenghui before transferring the same to Zhongli Tenghui

"Changshu Zhongli Talesun"	Changshu Zhongli Talesun Solar Co., Ltd.* (常熟中利騰暉光伏材料有限公司), a company established in the PRC which principally engaged in assembly and sale of solar photovoltaic modules and accessories. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Changshu Zhongli Talesun and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons
"Changzhou Zhonghui"	Changzhou Zhonghui Photovoltaic Technology Co., Ltd.* (常州中暉光伏科技有限公司), a company established in the PRC with limited liability
"China Huaneng Group"	China Huaneng Group Co., Ltd.* (中國華能集團有限公司), a state-owned enterprise incorporated in the PRC with limited liability and one of the limited partners of the Purchasers
"Closing"	the closing of the Third Phase Disposals in accordance with the Third Phase Share Purchase Agreements
"Closing Audit Report"	the closing audit report prepared by an auditing agency appointed by the Sellers and the Purchasers to audit the financial status of the Target Companies during the Transition Period in accordance with the Third Phase Share Purchase Agreements
"Closing Date"	the date of issuance as stated on the new business certificate of the Target Company(ies) upon the completion of the Registration Procedures
"Company"	GCL New Energy Holdings Limited (協鑫新能源控股有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange, with stock code 451
"Conditions Precedent"	the conditions under the section headed "Conditions Precedent" in this circular
"connected persons"	has the same meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the transactions contemplated under the Third Phase Share Purchase Agreements, being the aggregate of the Share Price
"Delingha Century Concord"	Delingha Century Concord Photovoltaic Power Co., Ltd.* (德令哈協合光伏發電有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company

"Delingha Century Concord Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Delingha Century Concord
"Delingha Energy Power"	Delingha Energy Power Co., Ltd.* (德令哈陽光能源電力有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company
"Delingha Energy Power Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Delingha Energy Power
"Delingha Shidai"	Delingha Shidai New Energy Power Co., Ltd.* (德令哈時代新能源發電有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company
"Delingha Shidai Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Delingha Shidai
"Director(s)"	the director(s) of the Company
"Disposals"	the First Phase Disposals, the Second Phase Disposals and the Third Phase Disposals
"Early Payment Amount"	the amount payable by the Purchasers to the Sellers upon the early payment of national subsidy receivable by the Target Companies stated under the section headed "Amount payable to the Sellers upon the early payment of national subsidy" in this circular
"First Phase Disposals"	the proposed disposals of the entire equity interest in certain subsidiaries by Suzhou GCL New Energy and Ningxia GCL New Energy to the Purchasers as contemplated under the First Phase Share Purchase Agreements
"First Phase Put Options"	the put options granted to the Purchasers under each First Phase Share Purchase Agreement, pursuant to which the Purchasers are entitled to, upon the occurrence of certain specified events in relation to a relevant target company of the First Phase Disposals, request Suzhou GCL New Energy and/or Ningxia GCL New Energy to repurchase the respective target company's (a) entire equity interest and (b) the relevant outstanding shareholders' loan at the time

"First Phase Share Purchase Agreements"	the series of five share purchase agreements dated 21 January 2020 entered into between Suzhou GCL New Energy, the Guarantor and the Purchasers and the share purchase agreement dated 21 January 2020 entered into between Ningxia GCL New Energy, Suzhou GCL New Energy, the Guarantor and the Purchasers, as detailed in (i) the joint announcement of GCL-Poly and the Company dated 21 January 2020 and (ii) the circular of the Company dated 29 April 2020 in relation to the First Phase Disposals
"GCL-Poly"	GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, with stock code 3800. As at the Latest Practicable Date, GCL-Poly is interested in approximately 58.94% of the issued share capital of the Company
"Group"	the Company and its subsidiaries
"Guarantor"	GCL Group Limited* (協鑫集團有限公司), a company established in the PRC and is indirectly held under a discretionary trust under which Mr. Zhu Gongshan (an executive director and chairman of GCL-Poly) and his family (including Mr. Zhu Yufeng, an executive director of GCL-Poly and the Company and the son of Mr. Zhu Gongshan) are beneficiaries
"Hainanzhou Shineng"	Hainanzhou Shineng Photovoltaic Power Co., Ltd.* (海南州世能光伏發電有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Qinghai GCL New Energy and an indirect subsidiary of the Company
"Hainanzhou Shineng Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Qinghai GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Hainanzhou Shineng
"Hetian GCL"	Hetian GCL Photovoltaic Power Co., Ltd.* (和田協鑫光伏電力有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company
"Hetian GCL Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Hetian GCL
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Huaneng No. 1 Fund"	Huaneng Gongrong No. 1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融一號(天津)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
"Huaneng No. 2 Fund"	Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融二號(天津)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
"Jiangsu GCL New Energy"	Jiangsu GCL New Energy Co., Ltd.* (江蘇協鑫新能源有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company
"Gaotang GCL"	Gaotang County GCL Jinghui Photovoltaic Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company
"Gaotang GCL Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Gaotang GCL
"GW"	gigawatt(s)
"Lanxi Jinrui"	Lanxi Jinrui Photovoltaic Power Co., Ltd.* (蘭溪金瑞太陽能發電有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Nanjing GCL New Energy and an indirect subsidiary of the Company
"Lanxi Jinrui Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Nanjing GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Lanxi Jinrui
"Latest Practicable Date"	18 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Lianshui Xinyuan"	Lianshui Xinyuan Photovoltaic Power Co., Ltd.* (漣水鑫源光伏電力有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Jiangsu GCL New Energy and an indirect subsidiary of the Company
"Lianshui Xinyuan Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Jiangsu GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Lianshui Xinyuan

"Liaocheng Xiechang"	Liaocheng Xiechang Photovoltaic Power Co., Ltd.* (聊城協昌光伏電力有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Shandong GCL New Energy and an indirect subsidiary of the Company
"Liaocheng Xiechang Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Shandong GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Liaocheng Xiechang
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"McMillan"	McMillan Woods (Hong Kong) CPA Limited
"MW"	megawatt(s)
"Nanjing GCL New Energy"	Nanjing GCL New Energy Development Co., Ltd.* (南京協鑫新能源發展有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company
"National Renewable Energy Development Fund"	National Renewable Energy Development Fund (國家可再生能源發展基金), a fund established by the PRC government for the provision of national subsidy to renewable energy investments
"National Subsidy Catalogue"	National Renewable Energy Tariff Surcharge Subsidy Catalogue (可再生能源電價附加資金補助目錄) under the Renewable Energy Law (中華人民共和國可再生能源法) promulgated on 28 February 2005 and implemented on 1 January 2006
"National Subsidy List"	Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單)
"Net Payable Amount"	the amount equivalent to the difference between the Amount Payable and the Amount Receivable of each of the Target Companies in the event that the Amount Payable is more than the Amount Receivable of each of the Target Companies
"Net Receivable Amount"	the amount equivalent to the difference between the Amount Payable and the Amount Receivable of each of the Target Companies in the event that the Amount Payable is less than the Amount Receivable of each of the Target Companies
"Ningxia GCL New Energy"	Ningxia GCL New Energy Investment Co., Ltd.* (寧夏協鑫新能源投資有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company

"Operational Solar Power Plant Project(s)"	the operational solar power plant project(s) of the Target Companies
"Panzhihua Agriculture"	Panzhihua GCL New Agriculture Technology Co., Ltd.* (攀枝花協鑫新農業科技有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Nanjing GCL New Energy and an indirect subsidiary of the Company
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Prescribed Period"	the period from the date of completion of the Issuance to the expiry of one year from the date of the Third Phase Share Purchase Agreements
"Purchasers"	Huaneng No. 1 Fund and Huaneng No. 2 Fund
"Put Options"	the First Phase Put Options, the Second Phase Put Options and the Third Phase Put Options
"Qinghai GCL New Energy"	Qinghai GCL New Energy Co,. Ltd.* (青海協鑫新能源有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company
"Reference Date"	30 June 2020
"Registration Procedures"	the registration procedures in respect of the change of the respective shareholders of each of the Target Companies and other relevant filing procedures in respect of the Transactions in the PRC
"Registered Solar Power Plant Projects"	Operational Solar Power Plant Projects which are registered in the 4th to the 7th batches of the National Subsidy Catalogue and 1st batch of the National Subsidy List
"Remaining Group"	the Group after completion of the Third Phase Disposals
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the (i) entire equity interest in each of Baoying Xinyuan, Delingha Century Concord, Delingha Energy Power, Delingha Shidai, Hainanzhou Shineng, Hetian GCL, Gaotang GCL, Lanxi Jinrui, Lianshui Xinyuan, Liaocheng Xiechang, Yanbian Xinneng and Zhongli Tenghui, (ii) 56.51% equity interest in Yili GCL and (iii) 51% equity interest in Yuncheng Xinhua held by the Sellers

"Second Phase Disposals"	the proposed disposals of the entire equity interest in certain subsidiaries by Suzhou GCL New Energy, Changzhou Zhonghui and Ningxia GCL New Energy to the Purchasers as contemplated under the Second Phase Share Purchase Agreements
"Second Phase Put Options"	the put options granted to the Purchasers under the Second Phase Share Purchase Agreements, pursuant to which the Purchasers are entitled to, upon the occurrence of certain specified events in relation to a relevant target company of the Second Phase Disposals, request the respective sellers to repurchase the respective target company's (a) entire equity interest and (b) the relevant outstanding shareholders' loan at the time
"Second Phase Share Purchase Agreements"	the series of six share purchase agreements dated 29 September 2020 entered into between Suzhou GCL New Energy, Changzhou Zhonghui and Ningxia GCL New Energy, the Guarantor and the Purchasers, as detailed in (i) the joint announcement of GCL-Poly and the Company dated 29 September 2020 and (ii) the circular of the Company dated 4 December 2020 in relation to the Second Phase Disposals
"Seller(s)"	Suzhou GCL New Energy, Jiangsu GCL New Energy, Nanjing GCL New Energy, Qinghai GCL New Energy and Shandong GCL New Energy
"Settlement Agreement"	the agreement to be entered into among Suzhou GCL New Energy and Suzhou Tenghui in relation to the settlement of compensation payable (if any) by Suzhou Tenghui to Suzhou GCL New Energy under the terms of the Changzhou Xintian New Energy Share Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Transactions, the entering into and performance of obligations under the Third Phase Share Purchase Agreements
"Shandong GCL New Energy"	Shandong GCL New Energy Co,. Ltd.* (山東協鑫新能源有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company
"Share(s)"	ordinary share(s) of one-two-hundred-fortieth (1/240) of a Hong Kong dollar each (equivalent to HK$$0.0041\dot{6}$) in the share capital of the Company

"Shareholders"	the shareholders of the Company
"Share Price"	the Consideration for the Sale Shares
"Specified Solar Power Plant Projects"	the two Operational Solar Power Plant Projects operated by Delingha Shidai and Zhongli Tenghui respectively which were pending final inclusion in the National Subsidy List as at the date of the Announcement and had been registered in the 1st batch of the National Subsidy List by the end of November 2020
"State Grid"	State Grid Corporation of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the same meaning ascribed to it under the Listing Rules
"Suzhou GCL New Energy"	Suzhou GCL New Energy Investment Company Limited* (蘇州協鑫新能源投資有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company
"Suzhou Tenghui"	Suzhou Tenghui Photovoltaic Technology Co., Ltd.* (蘇州騰暉光伏技術有限公司), previously known as Zhongli Tenghui Photovoltaic Technology Co., Ltd.* (中利騰暉光伏科技有限公司), a company established in the PRC which principally engaged in research and development, manufacturing and sales of solar photovoltaic products. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Suzhou Tenghui and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons
"Target Company(ies)"	Baoying Xinyuan, Delingha Century Concord, Delingha Energy Power, Delingha Shidai, Hainanzhou Shineng, Hetian GCL, Gaotang GCL, Lanxi Jinrui, Lianshui Xinyuan, Liaocheng Xiechang, Yanbian Xinneng, Yili GCL, Yuncheng Xinhua and Zhongli Tenghui, the 14 target companies being the subject of the Third Phase Disposals, details of which can be found in the section headed "Information on the Target Companies" of this circular
"Tax-related Amount"	the amount payable by the Purchasers to the relevant Seller upon confirmation of the preferential tax treatment applicable to Yanbian Xinneng stated under the section headed "Amount payable to the relevant Seller upon confirmation of the preferential tax treatment applicable to Yanbian Xinneng" in this circular

"Third Phase Disposals"	the proposed disposals of the Sale Shares by the Sellers to the Purchasers as contemplated under the Third Phase Share Purchase Agreements
"Third Phase Put Options"	the put options granted to the Purchasers under the Third Phase Share Purchase Agreements, pursuant to which the Purchasers are entitled to, upon the occurrence of certain specified events in relation to a relevant Target Company, request the respective Sellers to repurchase the respective Target Company's (a) disposed Sale Shares and (b) the relevant outstanding shareholders' loan at the time
"Third Phase Share Purchase Agreements"	Baoying Xinyuan Share Purchase Agreement, Delingha Century Concord Share Purchase Agreement, Delingha Energy Power Share Purchase Agreement, Delingha Shidai Share Purchase Agreement, Hainanzhou Shineng Share Purchase Agreement, Hetian GCL Share Purchase Agreement, Gaotang GCL Share Purchase Agreement, Lanxi Jinrui Share Purchase Agreement, Lianshui Xinyuan Share Purchase Agreement, Liaocheng Xiechang Share Purchase Agreement, Yanbian Xinneng Share Purchase Agreement, Yili GCL Share Purchase Agreement, Yuncheng Xinhua Share Purchase Agreement and Zhongli Tenghui Share Purchase Agreement
"Total Net Payable Amount"	the Net Payable Amount of all of the Target Companies
"Total Net Receivable Amount"	the Net Receivable Amount of all of the Target Companies
"Total Outstanding Balance"	the outstanding balance of the Total Net Receivable Amount and the Total Net Payable Amount, which is equivalent to the amount after the deduction of the Total Net Payable Amount from the Total Net Receivable Amount
"Transactions"	the transactions contemplated under the Third Phase Share Purchase Agreements, including the Third Phase Disposals and the grant of Third Phase Put Options
"Transition Period"	the period between the Reference Date and the Closing Date
"Xinjiang Production and Construction Corps"	Xinjiang Production and Construction Corps Investment Co,. Ltd.* (新疆生產建設兵團投資有限責任公司), a company established in the PRC with limited liability and an independent third party of the Company

"Yanbian Xinneng"	Yanbian Xinneng Photovoltaic Power Co., Ltd.* (鹽邊鑫能光伏電力有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Suzhou GCL New Energy and an indirect subsidiary of the Company
"Yanbian Xinneng Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Yanbian Xinneng
"Yili GCL"	Yili GCL Energy Limited* (伊犁協鑫能源有限公司), a company established in the PRC with limited liability, which is owned as to 56.51% by Suzhou GCL New Energy and 43.49% by Xinjiang Production and Construction Corps
"Yili GCL Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of 56.51% equity interest in Yili GCL
"Yuncheng Shuihu Construction"	Yuncheng County Water Margin City Construction Co,. Ltd.* (鄆城縣水滸城市建設置業有限公司), a company established in the PRC with limited liability which is owned as to approximately 49.54% by China Development Fund Co., Ltd.* (國開發展基金有限公司), 34.94% by China Agricultural Development Key Construction Fund Co., Ltd.* (中國農發重點建設基金有限公司) and 15.52% by Yuncheng County State-owned Assets Operation Center* (鄆城縣國有資產運營中心), which are all state-owned and independent third parties of the Company
"Yuncheng Xinhua"	Yuncheng Xinhua Energy Development Co,. Ltd.* (鄆城鑫華能源開發有限公司), a company established in the PRC with limited liability, which is owned as to 51% by Shandong GCL New Energy and 49% by Yuncheng Shuihu Construction
"Yuncheng Xinhua Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Shandong GCL New Energy and the Purchasers in relation to the sale of 51% equity interest in Yuncheng Xinhua
"Zhongli Tenghui"	Zhongli Tenghui Hainan Electric Power Co., Ltd.* (中利騰暉海南電力有限公司), a company established in the PRC with limited liability, which is directly wholly-owned by Qinghai GCL New Energy and an indirect subsidiary of the Company

"Zhongli Tenghui Share Purchase Agreement"	an equity transfer agreement dated 19 November 2020 entered into between Suzhou GCL New Energy and the Purchasers in relation to the sale of the entire equity interest in Zhongli Tenghui
"%"	per cent

* *All of the English titles or names of the PRC entities, as well as certain items contained in this circular have been included for identification purpose only and may not necessarily be the official English translations of the corresponding Chinese titles or names. If there is any inconsistency between the English translations and the Chinese titles or names, the Chinese titles or names shall prevail.*

GCL New Energy Holdings Limited
協鑫新能源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 451)

Executive Directors:
Mr. Zhu Yufeng *(Chairman and President)*
Mr. Liu Genyu *(Vice Chairman)*
Ms. Hu Xiaoyan

Non-executive Directors:
Ms. Sun Wei
Mr. Yeung Man Chung, Charles
Mr. He Deyong

Independent non-executive Directors:
Mr. Wang Bohua
Mr. Xu Songda
Mr. Lee Conway Kong Wai
Mr. Wang Yanguo
Dr. Chen Ying

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To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL OF SUBSIDIARIES (2) POSSIBLE VERY SUBSTANTIAL ACQUISITION GRANT OF PUT OPTIONS AND (3) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

We refer to the Announcement published on 19 November 2020. As disclosed in the Announcement, on 19 November 2020 (after trading hours), the Seller(s) (each an indirect subsidiary of the Company) (as the seller(s)), the Guarantor (as the guarantor) and the Purchasers (as the purchasers) entered into the Third Phase Share Purchase Agreements. Pursuant to the Third Phase Share Purchase Agreements, the Sellers agreed to, among other things, (a) sell 60% of the Sale Shares to Huaneng No. 1 Fund and 40% of the Sale Shares to Huaneng No. 2 Fund and (b) grant the Third Phase Put Options to the Purchasers.

2. THE THIRD PHASE SHARE PURCHASE AGREEMENTS

The principal terms of the Third Phase Share Purchase Agreements are set out below:

Date

19 November 2020 (after trading hours)

Parties

(i)	The Sellers:	(i)	Suzhou GCL New Energy Investment Company Limited* (蘇州協鑫新能源投資有限公司)
		(ii)	Jiangsu GCL New Energy Co., Ltd.* (江蘇協鑫新能源有限公司)
		(iii)	Nanjing GCL New Energy Development Co., Ltd.* (南京協鑫新能源發展有限公司)
		(iv)	Qinghai GCL New Energy Co,. Ltd.* (青海協鑫新能源有限公司)
		(v)	Shandong GCL New Energy Co,. Ltd.* (山東協鑫新能源有限公司)
(ii)	The Purchasers:	(a)	Huaneng Gongrong No. 1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融一號(天津)股權投資基金合夥企業(有限合夥))
		(b)	Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融二號(天津)股權投資基金合夥企業(有限合夥))
(iii)	The Guarantor:	(a)	GCL Group Limited* (協鑫集團有限公司)

Assets to be sold

The Sale Shares will be sold by the Sellers to the Purchasers, being (i) the entire equity interest in each of Baoying Xinyuan, Delingha Century Concord, Delingha Energy Power, Delingha Shidai, Hainanzhou Shineng, Hetian GCL, Gaotang GCL, Lanxi Jinrui, Lianshui Xinyuan, Liaocheng Xiechang, Yanbian Xinneng and Zhongli Tenghui, (ii) 56.51% equity interest in Yili GCL and (iii) 51% equity interest in Yuncheng Xinhua.

The Target Companies collectively own 18 Operational Solar Power Plant Projects in the PRC with an aggregate grid-connected capacity of approximately 430 MW.

The table below sets out the Target Companies under each of the Third Phase Share Purchase Agreements:

No.	Third Phase Share Purchase Agreements	Target Companies
I	Baoying Xinyuan Share Purchase Agreement	Baoying Xinyuan Photovoltaic Power Co., Ltd.* (寶應鑫源光伏發電有限公司)
II	Delingha Century Concord Share Purchase Agreement	Delingha Century Concord Photovoltaic Power Co., Ltd.* (德令哈協合光伏發電有限公司)
III	Delingha Energy Power Share Purchase Agreement	Delingha Energy Power Co., Ltd.* (德令哈陽光能源電力有限公司)
IV	Delingha Shidai Share Purchase Agreement	Delingha Shidai New Energy Power Co., Ltd.* (德令哈時代新能源發電有限公司)
V	Hainanzhou Shineng Share Purchase Agreement	Hainanzhou Shineng Photovoltaic Power Co., Ltd.* (海南州世能光伏發電有限公司)
VI	Hetian GCL Share Purchase Agreement	Hetian GCL Photovoltaic Power Co., Ltd.* (和田協鑫光伏電力有限公司)
VII	Gaotang GCL Share Purchase Agreement	Gaotang County GCL Jinghui Photovoltaic Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司)
VIII	Lanxi Jinrui Share Purchase Agreement	Lanxi Jinrui Photovoltaic Power Co., Ltd.* (蘭溪金瑞太陽能發電有限公司)

No.	Third Phase Share Purchase Agreements	Target Companies
IX	Lianshui Xinyuan Share Purchase Agreement	Lianshui Xinyuan Photovoltaic Power Co., Ltd.* (漣水鑫源光伏電力有限公司)
X.	Liaocheng Xiechang Share Purchase Agreement	Liaocheng Xiechang Photovoltaic Power Co., Ltd.* (聊城協昌光伏電力有限公司)
XI	Yanbian Xinneng Share Purchase Agreement	Yanbian Xinneng Photovoltaic Power Co., Ltd.* (鹽邊鑫能光伏電力有限公司)
XII	Yili GCL Share Purchase Agreement	Yili GCL Energy Limited* (伊犁協鑫能源有限公司)
XIII	Yuncheng Xinhua Share Purchase Agreement	Yuncheng Xinhua Energy Development Co,. Ltd.* (鄆城鑫華能源開發有限公司)
XIV	Zhongli Tenghui Share Purchase Agreement	Zhongli Tenghui Hainan Electric Power Co., Ltd.* (中利騰暉海南電力有限公司)

For further information relating to the Target Companies, please refer to the section headed "Information on the Target Companies" below.

Consideration

The aggregate Consideration under the Third Phase Share Purchase Agreements is RMB666,653,912 (subject to adjustments).

The table below sets out the Share Price attributable to each of the Target Companies:

No.	Third Phase Share Purchase Agreements	Attributable Share Price *RMB*
I	Baoying Xinyuan Share Purchase Agreement	13,490,998
II	Delingha Century Concord Share Purchase Agreement	221,546,425
III	Delingha Energy Power Share Purchase Agreement	27,813,239
IV	Delingha Shidai Share Purchase Agreement	67,200,572
V	Hainanzhou Shineng Share Purchase Agreement	47,802,843
VI	Hetian GCL Share Purchase Agreement	3,403,932
VII	Gaotang GCL Share Purchase Agreement	48,104,127
VIII	Lanxi Jinrui Share Purchase Agreement	26,326,223
IX	Lianshui Xinyuan Share Purchase Agreement	29,582,410
X	Liaocheng Xiechang Share Purchase Agreement	8,425,800
XI	Yanbian Xinneng Share Purchase Agreement	40,098,153
XII	Yili GCL Share Purchase Agreement	26,509,592
XIII	Yuncheng Xinhua Share Purchase Agreement	27,930,300
XIV	Zhongli Tenghui Share Purchase Agreement	78,419,298
Total		**666,653,912**

Basis of the Consideration

The Share Price was determined after arm's length negotiations between the Sellers and the Purchasers, taking into account of, among other things:

(i) the net asset value of each of the Target Companies as at the Reference Date (i.e. 30 June 2020);

(ii) the profitability of the Target Companies for the financial years ended 31 December 2019, 31 December 2018 and the six months ended 30 June 2020, details of which can be found in the section headed "Information on the Target Companies" of this circular, and the dividend of RMB68,119,217 declared by the Target Companies during the Transition Period to be paid to the Sellers in respect of the profits accrued by the Target Companies for the period from 1 December 2019 to 30 June 2020, which such amount has been deducted when considering the Consideration;

(iii) the cash flow position of the Target Companies as at the Reference Date. The aggregate net cash outflow (excluding financing of shareholders' loan) of the Target Companies for the six months ended 30 June 2020 amounted to approximately RMB285,466,000; and

(iv) the ability of the Target Companies to collect outstanding receivables from the PRC government. As at the date of the Announcement, 16 out of 18 of the Operational Solar Power Plant Projects are Registered Solar Power Plant Projects and are entitled to receive the national subsidy for operating such Operational Solar Power Plant Projects. China National Renewable Energy Centre (可再生能源信息中心) had announced on 10 November 2020 that the remaining two Operational Solar Power Plant Projects (i.e. the Specified Solar Power Plant Projects) are eligible to be registered in the National Subsidy List (without any further condition required to be fulfilled), but pending their final inclusion in the National Subsidy List. The Specified Solar Power Plant Projects (i.e. the two Operational Solar Power Plant Projects operated by Delingha Shidai and Zhongli Tenghui respectively) had been registered in the National Subsidy List by the end of November 2020. As at the Reference Date, the total balance of national subsidy receivable by the Target Companies was approximately RMB1,127,494,138.

The table below sets out the balance of national subsidy receivable by each of the Target Companies as at 30 June 2020 (i.e. the Reference Date):

Third Phase Share Purchase Agreements	**Target Companies**	**As at 30 June 2020 Balance of national subsidy receivable** *RMB*
I	Baoying Xinyuan	10,964,625
II	Delingha Century Concord	208,912,372
III	Delingha Energy Power	39,975,338
IV	Delingha Shidai	88,952,890
V	Hainanzhou Shineng	77,554,111
VI	Hetian GCL	45,875,466
VII	Gaotang GCL	59,041,601
VIII	Lanxi Jinrui	75,437,657
IX	Lianshui Xinyuan	45,071,370
X	Liaocheng Xiechang	56,445,936
XI	Yanbian Xinneng	78,939,223
XII	Yili GCL	59,692,711
XIII	Yuncheng Xinhua	38,854,626
XIV	Zhongli Tenghui	241,776,212
Total		**1,127,494,138**

As the gains or losses arising from the operation of the Target Companies during the Transition Period shall be accrued for the benefit of or borne by the Purchasers, the Consideration will not be adjusted with reference to the change in national subsidy receivable by the Target Companies after the Reference Date or the issuance of the Closing Audit Report.

Note:

1. The balance of national subsidy receivable by Delingha Shidai and Zhongli Tenghui as disclosed above have included the amount of national subsidy receivable by the Operational Solar Power Plant Projects which were yet to be registered in the National Subsidy List as at the respective date.

2. The entire balance of national subsidy receivable as at the Reference Date (i.e. RMB1,127,494,138) have been recognised in the financial statements of the Target Companies.

As the gains or losses arising from the operation of the Target Companies during the Transition Period shall be accrued for the benefit of or borne by the Purchasers, the Consideration will not be adjusted with reference to the change in national subsidy receivable by the Target Companies after the Reference Date or the Closing Audit Report.

Payment arrangements of the Consideration

The Consideration shall be settled by the Purchasers, the amount of which shall be proportional to their respective acquired equity interest in the Target Companies (subject to rounding to the nearest digit) and in the manner set out below:

No.	**Third Phase Share Purchase Agreements**	**First Instalment** *RMB*	**Second Instalment** *RMB*	**Third Instalment** *RMB*	**Attributable Share Price** *RMB*
I	Baoying Xinyuan Share Purchase Agreement	10,792,798	2,698,200	–	13,490,998
II	Delingha Century Concord Share Purchase Agreement	177,237,140	44,309,285	–	221,546,425
III	Delingha Energy Power Share Purchase Agreement	22,250,591	5,562,648	–	27,813,239
IV	Delingha Shidai Share Purchase Agreement	42,240,458	10,560,114	14,400,000	67,200,572
V	Hainanzhou Shineng Share Purchase Agreement	38,242,274	9,560,569	–	47,802,843
VI	Hetian GCL Share Purchase Agreement	2,723,146	680,786	–	3,403,932
VII	Gaotang GCL Share Purchase Agreement	38,483,302	9,620,825	–	48,104,127
VIII	Lanxi Jinrui Share Purchase Agreement	21,060,978	5,265,245	–	26,326,223
IX	Lianshui Xinyuan Share Purchase Agreement	23,665,928	5,916,482		29,582,410
X	Liaocheng Xiechang Share Purchase Agreement	6,740,640	1,685,160	–	8,425,800
XI	Yanbian Xinneng Share Purchase Agreement	32,078,522	8,019,631	–	40,098,153
XII	Yili GCL Share Purchase Agreement	21,207,674	5,301,918	–	26,509,592
XIII	Yuncheng Xinhua Share Purchase Agreement	22,344,240	5,586,060	–	27,930,300
XIV	Zhongli Tenghui Share Purchase Agreement	49,407,439	12,351,859	16,660,000	78,419,298
Total		**508,475,130**	**127,118,782**	**31,060,000**	**666,653,912**

First instalment: The Purchasers shall pay RMB508,475,130 in total (the "**First Instalment**") to the Sellers within 15 Business Days after the Closing Date.

Second instalment: The Purchasers shall pay RMB127,118,782 in total (the "**Second Instalment**") to the Sellers within 15 Business Days after the fulfilment or waiver by the Purchasers in writing of the following conditions:

(a) the issuance of the Closing Audit Report; and

(b) the delivery and/or the execution of the following documents:

(i) the relevant documents evidencing the fulfillment of conditions (b) to (h) and (k) to (r) (if applicable) of the Conditions Precedent and the respective Seller's confirmation of the fulfillment of conditions (i) to (j) of the Conditions Precedent (assuming none of the conditions has been waived by the Purchasers);

(ii) the relevant documents evidencing the completion of the Registration Procedures; and

(iii) other documents, materials and items specified in the Third Phase Share Purchase Agreements.

Third instalment (applicable to Delingha Shidai Share Purchase Agreement and Zhongli Tenghui Share Purchase Agreement only): The Purchasers shall pay RMB31,060,000 (the "**Third Instalment**") to the Sellers within 15 Business Days after the fulfilment or waiver by the Purchasers in writing of the following conditions:

(a) the Closing has taken place; and

(b) the completion of the registration of the relevant Operational Solar Power Plant Projects of Delingha Shidai and Zhongli Tenghui in the National Subsidy List.

The abovementioned registration had been completed by the end of November 2020. As such, the Directors are of the view that the timing and conditions for the payment of the Third Instalment are fair and reasonable. For the avoidance of doubt, the Third Instalment amount is not determined with reference to the national subsidy receivable by Delingha Shidai and Zhongli Tenghui, but is determined after arm's length negotiation between the Sellers and the Purchasers.

Although the First Instalment will only be settled after the Closing Date (i.e. upon the completion of the Registration Procedures in respect of the change of shareholders of the Target Companies), taking into account that the Purchasers (i) are owned as to 51% by China Huaneng Group, whose ultimate beneficial owner is the State Council of the PRC and (ii) have complied their payment obligations in a timely manner under the First Phase Share Purchase Agreements, the Directors are of the view that the above payment arrangement facilitates the progression of the transaction and is in the interest of the Shareholders as a whole.

Consolidation of debts and liabilities of affiliates of the Target Companies

To simplify the repayment process of the amount receivables and payables as at the Reference Date between the Target Companies and their respective affiliates (including the Sellers and other subsidiaries of the Company), prior to the Closing Date, (i) all debts and liabilities owed by each of the Target Companies to each of the Seller or its affiliates, being the Amount Payable, shall be consolidated and classified as liabilities of each of the Target Companies payable to the respective Seller and (ii) all debts and liabilities owed to each of the Target Companies by the respective Sellers or its affiliates, being the Amount Receivable, shall be consolidated and classified as assets of each of the Target Companies receivable from the respective Seller. The Amount Payable of each of the Target Companies (which mainly consists of (i) the funds provided by the respective Sellers and its affiliates to the Target Companies for general working capital and repayment of project-related borrowings and (ii) the cost for the procurement of machineries and equipment for the Target Companies paid by the respective Sellers and its affiliates to the Target Companies) will be set off against the Amount Receivable of each of the Target Companies (which mainly consists of the funds provided by the Target Companies to the respective Sellers and its affiliates for general working capital). Therefore, the Target Companies shall either (i) repay the Net Payable Amount to the relevant Seller or (ii) receive the Net Receivable Amount from the relevant Seller.

The table below sets out the carrying amount of the Amount Payable, Amount Receivable and Net Payable Amount (which excluded the dividends payable as at Reference Date) of each of the Target Companies under each of the Third Phase Share Purchase Agreements as at the Reference Date:

No.	Third Phase Share Purchase Agreements	Amount Payable of the Target Companies *RMB*	Amount Receivable of the Target Companies *RMB*	Net Payable Amount of the Target Companies *RMB*
I	Baoying Xinyuan Share Purchase Agreement	2,038,696	(1,209,822)	828,874
II	Delingha Century Concord Share Purchase Agreement	22,917,361	(31,447)	22,885,914
III	Delingha Energy Power Share Purchase Agreement	13,290,900	(4,330,000)	8,960,900
IV	Delingha Shidai Share Purchase Agreement	26,085,350	(19,852,361)	6,232,989
V	Hainanzhou Shineng Share Purchase Agreement	65,958,924	(3,197,419)	62,761,505
VI	Hetian GCL Share Purchase Agreement	147,855,292	0	147,855,292
VII	Gaotang GCL Share Purchase Agreement	22,128,187	(60,667)	22,067,520
VIII	Lanxi Jinrui Share Purchase Agreement	49,413,785	(6,839,505)	42,574,280
IX	Lianshui Xinyuan Share Purchase Agreement	29,146,578	0	29,146,578
X	Liaocheng Xiechang Share Purchase Agreement	51,139,819	(3,570,000)	47,569,819
XI	Yanbian Xinneng Share Purchase Agreement	115,682,795	(1,000)	115,681,795
XII	Yili GCL Share Purchase Agreement	144,349,022	(108,500)	144,240,522
XIII	Yuncheng Xinhua Share Purchase Agreement	195,918,686	(771,845)	195,146,841
XIV	Zhongli Tenghui Share Purchase Agreement	126,416,576	(2,155,750)	124,260,826
Total		**1,012,341,971**	**(42,128,316)**	**970,213,655**

The final Net Payable Amount or Net Receivable Amount will be determined in accordance with the Closing Audit Report (subject to adjustment), and will be calculated based on the carrying amount of the Net Payable Amount or Net Receivable Amount as at the Reference Date (on a dollar-for-dollar basis), which is interest bearing. If the originally agreed interest rate over the Net Payable Amount or Net Receivable Amount was higher than or equal to 4.9%, the interest rate incurred over such Net Payable Amount or Net Receivable Amount during the Transition Period shall be 4.9% (the

"**Assumed Interest Rate**"). If the originally agreed interest rate over the Net Payable Amount or Net Receivable Amount was lower than 4.9%, the interest rate incurred over the Net Payable Amount or Net Receivable Amount during the Transition Period shall be the same as the originally agreed interest rate. The Amount Payable or the Amount Receivable (if any) after the Closing Date shall be also be subject to the interest rate of 4.9%, being the Assumed Interest Rate. Having considered that (i) the Net Payable Amount which was originally subject to an agreed interest rate that is higher than 4.9% only constitutes approximately 7.8% of the total Net Payable Amount and (ii) the extent of the the amount of interests receivable by the Sellers and its affiliates being reduced under the interest rate adjustment mechanism is insignificant, the Directors are of the view that the interest rate adjustment mechanism is fair and reasonable. The interest rate of 4.9% was determined with reference to the current applicable loan prime rate promulgated by the People's Bank of China for a term of over five years with certain adjustment. The Directors believe and consider that such interest rate is fair and reasonable.

During the Transition Period, if the Target Companies require additional cash flow for operation, the Sellers and their affiliates will provide additional funding for the operation of the Target Companies, which will increase the Net Payable Amount as at the Closing Date to be paid by the Target Companies to the Sellers and their affiliates. As at the Latest Practicable Date, the Directors are not aware of any material change to the Net Payable Amount during the Transition Period. The Net Receivable Amount and the interests incurred shall be repaid in full by the relevant Seller to the relevant Target Company before the Closing Date. In the event that the relevant Seller fails to repay the relevant Target Company before the Closing Date, the Purchasers are entitled to deduct such outstanding amount (including the interests) accrued as of the date of the First Instalment from the First Instalment payable by the Purchasers to the relevant Seller. In case of any discrepancy between the amount deducted from the First Instalment and the final Net Receivable Amount as confirmed by the Closing Audit Report, the relevant Seller and the Purchasers agreed to settle such difference by adjusting the excess or shortfall amounts from the Second Instalment (as the case may be).

As some of the Target Companies are currently experiencing cash flow and funding pressure, it is not feasible for those Target Companies to repay the Net Payable Amount and interests to the relevant Sellers before the Closing Date. Those Target Companies will only be able to repay the Net Payable Amount and interests upon receiving financial assistance from the Purchasers after the Closing Date. Therefore, it has been agreed that the Purchasers shall procure the relevant Target Company to (i) gradually repay the Net Payable Amount and its interests to the relevant Seller from the Closing Date onwards and (ii) repay the Net Payable Amount and its interests to the respective Seller in full within 3 months from the Closing Date (the "**Payment Deadline**"). The specific repayment timeline (which should occur before the Payment Deadline) shall be determined by the relevant Seller and the Purchasers based on the financial status of the relevant Target Company such as cash flows and funding pressure after the Closing Date. For the avoidance of doubt, the Purchasers do not have any discretion to postpone the repayment of Net Payable Amount to a date after the Payment Deadline.

As a measure to safeguard the Sellers' right to receive the Net Payable Amount on or before the Payment Deadline, in the event that the Purchasers fail to procure the relevant Target Company to repay the Net Payable Amount in accordance with the Third Phase Share Purchase Agreements, the

Sellers shall be entitled to claim liquidated damages at a rate of 0.02% of the unpaid portion of the Net Payable Amount against the Purchasers for each overdue day until the day of full settlement of the Net Payable Amount. Although the Net Payable Amount will only be settled on or before the Payment Deadline, taking into account that the Purchasers (i) are owned as to 51% by China Huaneng Group, whose ultimate beneficial owner is the State Council of the PRC and (ii) have complied their payment obligations in a timely manner under the First Phase Share Purchase Agreements, the Directors are of the view that the above payment arrangement facilitates the progression of the Transactions and is in the interest of the Shareholders as a whole.

Other Undertakings

The Sellers and the Purchasers agreed to be subject to certain undertakings, including but not limited to the following undertakings:

(i) in the event that any of the Target Companies provides any debt guarantees to any third party prior to the Closing, the Sellers undertake to execute the relevant legal documents that are necessary to release or terminate such guarantees before the Closing. Within six months from the Closing Date, the Purchasers undertake to procure the Target Companies' early repayment of their liabilities owed to the financial institutions in order to release the guarantees provided by the Sellers or its affiliates in respect of such liabilities. As at the Latest Practicable Date, the Target Companies have not provided or intended to provide debt guarantees to any third parties;

(ii) (applicable to Yuncheng Xinhua Share Purchase Agreement only) as Yuncheng Xinhua required additional cash flow for its operation, Suzhou GCL New Energy (being an indirect holding company of Yuncheng Xinhua) provided funding to Yuncheng Xinhua. The funding was obtained by Suzhou GCL New Energy through a bank loan (the "**Suzhou GCL New Energy Bank Loan**"), which was secured by certain assets of Yuncheng Xinhua. As Suzhou GCL New Energy will no longer be the indirect holding company of Yuncheng Xinhua after the Closing, Yuncheng Xinhua undertakes to early repay such funding provided by Suzhou GCL New Energy. Upon the repayment of such funding by Yuncheng Xinhua to Suzhou GCL New Energy, Suzhou GCL New Energy undertakes to early repay the Suzhou GCL New Energy Bank Loan and upon which, the security over certain assets of Yuncheng Xinhua will be released. Prior to the full repayment of the Suzhou GCL New Energy Bank Loan, the relevant Seller undertakes that there will be no breach in respect of such bank loan and Suzhou GCL New Energy will be responsible for any damages arising thereof (if any);

(iii) in the event of any circumstance that may cause the Sellers to be liable for any damages or compensation to the Purchasers or the Target Companies, the Purchasers are entitled to temporarily withhold an amount not exceeding the maximum damages or compensation payable by the Sellers under such circumstance from the amount payable to the Sellers. After the determination of the actual loss and reasonable expenses, the Sellers and the Purchasers agreed to settle such difference by refunding the excess amount or making up the shortfall (as the case may be);

(iv) the Purchasers shall be entitled to set off any amounts payable by the Sellers as set out in the Third Phase Share Purchase Agreements (including default payment, damages, compensation and other fees) with any amounts payable by the Purchasers or the Target Companies in relation to the Transactions (including but not limited to the Share Price, Total Outstanding Balance, Early Payment Amount, Tax-related Amount and the dividends); and

(v) the Target Companies will pay the dividends payable as at the Reference Date (which were declared on or before the Reference Date in respect of the profits accrued by the Target Companies from the respective operation commencement date of the respective Operational Solar Power Plant Projects up to 30 November 2019) of approximately RMB309,993,244 to the Sellers, subject to the progress of receipt of the national subsidy receivable under the National Subsidy Catalogue as explained in the section headed "Payment of dividends payable as at the Reference Date" below.

The Transition Period Arrangement

While the financial information of the Target Companies remains consolidated in the consolidated financial statements of the Company between the Transition Period, the parties agreed that profit and loss during the Transition Period shall be enjoyed and borne by the Purchasers.

The Purchasers agreed the Target Companies to further declare the dividend of RMB68,119,217 during the Transition Period to the Sellers in respect of the profits accrued by the Target Companies for the period from 1 December 2019 to 30 June 2020 (the "**Further Dividend**") which the Purchasers shall procure the Target Companies to pay the Further Dividend upon the payment of the First Instalment. Save for the Further Dividend, the parties agreed that the Target Companies shall not further declare any dividend to the Sellers or adjust the Consideration in respect of the profit accrued by the Target Companies during the Transition Period.

After the Closing Date, the Target Companies will cease to be subsidiaries of the Company, and the profit and loss, as well as the assets and liabilities of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group and will remain in the Target Companies, which will then be owned by the Purchasers. The profit and loss accrued by the Target Companies during the Transition Period will subsequently be reflected in the net asset value of the Target Companies and will be calculated in the gain or loss on disposal in the consolidated financial statements of the Company after the Closing Date.

Payment of dividends payable as at the Reference Date

The table below sets out the dividends payable by each of the Target Companies to the respective Seller and its affiliates (if any) under each of the Third Phase Share Purchase Agreements as at the Reference Date (which were declared on or before the Reference Date in respect of the profits accrued by the Target Companies from the respective operation commencement date of the Operational Solar Power Plant Projects up to 30 November 2019):

Third Phase Share Purchase Agreements	Target Companies	Dividends payable
		RMB
I	Baoying Xinyuan	17,412,852
II	Delingha Century Concord	37,165,654
III	Delingha Energy Power	11,804,421
IV	Delingha Shidai	29,548,120
V	Hainanzhou Shineng	47,333,120
VI	Hetian GCL	16,223,396
VII	Gaotang GCL	11,353,018
VIII	Lanxi Jinrui	15,719,625
IX	Lianshui Xinyuan	21,605,873
X	Liaocheng Xiechang	13,568,624
XI	Yanbian Xinneng	20,840,321
XII	Yili GCL	5,561,797
XIII	Yuncheng Xinhua	18,722,987
XIV	Zhongli Tenghui	43,133,436
Total		**309,993,244**

It is generally expected that all Operational Solar Power Plant Projects will receive payment of national subsidy from the PRC government within the 12 months after their final inclusion in the National Subsidy Catalogue or the National Subsidy List. As such, having confirmed with the auditors of the Target Companies, the Sellers and the Purchasers have agreed that the amount of national subsidy receivable by the Target Companies as at the Reference Date shall be recognised as revenue and trade receivables in the audited accounts of the Target Companies as at the Reference Date.

While the Target Companies are entitled to receive the national subsidy for operating the solar power plants registered in the National Subsidy Catalogue and/or National Subsidy List (as applicable), there has been an overdue of the payment of such national subsidy receivable by the Target Companies and the actual payment date of such national subsidy remains to be uncertain. National subsidy receivable has also been recognised as revenue and trade receivables in the audited accounts of the Target Companies, such that the dividends payable as recorded in the accounts of the Target Companies as at the Reference Date will only be paid when the Target Companies has cash inflow from receiving the national subsidy receivable and will be paid in proportionate to the progress of such receipt. As such, the Purchasers and the Sellers have agreed that the payment of the dividends payable as recorded in the accounts of the Target Companies as at the Reference Date by the Target Companies to the Sellers post-completion shall correspond with, and be in proportionate to the progress of the receipt of national subsidy by the Target Companies as at the Reference Date. As at the Reference Date, the dividends payable as recorded in the accounts of the Target Companies was approximately RMB309,993,244.

For the avoidance of doubt, (i) the Registered Solar Power Plant Projects were registered in the National Subsidy Catalogue or the National Subsidy List due to different registration timing and there are no difference in terms of tariff entitlement between the National Subsidy Catalogue or the National Subsidy List and (ii) the Target Companies shall receive the full amount of the national subsidy receivable from the PRC government as at the Reference Date within four years from the Closing Date, failure of which would trigger the repurchase obligations of the Sellers as stipulated under the paragraph headed "General repurchase conditions of Target Companies" below.

Amount payable to the Sellers upon the early payment of national subsidy (i.e. Early Payment Amount)

As explained in the 2020 interim report of the Company, substantial development of solar power installed capacities in the PRC in the past few years has widen the funding deficit of National Renewable Energy Development Fund. Therefore, solar energy operators in the PRC which were registered in the National Subsidy Catalogue and National Subsidy List have experienced a substantial delay in receiving the national subsidy from the relevant PRC governmental authorities. At the same time, most of the Operational Solar Power Plant Projects of the Target Companies were also included the National Subsidy Catalogue and National Subsidy List and experienced the same delay.

In the event that the relevant government authorities or their designated entities decided to implement new measures such as the issuance of bond or other financial instruments (the "**Issuance**") to reduce the funding deficit of National Renewable Energy Development Fund, the payment of the national subsidy to solar energy operators in the PRC will be accelerated. It is expected that the Issuance will only accelerate the payment of national subsidy in cash and will not increase the amount of national subsidy receivable by solar energy operators in the PRC (including the Target Companies).

As explained in the section headed "Basis of the Consideration" above, the delay of the payment of national subsidy to the Target Companies by the relevant PRC governmental entities has been taken into consideration when determining the amount of Consideration payable.

Within one year of the date of the Third Phase Share Purchase Agreements, in the event of accelerated receipt of national subsidy receivable by the Target Companies in cash as at the Reference Date as a result of the Issuance and based on the arms-length negotiation with the Purchasers, the Sellers shall be entitled to share the benefit of actual amount of national subsidy receivable by the Target Companies in cash as at the Reference Date received during the Prescribed Period, which the Sellers shall be entitled to receive 50% of the benefit of the accelerated receipt of national subsidy receivable by the Target Companies by way of compensation as the delayed payment of national subsidy by the PRC government has been taken into account when considering the Share Price and the Purchasers through the Target Companies, shall be entitled to receive 50% of the benefit of the accelerated receipt of national subsidy receivable by the Target Companies. The Early Payment Amount shall be determined based on the following formula which is only applicable upon the implementation of the Issuance:

$A \times B \div (B + C) \times D \times E \div 365 \times 4.9\% \times 50\%$ whereas

A	=	the actual amount of national subsidy receivable by the Target Companies as at the Reference Date received during the Prescribed Period
B	=	the Issuance amount announced by the relevant PRC government authorities for the acceleration of the payment of national subsidy to all nationwide solar power plant projects registered in the National Subsidy Catalogue or National Subsidy List in 2021
C	=	the fiscal budget amount issued by the Ministry of Finance in the PRC for the payment of national subsidy to all nationwide solar power plant projects registered in the National Subsidy Catalogue or National Subsidy List in 2021
D	=	365 days minus the number of calendar days between the date of the Third Phase Share Purchase Agreements and the date of receipt of the national subsidy by the Target Companies during the Prescribed Period, which shall be deemed to be zero if the result turns out to be negative
E	=	the respective equity interests in the Target Companies held by the Sellers before the Closing

As at the Latest Practicable Date, the relevant government authorities or their designated entities has not announced the Issuance. As such, the Issuance may or may not materialise as contemplated or at all and the abovementioned amount payable (i.e. Early Payment Amount) may or may not be payable to the Sellers. For the avoidance of doubt, the Target Companies shall receive the full amount of the national subsidy receivable from the PRC government as at the Reference Date within four years from the Closing Date, failure of which would trigger the repurchase obligations of the Sellers as stipulated under the paragraph headed "General repurchase conditions of Target Companies" below.

Amount payable to the relevant Seller upon confirmation of the preferential tax treatment applicable to Yanbian Xinneng (i.e. Tax-related Amount)

Under the existing tax preferential policies in the PRC, Yanbian Xinneng has been exempted from paying the PRC income tax for three years commencing from the year which it first generated taxable income, followed by a three-year exemption from paying 50% of the PRC income tax.

It has been announced that new tax preferential policies will be implemented in the western region in the PRC (including Sichuan province, where the Operational Solar Power Plant Project of Yanbian Xinneng is located). Pursuant to the new tax preferential policies, it is expected that Yanbian Xinneng should be able to enjoy a preferential income tax rate of 15% from January 2021 to December 2030. The aggregate tax benefit pursuant to the abovementioned tax preferential policies is expected to be up to RMB12,000,000.

As such, in the event that the relevant Seller is able to provide the Purchasers with the relevant documentation issued by the relevant government authorities in the PRC confirming that Yanbian Xinneng is entitled to the abovementioned preferential tax treatment before 31 May 2021, the Purchasers shall pay a maximum amount of RMB12,000,000 to the relevant Seller upon the payment of the First Instalment or within 15 Business Days after the receipt of the relevant documentation (whichever is later). As at the Latest Practicable Date, Yanbian Xinneng had provided the relevant documentation to the Purchasers.

Conditions Precedent

The Closing under each of the Third Phase Share Purchase Agreements is subject to the fulfilment or (if applicable) waiver of certain Conditions Precedent:

(a) the Sellers have duly executed and delivered to the Purchasers all the transaction documents in relation to the Transactions to which they act as parties;

(b) the shareholders of the Target Companies have approved the Transactions by way of shareholders' resolutions;

(c) GCL-Poly and the Company have obtained board approval and shareholders' approval in respect of the Transactions;

(d) the Target Companies and their subsidiaries (if any) have completed replacement of their directors, supervisors, senior management and legal representative;

(e) the equity pledges of the Target Companies (if any) have been released;

(f) consents from the creditors of the Target Companies (if any) have been obtained for the Transactions;

(g) consolidation of debts and liabilities of the affiliates of the Target Companies as set out in this circular and the Third Phase Share Purchase Agreements has been completed;

(h) the arrangement in respect of the personnel reorganisation of the Target Companies as agreed by the Sellers and the Purchasers has been completed;

(i) there has been no event which might render the Closing impracticable or illegal, including any event which has material adverse effect on the Target Companies;

(j) there has been no enactment, issue, promulgation, implementation or passing of any law or government order made by the relevant authorities restricting, prohibiting or cancelling the transfer of the Sale Shares or rendering the transfer of the Sale Shares illegal;

(k) (applicable to Yuncheng Xinhua Share Purchase Agreement and Yili GCL Share Purchase Agreement only) written consent has been obtained from Yuncheng Shuihu Construction and Xinjiang Production and Construction Corps in relation to their respective pre-emptive rights and other similar rights under the Yuncheng Xinhua Share Purchase Agreement and the Yili GCL Share Purchase Agreement;

(l) (applicable to Zhongli Tenghui Share Purchase Agreement only) the signing of the confirmation agreement in relation to the outstanding balance of the construction fees payable by Zhongli Tenghui to an independent third party EPC contractor regarding the construction of the Operational Solar Power Plant Project operated by Zhongli Tenghui. As at the Latest Practicable Date, Zhongli Tenghui had reached a consensus with the independent third party EPC contractor that the outstanding balance of the construction fees payable by Zhongli Tenghui to the independent third party EPC contractor shall be approximately RMB24,186,425 and the parties are in the process of finalising the terms of the relevant confirmation agreement;

(m) (applicable to Zhongli Tenghui Share Purchase Agreement only) the signing of the Settlement Agreement in relation to the settlement of compensation payable by Suzhou Tenghui to Suzhou GCL New Energy for the failure to register the Operational Solar Power Plant Project operated by Zhongli Tenghui in the National Subsidy Catalogue or the National Subsidy List under the terms of the Changzhou Xintian New Energy Share Purchase Agreement. Given that the Operational Solar Power Plant Project operated by Zhongli Tenghui had been registered in the National Subsidy List by the end of November 2020, as at the Latest Practicable Date, Suzhou GCL New Energy had reached a consensus with Suzhou Tenghui that Suzhou Tenghui shall not be required to pay any compensation to Suzhou GCL New Energy under the Changzhou Xintian New Energy Share Purchase Agreement and the parties are in the process of finalising the terms of the Settlement Agreement;

(n) (applicable to Yuncheng Xinhua Share Purchase Agreement only) Yuncheng Xinhua has resolved the dispute with the local village committee in relation to the outstanding agricultural subsidy payable by Yuncheng Xinhua to the local village committee and obtained the relevant land use permit for its Operational Solar Power Plant Project. As at the Latest Practicable Date, Yuncheng Xinhua had reached a consensus with the local village committee that Yuncheng Xinhua shall not be required to pay any outstanding agricultural subsidy to the local village committee while pending the issuance of the relevant land use permit;

(o) (applicable to Yuncheng Xinhua Share Purchase Agreement only) consent from the bank of the Suzhou GCL New Energy Bank Loan has been obtained for the transactions contemplated under Yuncheng Xinhua Share Purchase Agreement as it was stipulated under the facility agreement in relation to the Suzhou GCL New Energy Bank Loan that any early repayment of the principal amount under such facility agreement required the prior consent of the bank;

(p) (applicable to Lanxi Jinrui Share Purchase Agreement only) the subsidiary of Lanxi Jinrui has completed the capital reduction by completing the relevant company filing or registration procedures with the competent administration for industry and commerce in the PRC and obtain the new business licence;

(q) (applicable to Liaocheng Xiechang Share Purchase Agreement only) Shandong GCL New Energy has procured Liaocheng Xiechang to liaise with Gaotang County Natural Resources and Planning Bureau* (高唐縣自然資源和規劃局) to issue a certificate confirming that the construction and operation of the Operational Solar Power Plant Project operated by Liaocheng Xiechang has not changed the nature of the agricultural land; and

(r) (only applicable to the Yanbian Xinneng Share Purchase Agreement) Panzhihua Agriculture has provided a written undertaking to the Purchasers and Yanbian Xinneng to undertake, among others, the transfer of the agricultural-related project by Panzhihua Agriculture at nil consideration to Yanbian Xinneng.

For the avoidance of doubt, the completion of the Third Phase Disposals are not conditional upon the completion of the Second Phase Disposals. The Directors considered that the settlement of the compensation under condition (m) and the dispute under condition (n) above will not have any material impact on the financial statement of the relevant Target Companies. In addition, the fulfillment of conditions (m) and (n) will not lead to any adjustment of the relevant Consideration.

As at the Latest Practicable Date, conditions (k), (r) and (p) above have been fulfilled. It is expected that (i) conditions (l), (m) and (o) above will be fulfilled within one month from the Latest Practicable Date and (ii) conditions (n) and (q) above will be fulfilled within three months from the Latest Practicable Date.

The Sellers undertake to the Purchasers that all of the Conditions Precedent shall be fulfilled or waived (as the case may be) within 120 days from the date of the Third Phase Share Purchase Agreements or such other date as agreed by the Sellers and the Purchasers. If any of the Conditions Precedent cannot be fulfilled or waived (as the case may be) within 150 days from the date of the Third Phase Share Purchase Agreements, the Purchasers shall be entitled to terminate the Third Phase Share Purchase Agreements or waive any of the Conditions Precedent that has not been fulfilled except condition (c) above. None of the Conditions Precedent is waivable by the Sellers.

If any of the Conditions Precedent of the Third Phase Share Purchase Agreements except conditions (e) and (f) above cannot be fulfilled within 120 days from the date of the Third Phase Share Purchase Agreements, the Purchasers shall be entitled to require the Sellers to pay a default payment equivalent to 0.02% of the Share Price for each day of delay, subject to an accumulated cap of 0.6% of the Share Price.

Closing

Closing shall take place within five Business Days (or any other date as agreed by the Sellers and the Purchasers) after all of the Conditions Precedent have been fulfilled or waived (as the case may be).

The date of issuance as stated on the new business certificate of each of the Target Companies upon the completion of the Registration Procedures shall be the Closing Date for each of the transaction contemplated under each of the Third Phase Share Purchase Agreements.

Closing Audit Report

Pursuant to the Third Phase Share Purchase Agreements, the Sellers and the Purchasers shall engage an auditing agency to audit the financial condition of the Target Companies for the Transition Period and prepare the Closing Audit Report within 30 days after the Closing Date.

Guarantee

Pursuant to the Third Phase Share Purchase Agreements, the Guarantor agreed to provide a guarantee to secure the due performance by the respective Seller of its obligations under the Third Phase Share Purchase Agreements.

Grant of the Third Phase Put Options

(a) General repurchase conditions of the Target Companies

Within five years from the Closing Date, the Sellers may be required to repurchase the disposed Sale Shares in the respective Target Company(ies), any outstanding shareholders' loan advanced to the respective Target Company(ies) by the Purchasers and the respective interests in accordance with each of the Third Phase Share Purchase Agreements (the "**Repurchase**") upon the exercise of the Third Phase Put Options by the Purchasers and the occurrence of any of the following events in relation to the relevant Target Company(ies) (the "**Repurchase Events**"):

(i) failure to obtain relevant compliance documents, complete relevant compliance procedures or pay relevant construction fees in accordance with the requirements of the applicable laws before the Closing Date which causes the suspension of the operation of the solar power plant(s) of the relevant Target Company(ies) and the operation failing to resume within six months;

(ii) the occurrence of engineering quality issues, major irreparable defects or safety hazards of the main equipment of the solar power plant(s) existed before the Closing Date which cause the suspension of the operation of the solar power plant(s) of the relevant Target Company(ies) and the operation failing to resume within six months;

(iii) the relevant Target Company(ies) being unable to receive the full amount of the national subsidy receivable from the PRC government to be determined based on the Closing Audit Report within four years from the Closing Date. As at the Reference Date, the total balance of national subsidy receivable by the Target Companies was approximately RMB1,127,494,138;

(iv) the disqualification of the relevant Target Company(ies) from receiving national subsidy under the National Subsidy Catalogue or National Subsidy List due to reasons existed before the Closing Date;

(v) the actual on-grid tariff of the relevant Operational Solar Power Plant Projects after the receipt of national subsidy being lower than the respective on-grid tariff specified in the Third Phase Share Purchase Agreements due to reasons existed before the Closing Date; and

(vi) material breach of the relevant Third Phase Share Purchase Agreement(s) by the Sellers which frustrates the purpose of the Transactions.

If the Purchasers fail to provide a written repurchase notice within one year from the occurrence of the Repurchase Events, it shall be deemed as a waiver by the Purchasers to exercise their rights to the Repurchase.

(b) Specific repurchase conditions

(i) Failure to register the Specified Solar Power Plant Projects under the National Subsidy List (applicable to Delingha Shidai and Zhongli Tenghui only)

In the event of any failure to register the Specified Solar Power Plant Projects under the National Subsidy List within two years from the Closing Date (the "**Registration Deadline**"), the respective Seller may be required to repurchase the disposed Sale Shares of the respective Target Company at the Repurchase Price set out in paragraph (f) below from the day after the Registration Deadline.

If the Purchasers fail to provide a written repurchase notice within one year from the day after the Registration Deadline, it shall be deemed as a waiver by the Purchasers of their rights to require the respective Seller to repurchase the disposed Sale Shares of the respective Target Company. However, the Purchasers shall not be required to pay the Third Instalment to the respective Seller.

As the Specified Solar Power Plant Projects (i.e. the two Operational Solar Power Plant Projects operated by Delingha Shidai and Zhongli Tenghui respectively) had been registered in the National Subsidy List by the end of November 2020, this specific repurchase condition will not be triggered in any event.

(ii) Effects of the Transactions to the Poverty Alleviation Project Investment Agreement (applicable to Yuncheng Xinhua only)

On 28 February 2019, Shandong GCL New Energy and Yuncheng Shuihu Construction entered into a poverty alleviation project investment agreement in relation to the investment arrangement in Yuncheng Xinhua (the "**Poverty Alleviation Project Investment Agreement**"). Pursuant to the Poverty Alleviation Project Investment Agreement, (i) Yuncheng Xinhua shall be owned as to 51% by Shandong GCL New Energy and 49% by Yuncheng Shuihu Construction; (ii) Yuncheng Xinhua shall pay an annual operational and maintenance fee to Shandong GCL New Energy; (iii) Yuncheng Xinhua shall pay a poverty alleviation fee from its profits to Yuncheng Shuihu Construction for the purpose of alleviating poverty in the Yuncheng County (the "**Poverty Alleviation Fee**"); (iv) Shandong GCL New Energy and Yuncheng Shuihu Construction shall share the profits of Yuncheng Xinhua in proportionate to their respective equity interests in Yuncheng Xinhua after deducting the Poverty Alleviation Fee and (v) Yuncheng Shuihu Construction shall actively assist Shandong GCL New Energy to liaise with the relevant government authorities in the PRC to obtain preferential tax treatment and other favourable government policies.

In the event that the transactions under the Yuncheng Xinhua Share Purchase Agreement causes (i) a material adverse impact on the implementation of Poverty Alleviation Project Investment Agreement; (ii) a material adverse impact on the implementation of the relevant national and local government policies on poverty alleviation solar power plant projects by Yuncheng Xinhua after the Closing Date; (iii) the request by Yuncheng Shuihu Construction to terminate the Poverty Alleviation Project Investment Agreement or (iv) any defects to the transfer of the disposed Sale Shares of Yuncheng Xinhua, the Purchasers have the right to request Shandong GCL New Energy to repurchase the disposed Sale Shares of Yuncheng Xinhua at the Repurchase Price set out in paragraph (f) below.

(iii) Inclusion of the Operational Solar Power Plants in the ecological protection areas (applicable to all Target Companies except Baoying Xinyuan, Lanxi Jinrui, Lianshui Xinyuan and Yanbian Xinneng)

In order to conserve and protect the ecosystem of certain areas in the PRC, the PRC government may from time to time announce and implement policies to designate certain areas as ecological protection areas, which restrict or prohibit the construction or operation of solar power plants in such areas, the violation of which may result in the removal of the solar power plants within the ecological protection areas and the solar power plant operators may be subject to fines or other penalties.

If all or part of the Operational Solar Power Plants of any Target Company except Baoying Xinyuan, Lanxi Jinrui, Lianshui Xinyuan and Yanbian Xinneng are being included in the ecological protection areas being announced for the first time after the Closing Date by the relevant government authorities in the PRC, the Purchasers are entitled to require the respective Seller to repurchase the respective Sales Shares of the respective Target Company at the Repurchase Price set out in paragraph (f) below.

(c) Repurchase price

The repurchase price for the Target Companies (the "Repurchase Price") shall be calculated in the following manner (whichever is higher):

(a) the amount equivalent to the valuation of the shareholders' rights and interests of the Target Companies as stated under the repurchase valuation report to be filed to the relevant PRC state assets regulatory authorities multiplied by the respective equity interests in the Target Companies held by the Sellers before the Closing; or

(b) the amount equivalent to the aggregation of (i) the Share Price, the Early Payment Amount, the Tax-related Amount, and subsequent capital contribution to the Target Companies paid by the Purchasers (but excluding shareholders' loans provided by the Purchasers to the Target Companies), plus (ii) the expected investment income of the Purchasers (as defined below), less (iii) any dividend of the Target Companies actually paid to the Purchasers after the Closing Date, less (iv) any amount paid by the Sellers prior to the Repurchase to the Purchasers (including default payment, damages and compensation, but excluding any amount paid by the Sellers prior to the Repurchase to the Target Companies).

The expected investment income = the Share Price, the Early Payment Amount, the Tax-related Amount, and subsequent capital contribution to the Target Companies paid by the Purchasers x 4.9% x the number of days since the Purchasers actually paid the Share Price or the amount of capital contribution until the date of the payment of the Repurchase Price by the Sellers ÷ 360 days.

Under the Delingha Shidai Share Purchase Agreement and the Zhongli Tenghui Share Purchase Agreement, in the event that the Repurchase Price is determined by above manner based on the repurchase valuation report, the Purchasers are entitled to set off the unpaid portion of the Third Instalment with the Repurchase Price payable by the Seller.

3. INFORMATION ON THE GROUP AND THE SELLERS

The Group

The Company is incorporated in Bermuda as exempted company with limited liability. The principal business of the Company is investment holding.

The Group is principally engaged in the sale of electricity, development, construction, operation and management of solar power plants. As at the Latest Practicable Date, the Company is owned as to approximately 58.94% by GCL-Poly.

Suzhou GCL New Energy

Suzhou GCL New Energy is a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company. Suzhou GCL New Energy is indirectly owned as to approximately 92.82% by the Company. Suzhou GCL New Energy indirectly owns a majority of solar power plants of the Company in the PRC and directly wholly-owns the solar power plant project of Delingha Century Concord, Delingha Energy Power, Delingha Shidai, Hetian GCL, Gaotang GCL, Yanbian Xinneng and holds 56.51% equity interest in Yili GCL.

Jiangsu GCL New Energy

Jiangsu GCL New Energy is a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company. Jiangsu GCL New Energy is wholly-owned by Suzhou GCL New Energy, which is in turn indirectly owned as to approximately 92.82% by the Company. Jiangsu GCL New Energy directly wholly-owns the solar power plant project of Baoying Xinyuan and Lianshui Xinyuan.

Nanjing GCL New Energy

Nanjing GCL New Energy is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Nanjing GCL New Energy directly wholly-owns the solar power plant project of Lanxi Jinrui.

Qinghai GCL New Energy

Qinghai GCL New Energy is a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company. Qinghai GCL New Energy is wholly-owned by Suzhou GCL New Energy, which is in turn indirectly owned as to approximately 92.82% by the Company. Qinghai GCL New Energy directly wholly-owns the solar power plant project of Hainanzhou Shineng and Zhongli Tenghui.

Shandong GCL New Energy

Shandong GCL New Energy is a company incorporated in the PRC with limited liability and an indirect subsidiary of the Company. Shandong GCL New Energy is wholly-owned by Suzhou GCL New Energy, which is in turn indirectly owned as to approximately 92.82% by the Company. Shandong GCL New Energy directly wholly-owns the solar power plant project of Liaocheng Xiechang and holds 51% equity interest in Yuncheng Xinhua.

4. INFORMATION ON THE PURCHASERS

Huaneng No. 1 Fund

Huaneng No. 1 Fund is a limited partnership established in the PRC which was formed to invest in equities, investment instruments or vehicles related to debt-for-equity swap that are in compliance with the relevant laws, regulations and regulatory requirements.

The general partners of Huaneng No. 1 Fund are (i) Tianjin Huajing Shunhe New Energy Technology Development Co., Ltd.* (天津華景順和新能源科技發展有限公司), a company established in the PRC which principally engages in technical services, development, consultation, communication, transfer and promotion etc., and is indirectly held as to (a) 50% by Huaneng Capital Services Limited* (華能資本服務有限公司) (which is owned as to approximately 61% by China Huaneng Group as its ultimate beneficial owner managed by the State Council of the PRC) and (b) 50% by Invesco WLR Limited (a company established in Hong Kong and its ultimate beneficial owner is Invesco Ltd. (a company listed in New York, the United States, with New York Stock Exchange stock code IVZ)) and (ii) ICBC Capital Management Co., Ltd. (工銀資本管理有限公司), a company established in the PRC which principally engages in asset management, investment management, investment consultation and equity investment, whose ultimate beneficial owner is Industrial and Commercial Bank of China Limited (a company listed in Shanghai, the PRC and Hong Kong, with the respective stock codes being 601398 and 1398).

The limited partners of Huaneng No. 1 Fund are (i) China Huaneng Group, which owns a majority of properties in Huaneng No. 1 Fund and (ii) ICBC Financial Assets Investment Co., Ltd.* (工銀金融資產投資有限公司) (a company established in the PRC which principally engages in acquisition of debts owed by enterprises to banks for the purpose of debt-for-equity swap, so as to convert the credit rights into equities and manage such equities, and its ultimate beneficial owner is Industrial and Commercial Bank of China Limited (a company listed in Shanghai, the PRC and Hong Kong, with the respective stock codes being 601398 and 1398).

Huaneng No. 1 Fund is owned as to approximately 51% by China Huaneng Group and approximately 49% by ICBC Financial Assets Investment Co., Ltd.* (工銀金融資產投資有限公司).

Huaneng No. 2 Fund

Huaneng No. 2 Fund is a limited partnership established in the PRC which was formed to invest in equities, investment instruments or vehicles related to debt-for-equity swap that are in compliance with the relevant laws, regulations and regulatory requirements.

The general partners of Huaneng No. 2 Fund are (i) Tianjin Huajing Shunhe New Energy Technology Development Co., Ltd.* (天津華景順和新能源科技發展有限公司), a company established in the PRC which principally engages in technical services, development, consultation, communication, transfer and promotion etc., and is indirectly held as to (a) 50% by Huaneng Capital Services Limited* (華能資本服務有限公司) (which is owned as to approximately 61% by China Huaneng Group as its ultimate beneficial owner managed by the State Council of the PRC) and (b) 50% by Invesco WLR Limited (a company established in Hong Kong and its ultimate beneficial owner is Invesco Ltd. (a company listed in New York, the United States, with New York Stock Exchange stock code IVZ) and (ii) ICBC Capital Management Co., Ltd. (工銀資本管理有限公司), a company established in the PRC which principally engages in asset management, investment management, investment consultation and equity investment, whose ultimate beneficial owner is Industrial and Commercial Bank of China Limited (a company listed in Shanghai, the PRC and Hong Kong, with the respective stock codes being 601398 and 1398).

The limited partners of Huaneng No. 2 Fund are (i) China Huaneng Group, which owns a majority of properties in Huaneng No. 2 Fund and (ii) ICBC Financial Assets Investment Co., Ltd.* (工銀金融資產投資有限公司) (a company established in the PRC which principally engages in acquisition of debts owed by enterprises to banks for the purpose of debt-for-equity swap, so as to convert the credit rights into equities and manage such equities, and its ultimate beneficial owner is Industrial and Commercial Bank of China Limited (a company listed in Shanghai, the PRC and Hong Kong, with the respective stock codes being 601398 and 1398).

Huaneng No. 2 Fund is owned as to approximately 51% by China Huaneng Group and approximately 49% by ICBC Financial Assets Investment Co., Ltd.* (工銀金融資產投資有限公司).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchasers, the general partners and the limited partners of the Purchasers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

5. INFORMATION ON THE TARGET COMPANIES

The table below sets out the information on the Target Companies under each of the Third Phase Share Purchase Agreements:

No.	Third Phase Share Purchase Agreements	Information on the Target Companies
I	Baoying Xinyuan Share Purchase Agreement	Baoying Xinyuan is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Baoying Xinyuan is wholly-owned by Jiangsu GCL New Energy and is an indirect subsidiary of the Company
II	Delingha Century Concord Share Purchase Agreement	Delingha Century Concord is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Delingha Century Concord is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company
III	Delingha Energy Power Share Purchase Agreement	Delingha Energy Power is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Delingha Energy Power is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company

No.	Third Phase Share Purchase Agreements	Information on the Target Companies
IV	Delingha Shidai Share Purchase Agreement	Delingha Shidai is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Delingha Shidai is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company
V	Hainanzhou Shineng Share Purchase Agreement	Hainanzhou Shineng is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Hainanzhou Shineng is wholly-owned by Qinghai GCL New Energy and is an indirect subsidiary of the Company
VI	Hetian GCL Share Purchase Agreement	Hetian GCL is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Hetian GCL is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company
VII	Gaotang GCL Share Purchase Agreement	Gaotang GCL is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Gaotang GCL is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company
VIII	Lanxi Jinrui Share Purchase Agreement	Lanxi Jinrui is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Lanxi Jinrui is wholly-owned by Nanjing GCL New Energy and is an indirect subsidiary of the Company
IX	Lianshui Xinyuan Share Purchase Agreement	Lianshui Xinyuan is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Lianshui Xinyuan is wholly-owned by Jiangsu GCL New Energy and is an indirect subsidiary of the Company

No.	Third Phase Share Purchase Agreements	Information on the Target Companies
X	Liaocheng Xiechang Share Purchase Agreement	Liaocheng Xiechang is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Liaocheng Xiechang is wholly-owned by Shandong GCL New Energy and is an indirect subsidiary of the Company
XI	Yanbian Xinneng Share Purchase Agreement	Yanbian Xinneng is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Yanbian Xinneng is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company
XII	Yili GCL Share Purchase Agreement	Yili GCL is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Yili GCL is owned as to 56.51% by Suzhou GCL New Energy and 43.49% by Xinjiang Production and Construction Corps
XIII	Yuncheng Xinhua Share Purchase Agreement	Yuncheng Xinhua is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Yuncheng Xinhua is owned as to 51% by Shandong GCL New Energy and 49% by Yuncheng Shuihu Construction
XIV	Zhongli Tenghui Share Purchase Agreement	Zhongli Tenghui is a company incorporated in the PRC with limited liability, which is principally engaged in the operation of solar power plant in the PRC. Zhongli Tenghui is wholly-owned by Qinghai GCL New Energy and is an indirect subsidiary of the Company

Set out below is an extract of the audited financial statements prepared for the financial years ended 31 December 2018 and 31 December 2019 and the unaudited management accounts for the six months ended 30 June 2020 of the Target Companies prepared in accordance with China Accounting Standards:

Third Phase Share Purchase Agreements	Target Companies	Six months ended 30 June 2020 Profit before taxation	Profit after taxation	Year ended 31 December 2019 Profit before taxation	Profit after taxation	Year ended 31 December 2018 Profit before taxation	Profit after taxation
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I	Baoying Xinyuan	2,270	1,986	3,897	3,401	3,895	3,393
II	Delingha Century Concord	14,752	12,309	20,202	17,699	55,749	52,167
III	Delingha Energy Power	2,456	2,268	4,110	3,805	4,736	4,736
IV	Delingha Shidai	6,182	5,691	10,276	9,586	10,896	10,896
V	Hainanzhou Shineng	3,321	2,816	8,022	6,906	17,323	15,762
VI	Hetian GCL	4,887	4,154	10,327	10,327	7,056	7,056
VII	Gaotang GCL	5,763	5,043	9,508	8,318	7,284	7,284
VIII	Lanxi Jinrui	2,411	2,067	6,485	6,485	9,382	9,382
IX	Lianshui Xinyuan	4,990	4,349	8,780	8,700	6,134	6,069
X	Liaocheng Xiechang	3,801	3,321	6,101	5,333	6,440	6,440
XI	Yanbian Xinneng	12,013	10,504	17,986	17,985	8,187	8,089
XII	Yili GCL	12,604	12,604	13,477	13,477	6,420	6,420
XIII	Yuncheng Xinhua	12,157	10,638	16,014	16,014	12,954	12,954
XIV	Zhongli Tenghui	7,280	6,732	18,805	17,436	22,078	22,078

The table below sets out the net asset value (net of the dividends payable as at Reference Date and dividends declared during the Transition Period) of each of the Target Companies extracted from the unaudited management accounts for the six months ended 30 June 2020 of the Target Companies prepared in accordance with China Accounting Standards:

Third Phase Share Purchase Agreements	Target Companies	As at 30 June 2020 Net asset value
		RMB'000
I	Baoying Xinyuan	12,140
II	Delingha Century Concord	235,313
III	Delingha Energy Power	18,891
IV	Delingha Shidai	37,847
V	Hainanzhou Shineng	67,612
VI	Hetian GCL	34,534
VII	Gaotang GCL	84,591
VIII	Lanxi Jinrui	63,404
IX	Lianshui Xinyuan	21,507
X	Liaocheng Xiechang	31,185
XI	Yanbian Xinneng	58,643
XII	Yili GCL	59,197
XIII	Yuncheng Xinhua	57,041
XIV	Zhongli Tenghui	114,248
Total		**896,153**

As at 31 December 2018, 31 December 2019 and 30 June 2020, the aggregate net assets (net of dividends payable as at Reference Date and dividends declared during the Transition Period) of the Target Companies amounted to approximately RMB1,006,053,735, RMB937,535,967 and RMB896,152,520, respectively. As set out in the Third Phase Share Purchase Agreements, any gains and losses arising from the operations of the Target Companies since the Reference Date shall be enjoyed or borne by the Purchasers. Coupled with the fact that the Company has not made any major capital contribution to the Target Companies since the Reference Date, any changes in the net asset value or financial position of the Target Companies during the Transition Period merely reflects changes in the financial position of the Target Companies due to their continued operation of their day-to-day businesses, which is in line with the historical financial performance of the Target Companies.

In addition, the increase in net asset value mainly reflects the increase in national subsidy receivable from the relevant PRC governmental authorities during the period. As set out in the section headed "Basis of the Consideration", the Company has experienced difficulties in collecting national subsidy from the relevant PRC governmental authorities, and it remains uncertain whether the Target Companies will be able to collect all the national subsidy that has been booked in a timely manner. As such, the Directors are of the strong view that the Consideration (which was determined based on, among other factors, net assets value of the Target Companies as at the Reference Date), remains fair and reasonable and no further adjustments are required to take into account changes in the net assets value of the Target Companies during the Transition Period.

As at the Latest Practicable Date, the Directors are not aware of any material change in the operations and/or financial position of the Target Companies since the Reference Date up to the Latest Practicable Date which may require adjustments to the Consideration. The Directors therefore consider that the Consideration remains to be fair and reasonable.

6. FINANCIAL IMPACT OF THE TRANSACTIONS

After the Closing Date, the Target Companies will cease to be subsidiaries of the Group, and the profit and loss, as well as the assets and liabilities of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

As at the Latest Practicable Date, it is estimated that the Group will realise a net loss on the Third Phase Disposals of approximately RMB182,805,816, which is calculated by reference to the difference between the Share Price of approximately RMB666,653,912 and the disposed proportion (being 56.51% of the equity interest of Yili GCL, 51% of the equity interest in Yuncheng Xinhua and the entire equity interest of the remaining 12 Target Companies) of net asset value of the Target Companies (net of the dividends payable as at Reference Date and dividends declared during the Transition Period by the Target Companies) of approximately RMB842,459,728 based on the unaudited financial information of the Target Companies as at 30 June 2020, after deducting related transaction costs of the Third Phase Disposals of approximately RMB7,000,000. The actual loss as a result of the Third Phase Disposals to be recorded by the Group is subject to audit and will be reassessed based on the net asset value of the Target Companies as at the Closing Date in accordance with the Closing Audit Report.

Despite the net loss on the Third Phase Disposals, the net cash proceeds (net of estimated taxes and transaction costs) from the Transactions (including the Consideration, the Total Outstanding Balance, the payment of dividends payable as at Reference Date and the dividends declared during the Transition Period by the Target Companies) of the Group is expected to be approximately RMB2,007,980,000, which is substantially higher than the aggregate amount of the total cash investment to the Target Companies and the total shareholders' loans by the Group amounting to approximately RMB1,830,434,000.

In addition, having taken into consideration of the reasons for the Third Phase Disposals as stated under the section headed "Reasons and Benefits of the Transactions" below, the Group are of the view that the Third Phase Disposals will be in the interests of the Group and the Shareholders respectively and as a whole as it will improve the cash flow position of the Group in the long run.

Upon the completion of the Third Phase Disposals, the Third Phase Put Options shall be recognised as financial liabilities through profit or loss. As such, fair value of the Third Phase Put Options shall be recognised as financial liabilities in the financial statements of the Group.

7. USE OF PROCEEDS FROM THE TRANSACTIONS

The table below sets out the debt profile of the Group for the upcoming 12 months as at 30 June 2020:

Indebtedness repayable within one year

	RMB'000
Loans of investment holding companies	7,158,113
Project loans	3,265,179
Bonds and senior notes	3,802,242
Loans from related companies	438,056
Lease liabilities	110,397
Loans directly associated with assets held for sale	754,939
	15,528,926

The net cash proceeds (net of estimated taxes and transaction costs) from the Transactions (including the Consideration, the Total Outstanding Balance, the payment of dividends payable as at Reference Date and the dividends declared during the Transition Period (if any) by the Target Companies) is expected to be approximately RMB2,007,980,000, which the Company intends to use for repayment of its bank loans and other loans from independent third parties which are repayable on or before 30 June 2021 amounting to RMB7,158,113,000 as set out above.

As at 30 June 2020, the Company had bank balances and cash of RMB667 million. Such bank balances and cash will be used as general working capital.

Having considered (i) the business prospects and internal resources of the Group, (ii) the net cash proceeds from the Transactions, (iii) the available committed and uncommitted financing facilities and arrangements of the Group and (iv) ongoing transformation of the Group to an asset-light model, the Directors believe that the Group has sufficient working capital to meet its financial obligations as they fall due in the foreseeable future. For the details of the reasons and benefits of the transformation of the Group into an asset-light model and the Transactions, please refer to the section headed "Reasons and Benefits of the Transactions" below.

8. REASONS AND BENEFITS OF THE TRANSACTIONS

Solar power generating business is the principal business engaged by the Company. Solar power generating business is also a capital intensive industry, which highly relies on external financing in order to fund for the construction of solar power plants while the recovery of capital investment takes a long period of time. Given the Company highly relies on external financing in order to obtain investment capital for new solar power plant project development, any interest rate changes will have an impact on the capital expenditure and finance expenses of the Company, hence, affecting its operating results. Therefore, transformation into an asset-light model, being the business model adopted by the Company, is an effective way to reduce its debts and interest rate exposure.

Since 2018, the Company has strived to promote its strategic transformation, actively introduced strategic investors for the disposals of its solar power plants. At the project level, in addition to the cooperation with China Huaneng Group, since 2018, the Group has disposed a total asset of approximately 1.7GW to CGN Solar Energy Development Co., Ltd.* (中廣核太陽能開發有限公司), China Three Gorges New Energy Co., Ltd.* (中國三峽新能源有限公司), Wuling Power Corporation Ltd.* (五凌電力有限公司), Shanghai Rongyao New Energy Co., Ltd.* (上海榕耀新能源有限公司), CNI (Nanjing) Energy Development Company Limited* (中核(南京)能源發展有限公司) and CDB New Energy Technology Co., Ltd.* (國開新能源科技有限公司) respectively to recover a total cash of approximately RMB2.86 billion (net of transaction costs) for the repayment of debts. As the debts related to such projects will no longer be consolidated into the Group, the scale of debts incurred by the Company will be reduced by approximately RMB10.18 billion in aggregate.

The Company intends to reinforce the strategic cooperation with domestic centralised management enterprises and local state-owned enterprises, including the China Huaneng Group. After the completion of the First Phase Disposals, the Second Phase Disposals and the Third Phase Disposals, the Group and China Huaneng Group will further explore other co-operation opportunities in relation to, including but not limited to, the Group's existing solar power plants in the PRC.

As at the Latest Practicable Date, the Group had entered into several share purchase agreements in the year of 2020 to dispose its equity interest in certain subsidiaries as set out below:

On 21 January 2020, the Group and the Purchasers entered into the First Phase Share Purchase Agreements, pursuant to which the Group agreed to, among other things, sell equity interest in six subsidiaries of the Group to the Purchasers, i.e. the First Phase Disposals. Please refer to (i) the joint announcement of GCL-Poly and the Company dated 21 January 2020 and (ii) the circular of the Company dated 29 April 2020 in relation to the First Phase Disposals for further details.

On 29 June 2020, the Group and CDB New Energy Technology Co., Ltd.* (國開新能源科技有限公司) ("**CDB New Energy**") entered into a share purchase agreement, pursuant to which the Group agreed to, among other things, sell equity interest in Jinhu Zhenghui Solar Power Co., Ltd.* (金湖正輝太陽能電力有限公司) ("**Jinhu Disposal**"). Please refer to the joint announcement of GCL-Poly and the Company dated 29 June 2020 in relation to the Jinhu Disposal for further details.

On 29 September 2020, the Group and the Purchasers entered into the Second Phase Share Purchase Agreements, pursuant to which the Group agreed to, among other things, sell equity interest in six subsidiaries of the Group to the Purchasers, i.e. the Second Phase Disposals. Please refer to (i) the joint announcement of GCL-Poly and the Company dated 29 September 2020 and (ii) the circular of the Company dated 4 December 2020 in relation to the Second Phase Disposals for further details.

On 16 November 2020, the Group and Xuzhou State Investment & Environmental Protection Energy Co., Ltd.* (徐州國投環保能源有限公司) ("**Xuzhou State Investment**") entered into to a series of five share purchase agreements, pursuant to which the Group agreed to, among other things, sell equity interest in five subsidiaries of the Group to Xuzhou State Investment (the "**Xuzhou First Phase Disposals**"). Please refer to the joint announcement of GCL-Poly and the Company dated 16 November 2020 in relation to the Xuzhou First Phase Disposals for further details.

On 19 November 2020, the Group and the Purchasers entered into the Third Phase Share Purchase Agreements, pursuant to which the Group agreed to, among other things, sell equity interest in 14 subsidiaries of the Group to the Purchasers, i.e. the Third Phase Disposals. Please refer to the joint announcement of GCL-Poly and the Company dated 19 November 2020 in relation to the Third Phase Disposals and this circular for further details.

On 22 November 2020, the Group and Xuzhou State Investment entered into another five share purchase agreements, pursuant to which the Group agreed to, among other things, sell equity interest in five subsidiaries of the Group to Xuzhou State Investment (the "**Xuzhou Second Phase Disposals**"). Please refer to the joint announcement of GCL-Poly and the Company dated 22 November 2020 in relation to the Xuzhou Second Phase Disposals for further details.

On 4 December 2020, the Group and Beijing United Rongbang New Energy Technology Co., Ltd.* (北京聯合榮邦新能源科技有限公司) ("**Beijing United Rongbang**") entered into a share purchase agreement, pursuant to which the Group agreed to, among other things, to sell equity interest in Zhenglanqi State Power Photovoltaic Co., Ltd.* (正藍旗國電光伏發電有限公司) ("**Zhenglanqi Disposal**"). Please refer to the joint announcement of GCL-Poly and the Company dated 4 December 2020 in relation to the Zhenglanqi Disposal for further details.

On 10 December 2020, the Group and State Power Investment Corporation Guizhou Jinyuan Weining Energy Co., Ltd.* (國家電投集團貴州金元威寧能源股份有限公司) ("**Weining Energy**") entered into a series of four share purchase agreements, pursuant to which the Group agreed to, among other things, to sell equity interest in four subsidiaries of the Group to Weining Energy ("**Weining Energy Disposals**"). Please refer to the joint announcement of GCL-Poly and the Company dated 10 December 2020 in relation to the Weining Energy Disposals for further details.

In addition, the Group is currently under negotiation with certain new energy companies in the PRC (including domestic centralised management enterprises, local state-owned enterprises and listed companies) for further potential disposals of its subsidiaries and will make further announcement as and when appropriate in compliance with the Listing Rules. Save as disclosed above, as at the Latest Practicable Date, the Group have not entered into any memorandum of understanding or agreement regarding further disposal or downsize of its existing businesses.

For the purpose of this section, the Remaining Group shall mean the Group after completion of the First Phase Disposals, Second Phase Disposals, Third Phase Disposals, Jinhu Disposal, Xuzhou First Phase Disposals, Xuzhou Second Phase Disposals, Zhenglanqi Disposal and Weining Energy Disposals (the "**2020 Disposals**").

The table below sets out the respective number of solar power plants operated by the Remaining Group and their respective locations after the completion of the 2020 Disposals:

Geographic location	**Number of solar power plant(s)**	**Grid-connected Capacity (MW)**
The Group		
Jiangsu	37	409
Shaanxi	19	1,024
Henan	10	414
Qinghai	4	100
Inner Mongolia	7	243
Yunnan	8	279
Guangdong	8	133
Shandong	3	93
Guizhou	6	235
Hunan	5	101
Jilin	4	51
Liaoning	3	47
Jiangxi	3	100
Hubei	3	49
Hainan	2	55
Zhejiang	2	21
Fujian	3	55
Ningxia	2	60
Sichuan	1	50
Gansu	2	39
Hebei	1	21
Shanghai	1	7
United States	2	134
Total	**136**	**3,720**

Through the divestiture of the Operational Solar Power Plant Projects, the asset-light model allows the Remaining Group to optimise the finance structure by lowering gearing rate as well as reducing debt and interest rate exposure.

In addition to optimising the finance structure, the Remaining Group seek to explore opportunities to expand its business by providing more operation, management and maintenance services, in particular to other solar power plant operators in the PRC (including purchasers of certain solar power plant projects disposed by the Group), thereby generating an additional and stable source of income.

Based on the reasons above and having considered the scale of the Remaining Group's solar power plants business with an aggregate approximately 3.7 GW of grid-connected capacity, the Directors believe that the business model and the asset-light strategy of the Remaining Group (after completion of the 2020 Disposals) could ensure its sufficient level of operations, viability and sustainability. As at the Latest Practicable Date, the Company does not have any intention to acquire new business in the future.

The Company has considered other alternative fund-raising methods such as debt financing, rights issue or open offer with a view to lower its gearing ratio. The Directors considered that debt financing may incur interest burden on and further increase the gearing ratio of the Group and may be subject to (i) lengthy due diligence process, (ii) negotiations with banks and (iii) prevailing financial market condition, which may be relatively uncertain and time-consuming. In addition, it is usually more time consuming to raise funds by rights issue or open offer and it may not allow the Company to grasp potential opportunities in a timely manner. Rights issue and open offer may also incur high underwriting commission and involve extra administrative work and cost in relation to the trading arrangements. Although rights issue and open offer would be offered to the Shareholders on a pro rata entitlement basis, those qualifying shareholders who choose not to take up their assured entitlements in full would have dilution to their shareholding interests in the Company.

Due to the capital intensive nature of the Operational Solar Power Plant Projects, raising capital alone will only put on more financial pressure on the Group as further injection of capital into the Target Companies will be required in order to continuously operate the Operational Solar Power Plant Projects in the long run. Without continuously disposing solar power plants owned by the Company (including the Operational Solar Power Plant Projects) to transform the Company into an asset-light enterprise, the Company will fall into a vicious cycle, whereby the Company will require further rounds of fund raising, which causes the gearing ratio to continuously increase, hence negatively affecting the financial stability of the Company.

Upon completion of the Transactions, the Target Companies will no longer be subsidiaries of the Group, and the profits and losses as well as the assets and liabilities of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group. The liabilities of the Group will decrease by approximately RMB2,039,886,000, of which approximately RMB621,519,000 will be due within one year. Meanwhile, the cash derived from the Transactions amounted to approximately RMB2,007,980,000, which will be used for further repayment of debts, and the gearing ratio of the Group will decrease by approximately 1.6%, calculated with reference to the unaudited financial statements of the Group as at 30 June 2020, effectively reducing the financial risks.

Although the Target Companies are profit-making, they have experienced a net cash outflow due to substantial delay in receiving the national subsidy from the relevant PRC governmental entities. The capital and operating expenses of the Target Companies have been substantially funded by shareholders' loans from the Group from time to time. The Third Phase Disposals represents an opportunity for the Group to recoup its capital investments in the Target Companies and to relieve the Group from its funding commitment to the Target Companies in the form of shareholders' loans, which are costly to maintain.

Based on the above reasons and having considered all relevant factors, the Directors believe and consider that the terms of the Transactions are on normal commercial terms, are fair and reasonable and that the entering into of the Third Phase Share Purchase Agreements is in the interests of the Company and the Shareholders as a whole.

9. LISTING RULES IMPLICATIONS

As the Sellers, being indirect subsidiaries of the Company, entered into the First Phase Disposals, the Second Phase Disposals and the Third Phase Disposals with the Purchasers within a 12-month period, the Disposals contemplated in the First Phase Share Purchase Agreements, the Second Phase Share Purchase Agreements and the Third Phase Share Purchase Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules.

Since the highest of the applicable percentage ratios in respect of the First Phase Disposals, the Second Phase Disposals and the Third Phase Disposals exceeds 75%, the entering into of the Third Phase Disposals constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Sellers, being indirect subsidiaries of the Company, entered into the First Phase Put Options, the Second Phase Put Options and the Third Phase Put Options with the Purchasers within a 12-month period, the Put Options contemplated in the First Phase Share Purchase Agreements, the Second Phase Share Purchase Agreements and the Third Phase Share Purchase Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules.

The Put Options are exercisable at the discretion of the Purchasers upon the occurrence of certain specified events, with the exercise price of the Put Options to be determined in accordance with the terms of the First Phase Share Purchase Agreements, the Second Phase Share Purchase Agreements and the Third Phase Share Purchase Agreements respectively. Given that the exercise of the Third Phase Put Options is not at the Company's discretion, pursuant to Rule 14.74 of the Listing Rules, the grant of the Third Phase Put Options will be classified as if they had been exercised. The grant of the Third Phase Put Options constitutes a possible very substantial acquisition for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

10. SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at Strategy II–III, Level 8, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Wednesday, 10 February 2021 at 10 a.m..

At the SGM, ordinary resolution(s) for approving the Transactions and the entering into and performance of obligations under the Third Phase Share Purchase Agreements will be proposed for the Shareholder's approval.

The resolution(s) will be voted by way of poll at the SGM. As at the Latest Practicable Date, no Shareholder has material interest in the Transactions (other than being a Shareholder) and therefore no Shareholder is required to abstain from voting on the relevant resolution at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited, as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The address of Tricor Abacus Limited is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish and in such event, the proxy form shall be deemed to be revoked.

Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the Shareholders to attend and vote at the SGM will be on 5 February 2021. In order to be entitled to attend and vote at the SGM, all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m on 5 February 2021.

11. RECOMMENDATION

The Directors are of the view that the terms of the Transactions are fair and reasonable, and are on normal commercial terms and that the entering into of the Third Phase Share Purchase Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to approve the Transactions, the entering into and performance of obligations under the Third Phase Share Purchase Agreements as set out in the notice of the SGM.

12. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

As explained in notes 4 and 18 to the Historical Financial Information, Delingha Century Concord had a subsidiary, namely Hainanzhou Shineng, during the year ended 31 December 2017, which was subsequently disposed of during the year ended 31 December 2018. No consolidated financial statements of Delingha Century Concord has been prepared for the years ended 31 December 2017 and 2018. Such consolidated financial statements are required by International Financial Reporting Standard 10 "Consolidated Financial Statements" issued by the International Accounting Standards Board. The non-preparation of consolidated financial statements of Delingha Century Concord and Hainanzhou Shineng constitutes a departure from the International Financial Reporting Standard 10 which caused McMillan to qualify its opinion on the historical financial information in respect of (i) the financial position of Delingha

Century Concord as at 31 December 2017 and (ii) the financial performances and cash flows of Delingha Century Concord for the two years ended 31 December 2017 and 2018 (the "**Delingha Century Concord Qualified Opinion**"). Moreover, the historical financial information of Hainanzhou Shineng has been prepared in accordance with International Accounting Standards and Interpretations issued by the International Accounting Standards Board and set out in Appendix IIE to this circular (Accountants' Report of Hainanzhou Shineng).

Save for the effect of the matter described in the basis of the Delingha Century Concord Qualified Opinion, McMillan is of the view that the historical financial information in Appendix IIB (Accountants' Reports of Delingha Century Concord) gives a true and fair view of (i) the financial position of Delingha Century Concord as at 31 December 2017, 2018 and 2019 and 30 September 2020 and (ii) financial performance and cash flows of Delingha Century Concord for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 in accordance with International Accounting Standards and Interpretations issued by the International Accounting Standards Board.

Save for the Delingha Century Concord Qualified Opinion, McMillan has not qualified its opinion in respect of the accountants' report of the remaining Target Companies included in Appendix II to this circular. The Directors consider that the Delingha Century Concord Qualified Opinion will not cause any material adverse impact to the Group.

By order of the Board
GCL New Energy Holdings Limited
協鑫新能源控股有限公司
Zhu Yufeng
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.gclnewenergy.com):

- the annual report of the Company for the year ended 31 December 2017 published on 16 April 2018 (pages 81-196);
- the annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 76-213);
- the annual report of the Company for the year ended 31 December 2019 published on 29 April 2020 (page 72-205); and
- the interim report of the Company for the six months ended 30 June 2020 published on 11 September 2020 (pages 30-68).

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES OF THE GROUP

At the close of business on 30 November 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding borrowings:

	The Group		
	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of bank and other borrowings	25,611,368	1,715,651	27,327,019
Principal amount of bonds and senior notes	–	3,289,100	3,289,100
Carrying amount of loans from related companies	285,594	994,208	1,279,802
Lease liabilities	104,739	1,056,702	1,161,441
	26,001,701	7,055,661	33,057,362

The Group's secured bank and other borrowings, loans from related companies and lease liabilities were secured, individually or in combination, by (i) certain property, plant and equipment of the Group; (ii) certain pledged bank and other deposits of the Group; (iii) certain subsidiaries' trade receivables, contract assets and fee collection rights in relation to the sales of electricity of the Group; (iv) certain right-of-use assets of the Group; (v) pledged deposits classified as amount due from an associate of ultimate holding company; (vi) rental deposit of the Group; and (vii) certain equity interests in some project companies of the Group.

At 30 November 2020, certain bank and other borrowings, bonds and senior notes, and loans from related companies of the Group amounting to RMB23,586,318,000, RMB3,289,100,000 and RMB285,594,000, respectively, are guaranteed individually or in combination by (i) fellow subsidiaries; (ii) the ultimate holding company; and (iii) entities within the Group. The remaining indebtedness amounting to RMB5,896,350,000 are not guaranteed.

At 30 November 2020, the Group provided a total guarantee of RMB2,353,762,000, RMB119,000,000 and RMB1,143,800,000 to banks and financial institutions in respect of banking facilities and financing arrangements of associates and third party, and the target company respectively. The associates, third party and the Target Companies had utilised RMB1,515,765,000, RMB77,350,000 and RMB902,907,000 in total of such facilities at 30 November 2020, respectively.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 November 2020, the Group did not have any debt securities authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, lease liabilities, mortgages or charges, other material contingent liabilities or guarantees outstanding.

To the best of the knowledge of the Directors, having made all reasonable enquiries, there has been no material change in the level of indebtedness of the Group since 30 November 2020.

3. WORKING CAPITAL STATEMENT

As at 30 November 2020, the Group's total borrowings comprising bank and other borrowings, bonds and senior notes, loans from related companies and lease liabilities amounted to approximately RMB33,057,362,000.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors after due and careful enquiry, are of the opinion that, after taking into account the net proceeds from the disposals of solar power plants assets and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities and available credit facilities, and based on the assumptions that the financing plans and measures can be successfully executed, the Group will have sufficient working capital for its operating requirements and to pay its financial obligations as and when they fall due and for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances. However, if the implementation of the Group's financial plans and measures become unsuccessful, the Group will not have sufficient working capital for at least the next twelve months from the date of this circular.

The sufficiency of the Group's working capital to satisfy its requirements for at least the next twelve months from the date of this circular is dependent on the Group's ability to generate adequate financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under the borrowing agreements or obtaining waiver from the relevant banks if the Group is not able to satisfy any of the covenant requirements, successful securing of the financing from banks with repayment terms beyond twelve months from the date of this circular and other short-term or long-term financing; and successful transformation to a light-asset model; and the completion of the disposals and divestments in relation to solar power plant assets, for cash proceeds and elimination of the related borrowings as scheduled.

Notwithstanding the above, significant uncertainties exist as to whether the Group can achieve the financial plans and measures to generate adequate cash inflow as scheduled, failing which the Group will strive to meet the working capital sufficiency by continuous negotiations with banks to renew existing loans, exploring funding channels through equity and debt markets, and obtaining waiver from the relevant banks if the Group is not able to satisfy any of the covenant requirements. The Group will continue to negotiate with other banks to obtain credit facilities to ensure the Group's bank borrowings can be renewed on an on-going basis.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2019, being the date to which the latest published audited financial results of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

For the year ended 31 December 2019, the Group recorded a total revenue of approximately RMB6,052 million, whilst the total revenue for the year ended 31 December 2018 was approximately RMB5,632 million. Gross profit and gross profit margin for the year ended 31 December 2019 were approximately RMB3,954 million and 65.3% respectively, whilst the gross profit and gross profit margin for the year ended 31 December 2018 were approximately RMB3,743 million and 66.5% respectively. Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB295 million as compared to the profit attributable to owners of the Company of RMB470 million for the year ended 31 December 2018.

As at 31 December 2019, the Group operated 213 solar power plants, as compared to 221 plants as at 31 December 2018, spanning across different provinces in China and overseas. Total capacity reached approximately 7,145MW (31 December 2018: approximately 7,309MW) and grid-connected capacity reached approximately 7,059MW (31 December 2018: approximately 6,957MW). Total sales of electricity was approximately 8,762 million kWh in 2019, a rise of approximately 12% as compared to 2018.

The Group will continuously strengthen its strategic cooperation with large enterprises to form strong alliances. As domestic centralized management enterprises (the "**Central Enterprises**") and local state owned enterprises have competitive advantages in different aspects such as financing, the Group will extend its strategic cooperation with the Central Enterprises and the state-owned enterprises at the level of domestic holding companies, and at the project level of provincial companies to introduce strategic cooperation partners and leverage on competitive advantages of each other to accelerate the introduction of capital, optimize the shareholding structure and fasten the development of co-developed solar projects, thereby enhancing profitability of projects.

Meanwhile, the Group will further accelerate the asset-light transformation model of "Development-Construction-Cooperation-O&M" with the provision of management services while creating strategic cooperation to complement competitive advantages of each other. It is expected that, by transferring the controlling interests of solar power plant projects, the Group will be able to recycle capital, reduce its debts and mitigate the pressure on project financing, while further improve the return on capital and receive stable fees annually by providing project management services.

In addition, the Group will proactively extend its financing resources, applying diversified and innovative financing models and issuing medium-term notes when appropriate to optimize its financing structure and increase the long-term facilities replacement. The Group expects that through introducing strategic investors, firmly promoting its asset-light transformation, expanding its financing channels and adopting a series of measures to reduce debt, the gearing ratio of the Group will be lowered.

Despite the outbreak of Coronavirus disease ("**COVID-19**") in the PRC in early 2020 and the subsequent quarantine measures imposed by the PRC government, the solar power plants of the Group continuously operated as usual. The Group has been paying close attention to the development of the COVID-19 outbreak, and implemented a series of precautionary and control measures, as well as evaluates the impact of the COVID-19 outbreak on the financial position and operating results of the Group. Given the dynamic nature of these circumstances, the Directors will continue to assess the financial effects on the Group but as of the date of this circular, the Group is not aware of any material adverse effects on its consolidated financial statements as a result of the COVID-19 outbreak.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis of the Remaining Group's business and performance for the six months ended 30 June 2020 and each of the financial years ended 31 December 2017, 2018 and 2019 (the "**Reporting Periods**").

Business Review

On 30 December 2016, the operating segment regarding the printed circuit board (PCB) Business of the Remaining Group was contracted to be sold and accordingly has been presented as discontinued operations. This disposal was completed during the year ended 31 December 2017. After the aforementioned disposal, substantially all of the revenue of the Remaining Group was derived from sale of electricity, development, construction, operation and management of solar power plants during the Reporting Periods.

Most of the solar power plants of the Remaining Group were located in China and almost all of the revenue was contributed by the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk of trade receivables was minimal.

Financial Review

Revenue and Gross Profit

During the six months ended 30 June 2020 and the year ended 31 December 2019, 2018 and 2017, revenue of the Remaining Group comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB2,493 million, RMB5,572 million, RMB5,147 million and RMB3,553 million respectively. As of 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the gross profit of the Remaining Group were 67.5%, 65.6%, 66.5% and 67.3% respectively.

Liquidity and Financial Resources

During the Reporting Periods, the Remaining Group adopted a prudent treasury management policy to maintain sufficient working capital to cope with daily operations and meet our development demands for capital. The funding for all its operations has been centrally reviewed and monitored at the group level. The indebtedness of the Remaining Group mainly comprised bank and other borrowings, bonds and senior notes payable, lease liabilities, loans from related companies and convertible bonds.

As at 30 June 2020, bank balances and cash of the Remaining Group were approximately RMB707 million, including bank balances of RMB70 million for projects classified as held for sale. For the six months ended 30 June 2020, the Remaining Group's primary source of funding included cash generated from its operating activities and interest-bearing borrowings.

As at 31 December 2019, bank balances and cash of the Remaining Group were approximately RMB987 million. For the year ended 31 December 2019, the Remaining Group's primary source of funding included cash generated from its operating activities and interest-bearing borrowings.

As at 31 December 2018, bank balances and cash of the Remaining Group were approximately RMB1,299 million, including bank balances of RMB45 million for projects classified as held for sale. For the year ended 31 December 2018, the Remaining Group's main source of funding was cash generated from financing activities, which mainly included newly raised bank and other borrowings, proceeds from loans from related parties, proceeds from issue of senior notes, repayment of bank and other borrowings, repayment of loans from related parties, redemption of bonds payable and convertible bonds and interest.

As at 31 December 2017, bank balances and cash of the Remaining Group were approximately RMB4,012 million. For the year ended 31 December 2017, the Remaining Group's main source of funding was cash generated from financing activities amounting, which mainly included the newly raised bank and other borrowings, repayment of bank and other borrowings and the proceeds from deemed disposal of partial interest in Suzhou GCL New Energy.

The bank balance of the Remaining Group as at the end of each Reporting Period was denominated in the following currencies:

	30 June 2020 RMB million	31 December 2019 RMB million	31 December 2018 RMB million	31 December 2017 RMB million
RMB	669	875	1,196	2,285
Hong Kong dollars	2	31	17	19
United States dollars	17	29	58	1,659
Japanese yen	19	52	28	49
Total	707	987	1,299	4,012

Capital Structure, Indebtedness and Gearing Ratio

Solar energy business is a capital intensive industry. The business requires substantial capital investments for developing and constructing solar power plants. Thus, the average gearing ratio for the solar energy industry is relatively high. The Remaining Group normally gets long term bank loans or long term finance leases after grid connection.

Because of the nature of the solar energy industry in the PRC, the Remaining Group was in net current liabilities position of approximately RMB5,382 million, RMB10,100 million, RMB11,012 million and RMB8,871 million as at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, respectively. To address the net current liabilities position, the Remaining Group has taken several measures to generate sufficient cash inflow to the Remaining Group.

During the six months ended 30 June 2020 and the year ended 31 December 2019 and 2018, GCL-Poly, being the guarantor of certain bank borrowings of the Remaining Group, was not able to meet restrictive financial covenants of a borrowing, which led to an event of default for such borrowing. This in turn triggered cross default of certain of the Remaining Group's bank borrowings as set out in the respective loan agreements between the Company and several banks. Accordingly, bank borrowings amounting to RMB1,435 million, RMB1,597 million and RMB1,936 million were reclassified from non-current liabilities to current liabilities as of 30 June 2020, 31 December 2019 and 31 December 2018 respectively. Subsequent to the end of each Reporting Period, GCL-Poly has fully repaid such bank borrowing or obtained the waiver from the relevant banks for meeting the relevant financial covenant requirements. Therefore, the Directors consider that such event of default did not have any material adverse impact to the Remaining Group.

41%, 40%, 25% and 18% of the indebtedness of the Remaining Group are charged with a fixed interest rate as at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, respectively.

The indebtedness of the Remaining Group as at the end of each Reporting Period was denominated in the following currencies:

	30 June 2020	31 December 2019	31 December 2018	31 December 2017
	RMB million	*RMB million*	*RMB million*	*RMB million*
RMB	29,176	30,129	32,531	29,859
Hong Kong dollars	201	197	465	926
United States dollars	5,360	5,282	5,562	2,320
Euro	–	–	111	126
Japanese yen	–	–	65	69
Total	34,737	35,608	38,734	33,300

We believe that the Remaining Group has sufficient working capital to meet the financial obligations when they fall due and also the covenants. After taking into account the Remaining Group's business prospects, internal resources and measures, the audit committee of the Company believes that the Remaining Group has sufficient working capital to meet the financial obligations when they fall due within twelve months from the end of the Reporting Periods, and it is appropriate to prepare the consolidated financial statements on a going concern basis.

During the Reporting Periods, the Remaining Group monitored capital based on two gearing ratios. The gearing ratios were calculated as net debts divided by total equity and total liabilities divided by total assets respectively. The net debts to total equity gearing ratio as at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 were approximately 330%, 339%, 410%, and 341%, respectively. The total liabilities to total assets gearing ratio as at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 were approximately 80.3%, 81.4%, 85.2%, and 84.8%, respectively.

Fundraising Activities

During the six months ended 30 June 2020 and the year ended 31 December 2019, the Remaining Group had no fundraising activities.

During the year ended 31 December 2018, the Remaining Group issued US$500 million senior notes.

During the year ended 31 December 2017, the Remaining Group issued non-public green bonds amounted to RMB935 million.

Pledge of Assets

During the Reporting Periods, the following assets were pledged for bank and other facilities granted to the Remaining Group:

– property, plant and equipment of approximately RMB17,785 million, RMB18,922 million, RMB26,344 million and RMB24,392 million as of 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 respectively;

– bank and other deposits (including deposits placed at a related company) of approximately RMB1,139 million, RMB1,665 million, RMB1,968 million and RMB2,220 million as of 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 respectively;

– rights to collect the sales of electricity for certain subsidiaries. As at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the trade receivables and contract assets of those subsidiaries amounted to approximately RMB7,007 million, RMB3,170 million, RMB5,905 million and RMB3,788 million respectively;

– right-of-use assets of approximately RMB12 million and RMB15 million as of 30 June 2020 and 31 December 2019, respectively; and

– prepaid lease payments of approximately RMB17 million as of 31 December 2018.

Besides, lease liabilities of approximately RMB1,135 million and RMB1,113 million were recognized in respect of right-of-use assets amounting to approximately RMB1,339 million and RMB1,341 million as at 30 June 2020 and 31 December 2019 due to the adoption of IFRS 16 since 1 January 2019.

Contingent Liabilities

As at 30 June 2020, 31 December 2019 and 31 December 2018, the Remaining Group provided guarantees to its associates and a joint venture of the Remaining Group for certain of their bank and other borrowings with a maximum amount of RMB5,369 million, RMB5,369 million and RMB698 million, respectively. Besides, the Remaining Group also provided financial guarantees to certain third parties for certain of their bank and other borrowings amounting to RMB110 million and RMB540 million as at 30 June 2020 and 31 December 2019, respectively.

In July 2019, the Remaining Group discounted certain bills provided from third parties with a total face value of RMB1,136 million for short-term financing, and the liabilities relating to these arrangements were fully settled to these relevant third parties during the year. As at 31 December 2019, these bills were not yet matured and outstanding. In accordance with the relevant regulations in the PRC, the Remaining Group, being an endorser of the bills, is jointly and severally liable if the relevant bills are not settled by the issuer upon maturity. However, in the opinion of the Directors, the risk of default in payment of these bills is remote because they are guaranteed by reputable PRC banks. The maximum exposure to the Remaining Group of these outstanding bills was RMB1,136 million as at 31 December 2019.

As at 31 December 2018 and 31 December 2017, the Remaining Group did not have any other significant contingent liabilities.

Capital and Other Commitments

As at 30 June 2020, the Remaining Group's capital commitments in respect of construction commitments related to solar power plants contracted for but not provided amounted to approximately RMB669 million.

As at 31 December 2019, the Remaining Group's capital commitments in respect of construction commitments related to solar power plants contracted for but not provided amounted to approximately RMB377 million.

As at 31 December 2018, the Remaining Group's capital commitments in respect of construction commitments related to solar power plants, and commitment to invest in joint ventures contracted for but not provided amounted to approximately RMB1,056 million and RMB95 million, respectively.

As at 31 December 2017, the Remaining Group's capital commitments in respect of construction commitments related to solar power plants, purchase of machinery and leasehold improvements and commitment to invest in joint ventures contracted for but not provided amounted to approximately RMB3,507 million and RMB243 million, respectively.

Material Acquisitions and Disposals

For the six months ended 30 June 2020

Disposals

In January 2020, the Remaining Group has entered into share transfer agreements with CNI (Nanjing) Energy Development Company Limited* (中核(南京)能源發展有限公司), for the disposal of 100% equity interest in Fuyang Hengming Solar Power Company Limited* (阜陽衡銘太陽能電力有限公司) and Zhenjiang GCL New Energy Limited* (鎮江協鑫新能源有限公司) for an aggregate consideration of approximately RMB77 million. The two solar power plants had an aggregate installed capacity of approximately 40MW. The disposals were completed in the first half of 2020.

In January 2020, the Remaining Group entered into share purchase agreements with Huaneng Gongrong No. 1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融一號(天津)股權投資基金合夥企業(有限合夥)) and Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融二號(天津)股權投資基金合夥企業(有限合夥)) for the disposal of 7 operational solar power plants in the PRC with an aggregate installed capacity of 294MW. One of the solar power plants with a capacity of 30MW has been completed during the six months ended 30 June 2020. The remaining disposals are expected to be completed in the second half of 2020.

In June 2020, the Remaining Group entered into a share purchase agreement with China Development Bank New Energy Technology Co., Ltd.* (國開新能源科技有限公司), an independent third party, to sell 75% of the equity interest of Jinhu for a consideration of approximately RMB137 million. Jinhu had a solar power plant project with installed capacity of approximately 100MW in operation. It was completed in July 2020. Save as disclosed above, there were no other significant investments during the six months ended 30 June 2020, or plans for material investments as at 30 June 2020, nor were there other material acquisitions and disposals of subsidiaries during the six months ended 30 June 2020.

For the year ended 31 December 2019

Acquisitions

For the year ended 31 December 2019, the Remaining Group acquired two subsidiaries, which were engaged in solar power plant business in the PRC of approximately 135MW at a total consideration of approximately RMB264 million. The construction of the solar power plant projects has been completed as at the date of acquisitions. Thus, the acquisitions were classified as business combination.

Disposals

On 24 October 2018, Suzhou GCL New Energy entered into share transfer agreements with CGN Solar Energy Development Co., Ltd* (中廣核太陽能開發有限公司), an independent third party, to sell 80% equity interests in Linzhou Xinchuang* (林州市新創太陽能有限公司). Besides, on 30 December 2018, the Remaining Group entered into share transfer agreements with China Three Gorges New Energy Company Limited* (中國三峽新能源有限公司), an independent third party, to sell 100% equity interest of several wholly-owned subsidiaries. During the year ended 31 December 2019, disposal of the above subsidiaries was completed.

On 28 March 2019, the Remaining Group announced that it has entered into share transfer agreements with 五凌電力有限公司 (Wuling Power Corporation Ltd.*), a subsidiary of China Power International Development Limited (中國電力國際發展有限公司), for the disposal of 55% equity interest in 汝州協鑫光伏電力有限公司 (Ruzhou GCL Photovoltaic Power Co. Ltd.*) ("**Ruzhou**"), 江陵縣協鑫光伏電力有限公司 (Jiangling Xian GCL Solar Power Co., Ltd*) ("**Jiangling**") and 新安縣協鑫光伏電力有限公司 (Xinan Xian GCL Solar Power Co., Ltd*) ("**Xinan**") for a consideration of approximately RMB328 million in aggregate. Ruzhou, Jiangling and Xinan operated a number of solar power plants with a capacity of approximately 280MW in the PRC. The disposals were completed during the year ended 31 December 2019.

On 23 May 2019 the Remaining Group announced that it has entered into share transfer agreements with 上海榕耀新能源有限公司 Shanghai Rongyao New Energy Co., Ltd* ("**Shanghai Rongyao**"), an independent third party, for the disposal of 70% equity interest in a number of subsidiaries of the Remaining Group of which these subsidiaries owned operational solar power plants in the PRC with an aggregate installed capacity of approximately 977MW. The disposals were completed during the year ended 31 December 2019.

Save as disclosed above, there were no other significant investments during the year ended 31 December 2019, or plans for material investments as at 31 December 2019, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2019.

For the year ended 31 December 2018

Disposals

On 9 February 2018, the Remaining Group entered into an interest transfer agreement with an independent third party to sell 50% interest of ADSolar No. 3 Godo Kaisha and Himeji Tohori Taiyo No-Sato No.1 Godo Kaisha which owned a solar power plant project of 12 MW in Japan. The Remaining Group retained 50% interest of the project after completion and classified as a joint venture accordingly.

On 20 May 2018, Suzhou GCL New Energy, a subsidiary of the Remaining Group, entered into a share transfer agreement with an independent third party. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 100% equity interest of Inner Mongolia Xinjing Photovoltaic Electric Power Co., Ltd.* (內蒙古鑫景光伏發電有限公司) which owned a solar power plant of 21MW at a consideration of RMB22,000,000.

On 24 October 2018, Suzhou GCL New Energy, a subsidiary of the Remaining Group, entered into share transfer agreements with CGN Solar Energy Development Co., Ltd* (中廣核太陽能開發有限公司), an independent third party. Pursuant to the agreements, Suzhou GCL New Energy agreed to sell 80% equity interests in Linzhou Xinchuang* (林州市新創太陽能有限公司) and Huarong GCL New Energy Company Limited* (華容縣協鑫光伏電力有限公司) at a consideration of approximately RMB164,221,000 and RMB141,833,000, respectively.

On 30 December 2018, the Remaining Group entered into share transfer agreements with China Three Gorges New Energy Company Limited* (中國三峽新能源有限公司), an independent third party, pursuant to which the Remaining Group agreed to sell 100% equity interest of several wholly-owned subsidiaries of the Remaining Group to China Three Gorges New Energy Company Limited for consideration in aggregate of RMB184,643,000. The wholly-owned subsidiaries of the Remaining Group operated a number of solar power plant projects in Inner Mongolia, the PRC.

Save as disclosed above, there were no other significant investments during the year ended 31 December 2018, or plans for material investments as at 31 December 2018, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

For the year ended 31 December 2017

Acquisition

For the year ended 31 December 2017, the Remaining Group acquired several subsidiaries, which were engaged in solar power plant business in Japan and the PRC at a total consideration of approximately RMB42 million. The construction of the solar power plant project has been completed as at the date of acquisitions. Thus, the acquisition is classified as business combination.

Disposals

On 30 December 2016, the Remaining Group entered into a sale and purchase agreement to dispose of the entire interest in the PCB Business for a consideration of a fixed price of HK$250 million, equivalent to approximately RMB224 million plus, as the case may be, adjustment amounts pursuant to the sale and purchase agreement. On 2 August 2017, the disposal was completed without any further adjustment on the consideration.

On 30 June 2017, the Remaining Group entered into share transfer agreements with 西安中民協鑫新能源有限公司 (Xi'an Zhongmin GCL New Energy Company Limited*) ("**Zhongmin GCL**"), a joint venture of the Remaining Group, pursuant to which the Remaining Group agreed to sell and Zhongmin GCL agreed to purchase 100% equity interest of Jinhu and 山東萬海電力有限公司 (Shandong Wanhai Solar Power Co., Ltd.*) for a consideration of approximately RMB192 million and RMB70 million, respectively. The transaction is completed in July 2017.

On 22 November 2017, the Remaining Group entered into capital increase agreements with Sumin Ruineng Wuxi Equity Investment Partnership (Limited Partnership)* (蘇民睿能無錫股權投資合夥企業(有限合夥)) ("**Sumin Ruineng**"). Pursuant to which, Sumin Ruineng agreed to make a capital increase in an aggregate amount of RMB1,500 million to Suzhou GCL New Energy, a subsidiary of the Remaining Group. Upon completion of the capital increase, the Remaining Group and Sumin Ruineng would hold 92.82% and 7.18% equity interest in Suzhou GCL New Energy, respectively. The transaction was completed in December 2017.

Save as disclosed above, there were no other significant investments during the year ended 31 December 2017, or plans for material investments as at 31 December 2017, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2017.

Risk Factors and Risk Management

During the Reporting Periods, the Remaining Group's business and financial results of operations were subject to various business risks and uncertainties. The factors set out below are those that the management believes could affect the Remaining Group's financial results of operations differing materially from expected or historical results. However, there can be other risks which are immaterial now but could turn out to be material in the future.

1. Policy risk

Policies made by the government have a pivotal role in the solar power industry. Any alternation in the preferential tax policies, on-grid tariff subsidies, generation dispatch priority, incentives, upcoming issuance of green certificates, laws and regulations would cause substantial impact on the solar power industry. Although the Chinese government has been supportive in aiding the growth of the renewable industry by carrying out a series of favorable measures, it is possible that these measures will be modified abruptly. In order to minimize risks, the Remaining Group will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

2. Grid curtailment risk

With the growth in power generating capacity outpaced electricity consumption growth, it has led to utilization decline for power generating capacity across the country since 2014. Although solar power has a higher dispatch priority over conventional power generation in China, given electricity generated from areas with rich solar energy resources cannot be fully consumed in the provinces, and the excess electricity cannot be transmitted to other regions with higher power demand given limited power transmission capacity, grid curtailment has become an issue with high degree of concern for solar power. In this regard, the Remaining Group mainly focuses on developing solar power projects in regions with well-developed inter-province power transmission network or with strong domestic power demand such as zone 2 and 3, hence, minimizing grid curtailment risk.

3. Risk associated with tariff

Power tariff is one of the key earning drivers for the Remaining Group. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given China's National Development and Reform Commission (NDRC) targets to accelerate the technology development for solar energy industry in order to bring down development costs, hence, lowering solar power tariff to the level of coal-fired power by near future, the government subsidy for solar energy industry will finally faded out. To minimise this risk, the Remaining Group will continue to fasten technology development and implement cost control measures in order to lower development cost for new projects.

4. Risk related to high gearing ratio

Solar power generating business is a capital intensive industry, which highly relies on external financing in order to fund for the construction of solar power plant while the recovery of capital investment takes a long period of time. To cope with the gearing risk, the Remaining Group will pay close attention to the market dynamics, and to avoid any unfavorable changes to the Remaining Group. Additionally, the Remaining Group is constantly seeking alternative financing tools and pursing asset-light model to optimize our finance structure and lower its gearing ratio.

5. Risk related to interest rate

Interest risk may result from fluctuations in bank loan rates. Given the Remaining Group highly relies on external financing in order to obtain investment capital for new solar power project development, any interest rate changes will have an impact on the Remaining Group's capital expenditure and finance expenses, hence, affecting the Remaining Group's operating results. Transformation into asset-light model is an effective way to reduce debts and interest rate exposure.

6. Foreign currency risk

As most of our solar power plants are located in the PRC, substantial revenues, capital expenditures, assets and liabilities are denominated in RMB. Apart from using RMB denominated loans to finance project development in the PRC, the Remaining Group also uses foreign currencies such as US dollars to inject into projects in the form of equity. As the Remaining Group has not purchased any foreign currency derivatives or related hedging instruments to hedge for foreign currencies loans, any changes in foreign currency to RMB will have impact on the Remaining Group's operating results.

7. Risk related to disputes with joint venture partners

Our joint ventures may involve risks associated with the possibility that the Remaining Group's joint venture partners may have financial difficulties or have disputes with the Remaining Group as to the scope of their responsibilities and obligations. The Remaining Group may encounter problems with respect to the Remaining Group's joint venture partners which may have an adverse effect on the Remaining Group's business operations, profitability and prospects.

Employee and Remuneration Policies

We consider our employees to be our most important resource. As at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the Remaining Group had approximately 1,118, 1,388, 1,758 and 2,241 employees in the PRC and overseas. During the Reporting Periods, employees were remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees.

Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) for the six months ended 30 June 2020 and the year ended 31 December 2019, 2018 and 2017 were approximately RMB134 million, RMB385 million, RMB370 million and RMB297 million, respectively.

Prospects

The Remaining Group will continuously strengthen its strategic cooperation with large enterprises to form strong alliances. As the Central Enterprises and local state owned enterprises have competitive advantages in different aspects such as financing, the Remaining Group will extend its strategic cooperation with the Central Enterprises and the state-owned enterprises at the level of domestic holding companies, and at the project level of provincial companies to introduce strategic cooperation partners and leverage on competitive advantages of each other to accelerate the introduction of capital, optimize the shareholding structure and fasten the development of codeveloped solar projects, thereby enhancing profitability of projects.

Meanwhile, the Remaining Group will further accelerate the asset-light transformation model of "Development Construction-Cooperation-O& M" with the provision of management services while creating strategic cooperation to complement competitive advantages of each other. It is expected that by transferring the controlling interests of solar power plant projects, the Remaining Group will be able to recycle capital, reduce its debts and mitigate the pressure on project financing, while further improve the return on capital and receive stable fees annually by providing project management services.

In addition, the Remaining Group will proactively extend its financing resources, applying diversified and innovative financing models and issuing medium-term notes when appropriate to optimize its financing structure and increase the long-term facilities replacement. The Remaining Group expects that through introducing strategic investors, firmly promoting its asset-light transformation, expanding its financing channels and adopting a series of measures to reduce debt, the gearing ratio of the Remaining Group will be lowered.

Despite the outbreak of Coronavirus disease ("**COVID-19**") in the PRC in early 2020 and the subsequent quarantine measures imposed by the PRC government, the solar power plants of the Remaining Group continuously operated as usual. The Remaining Group has been paying close attention to the development of the COVID-19 outbreak, and implemented a series of precautionary and control measures, as well as evaluates the impact of the COVID-19 outbreak on the financial position and operating results of the Remaining Group. Given the dynamic nature of these circumstances, the Directors will continue to assess the financial effects on the Remaining Group but as of the date of this circular, the Remaining Group is not aware of any material adverse effects on its consolidated financial statements as a result of the COVID-19 outbreak.

The following is the text of a report set out on pages II A-1 to II A-48, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BAOYING XINYUAN PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Baoying Xinyuan Photovoltaic Power Co., Ltd. (寶應鑫源光伏發電有限公司) ("**Baoying Xinyuan**") set out on pages II A-5 to II A-48, which comprises the statements of financial position of Baoying Xinyuan at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Baoying Xinyuan for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II A-5 to II A-48 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Baoying Xinyuan is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Baoying Xinyuan determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Baoying Xinyuan, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Baoying Xinyuan's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Baoying Xinyuan's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Baoying Xinyuan exceeded its current assets by approximately RMB21,470,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Baoying Xinyuan's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Baoying Xinyuan which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Baoying Xinyuan is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to

obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II A-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Baoying Xinyuan in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF BAOYING XINYUAN

The financial statements of Baoying Xinyuan for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	8,652	8,066	8,497	6,687	6,559
Cost of sales		(2,140)	(2,510)	(2,660)	(1,985)	(1,752)
Gross profit		6,512	5,556	5,837	4,702	4,807
Other income	*7*	8	3	38	27	10
Administrative expenses		(87)	(93)	(61)	(34)	(102)
Finance costs	*8*	(2,172)	(1,571)	(2,109)	(1,606)	(1,296)
Profit before taxation		4,261	3,895	3,705	3,089	3,419
Income tax expenses	*9*	–	(502)	(497)	(407)	(404)
Profit and total comprehensive income for the year/period	*10*	4,261	3,393	3,208	2,682	3,015

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
	NOTES	2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	42,857	38,483	36,854	35,522
Right-of-use assets	*15*	–	–	3,548	3,357
Trade and other receivables	*17*	2,264	1,002	–	–
		45,121	39,485	40,402	38,879
CURRENT ASSETS					
Trade and other receivables	*17*	8,840	12,274	13,776	11,424
Amounts due from related companies	*16*	3,800	2,449	1,210	1,710
Bank balances	*18*	3,429	2,463	9,107	3,572
		16,069	17,186	24,093	16,706
CURRENT LIABILITIES					
Other payables		8,632	2,675	2,845	646
Amounts due to related companies	*16*	1,000	20,016	17,997	17,952
Lease liabilities	*20*	–	–	1,042	734
Tax payable		–	79	105	144
Other borrowing	*19*	10,131	10,705	13,939	18,700
		19,763	33,475	35,928	38,176
NET CURRENT LIABILITIES		(3,694)	(16,289)	(11,835)	(21,470)
TOTAL ASSETS LESS CURRENT LIABILITIES		41,427	23,196	28,567	17,409
NON-CURRENT LIABILITY					
Lease liabilities	*20*	–	–	2,444	2,571
Other borrowing	*19*	18,792	8,440	14,300	–
		18,792	8,440	16,744	2,571
NET ASSETS		22,635	14,756	11,823	14,838
CAPITAL AND RESERVES					
Paid-up capital	*21*	10,000	10,000	10,000	10,000
Reserves		12,635	4,756	1,823	4,838
TOTAL EQUITY		22,635	14,756	11,823	14,838

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	Retained earnings (accumu-lated losses)	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	10,000	828	7,546	18,374
Profit and total comprehensive income for the year	–	–	4,261	4,261
Transfer to legal reserve	–	426	(426)	–
At 31 December 2017 and 1 January 2018	10,000	1,254	11,381	22,635
Profit and total comprehensive income for the year	–	–	3,393	3,393
Transfer to legal reserve	–	339	(339)	–
Dividend declared *(Note 12)*	–	–	(11,272)	(11,272)
At 31 December 2018 and 1 January 2019	10,000	1,593	3,163	14,756
Profit and total comprehensive income for the year	–	–	3,208	3,208
Transfer to legal reserve	–	321	(321)	–
Dividend declared *(Note 12)*	–	–	(6,141)	(6,141)
At 31 December 2019 and 1 January 2020	10,000	1,914	(91)	11,823
Profit and total comprehensive income for the period	–	–	3,015	3,015
At 30 September 2020	10,000	1,914	2,924	14,838
At 1 January 2019 (audited)	10,000	1,593	3,163	14,756
Profit and total comprehensive income for the period (unaudited)	–	–	2,682	2,682
At 30 September 2019 (unaudited)	10,000	1,593	5,845	17,438

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Baoying Xinyuan, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	4,261	3,895	3,705	3,089	3,419
Adjustments for:					
Depreciation of property, plant and equipment	1,723	2,077	1,771	1,325	1,345
Depreciation of right-of-use assets	–	–	252	189	191
Finance costs	2,172	1,571	2,109	1,606	1,296
Interest income	(8)	(3)	(38)	(27)	(10)
Loss on disposal of property, plant and equipment	–	4,582	16	–	–
Operating cash flows before movements in working capital	8,148	12,122	7,815	6,182	6,241
(Increase) decrease in trade and other receivables	4,080	(2,172)	(739)	(1,200)	2,352
Decrease (increase) in other payables	4,613	(5,957)	170	(2,632)	(2,199)
Cash generated from operations	16,841	3,993	7,246	2,350	6,394
Income tax paid	–	(423)	(471)	(316)	(365)
Net cash from operating activities	16,841	3,570	6,775	2,034	6,029

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	8	3	38	27	10
Payments for construction and purchase of property, plant and equipment	(5)	(2,285)	(158)	(7)	(13)
Repayment from (advance to) related companies	(2,995)	1,351	1,239	790	(500)
Net cash (used in) generated from investing activities	(2,992)	(931)	1,119	810	(503)
Financing activities					
Interest paid	(2,172)	(1,571)	(1,883)	(1,423)	(1,177)
Inception (repayment) of other borrowing	(9,090)	(9,778)	9,094	11,812	(9,539)
Repayment to lease liabilities	–	–	(301)	(209)	(300)
Advance from (repayment to) related companies	(1,919)	7,744	(8,160)	(5,159)	(45)
Net cash (used in) generated from financing activities	(13,181)	(3,605)	(1,250)	5,021	(11,061)
Net increase (decrease) in cash and cash equivalents	668	(966)	6,644	7,865	(5,535)
Cash and cash equivalents at beginning of year/period	2,761	3,429	2,463	2,463	9,107
Cash and cash equivalents at end of year/period	3,429	2,463	9,107	10,328	3,572

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Baoying Xinyuan Photovoltaic Power Co., Ltd. ("**Baoying Xinyuan**") was established in the People's Republic of China (the "**PRC**") on 23 October 2014. Its immediate holding company is Jiangsu GCL New Energy Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Baoying Xinyuan is Hengshui Highway, Sheyanghu Town, BaoYing Country, Yangzhou City, JiangSu Province, PRC.

Baoying Xinyuan is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Baoying Xinyuan.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory audited financial statements of Baoying Xinyuan for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The Statutory audited financial statements of Baoying Xinyuan for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

At 30 September 2020, Baoying Xinyuan's current liabilities exceeded its current assets by approximately RMB21,470,000. The sole director of Baoying Xinyuan has reviewed the Baoying Xinyuan's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from shareholder and future financial plans. In the opinion of the sole director of the Baoying Xinyuan, Baoying Xinyuan will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Baoying Xinyuan to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Baoying Xinyuan. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Baoying Xinyuan. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Baoying Xinyuan to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the sole director of Baoying Xinyuan is of the opinion that the Group will be able to meet its commitment to provide funds to Baoying Xinyuan.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Baoying Xinyuan. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Baoying Xinyuan as committed and, in turn, Baoying Xinyuan be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Baoying Xinyuan to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Baoying Xinyuan and became effective during the Relevant Periods. In preparing the Historical Financial Information, Baoying Xinyuan has applied all these new and revised IFRS Standards which are effective for Baoying Xinyuan's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Baoying Xinyuan adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Baoying Xinyuan has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Baoying Xinyuan has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Baoying Xinyuan recognised revenue from the sales of electricity upon electricity is generated and transmitted. Information about Baoying Xinyuan's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

At 1 January 2018, there was no reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the three solar power plants operated by Baoying Xinyuan were admitted to the Catalogue prior to 1 January 2017.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 15 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.2 IFRS 9

During the year ended 31 December 2018, Baoying Xinyuan has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Baoying Xinyuan has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Baoying Xinyuan assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Baoying Xinyuan applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Baoying Xinyuan has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Baoying Xinyuan has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Baoying Xinyuan has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Baoying Xinyuan applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Baoying Xinyuan assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Baoying Xinyuan has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Baoying Xinyuan recognised additional lease liabilities of RMB3,561,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Baoying Xinyuan applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment at whether leases are onerous by applying IAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for lease previously classified as operating lease, Baoying Xinyuan has applied incremental borrowing rates of Baoying Xinyuan at the date of initial application. The incremental borrowing rate applied is 7.0%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 26)*	4,970
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rate upon application of IFRS 16	3,561
Analysed as:	
Current	1,276
Non-current	2,285
	3,561

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	3,561
Reclassified from prepaid rent *(note)*	239
	3,800
By class:	
Leasehold land	3,800

Note: Prepaid rent for parcels of lands in the PRC in which Baoying Xinyuan lease from third parties under operating leases were classified as prepayment at 31 December 2018. Upon application of IFRS 16, the current portion of prepayment amounting to RMB239,000 was reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Baoying Xinyuan's retained earnings at 1 January 2019.

Sales and lease back transaction

Baoying Xinyuan acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, Baoying Xinyuan applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year ended 31 December 2019, and the nine months ended 30 September 2020 there is no sales and leaseback transactions entered by Baoying Xinyuan. Hence, there is no impact from sale and leaseback transaction to Baoying Xinyuan upon the implementation of IFRS 16.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	3,800	3,800
Current assets			
Trade and other receivable	12,274	(239)	12,035
Current liabilities			
Lease liabilities	–	(1,276)	(1,276)
Non-current liabilities			
Lease liabilities	–	(2,285)	(2,285)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Baoying Xinyuan anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Baoying Xinyuan's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Baoying Xinyuan's right to defer settlement for other borrowing of Nil is beyond 12 months from the end of the reporting period subject to compliance with covenants at the end of the reporting period. Such other borrowing was classified as non-current as Baoying Xinyuan met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Baoying Xinyuan will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Baoying Xinyuan recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Baoying Xinyuan's performance as Baoying Xinyuan performs;
- Baoying Xinyuan's performance creates or enhances an asset that the customer controls as Baoying Xinyuan performs; or
- Baoying Xinyuan's performance does not create an asset with an alternative use to Baoying Xinyuan and Baoying Xinyuan has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Baoying Xinyuan's right to consideration in exchange for goods or services that Baoying Xinyuan has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Baoying Xinyuan's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Baoying Xinyuan's obligation to transfer goods or services to a customer for which Baoying Xinyuan has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Baoying Xinyuan estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Baoying Xinyuan updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Baoying Xinyuan adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Baoying Xinyuan with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Baoying Xinyuan applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Baoying Xinyuan and when specific criteria have been met for each of Baoying Xinyuan's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Baoying Xinyuan assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Baoying Xinyuan as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Baoying Xinyuan reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Baoying Xinyuan applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Baoying Xinyuan; and
- an estimate of costs to be incurred by Baoying Xinyuan in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Baoying Xinyuan presents right-of-use assets as a separate line item on the statement of financial position.

Baoying Xinyuan as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Baoying Xinyuan applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Baoying Xinyuan.

Baoying Xinyuan as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Baoying Xinyuan as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Baoying Xinyuan as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Baoying Xinyuan. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Baoying Xinyuan's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Baoying Xinyuan expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Baoying Xinyuan's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Baoying Xinyuan makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Baoying Xinyuan in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Baoying Xinyuan reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Baoying Xinyuan estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Baoying Xinyuan becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Baoying Xinyuan's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Baoying Xinyuan performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Baoying Xinyuan's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Baoying Xinyuan always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Baoying Xinyuan measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Baoying Xinyuan recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Baoying Xinyuan compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Baoying Xinyuan considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Baoying Xinyuan presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Baoying Xinyuan has reasonable and supportable information that demonstrate otherwise.

Baoying Xinyuan regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Baoying Xinyuan considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Baoying Xinyuan, in full without taking into account any collaterals held by Baoying Xinyuan.

Irrespective of the above, Baoying Xinyuan considers that default has occurred when a financial asset is more than 90 days past due unless Baoying Xinyuan has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Baoying Xinyuan writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Baoying Xinyuan's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Baoying Xinyuan in accordance with the contract and the cash flows that Baoying Xinyuan expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Baoying Xinyuan recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Baoying Xinyuan derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Baoying Xinyuan are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Baoying Xinyuan transferred the legal title of certain equipment of Baoying Xinyuan to the relevant financial institutions, and Baoying Xinyuan is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Baoying Xinyuan during the lease period.

Derecognition of financial liabilities

Baoying Xinyuan derecognises financial liabilities when, and only when, Baoying Xinyuan's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Baoying Xinyuan assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Baoying Xinyuan considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Baoying Xinyuan's accounting policies, which are described in Note 4, the sole director of Baoying Xinyuan is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Baoying Xinyuan has made in the process of applying Baoying Xinyuan's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Baoying Xinyuan has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Baoying Xinyuan to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time, being at the point when electricity is generated and transmitted to the customers. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Baoying Xinyuan generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB5,897,000, RMB5,440,000, RMB5,721,000, RMB4,500,000 (unaudited) and RMB4,422,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Baoying Xinyuan generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Baoying Xinyuan and the local grid company. Baoying Xinyuan will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Solar plants qualified and approved were registered into the Renewable Energy Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Baoying Xinyuan operates one solar power plant, and admitted to Catalogue prior to 1 January 2017.

The management of Baoying Xinyuan regularly reviews the results of the solar power plants operate by Baoying Xinyuan when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Baoying Xinyuan is solely located in the PRC. All revenue of Baoying Xinyuan are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	8	3	29	21	10
Interest income on amount due from an intermediate holding company	–	–	7	4	–
Others	–	–	2	2	–
Total other income	8	3	38	27	10

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on financial liabilities at amortised cost:					
Other borrowing	2,172	1,571	1,870	1,410	1,177
Lease liabilities	–	–	226	183	119
Amounts due to intermediate holding companies	–	–	13	13	–
Total finance costs	2,172	1,571	2,109	1,606	1,296

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("**EIT**")	–	502	497	407	404

The basic tax rate of Baoying Xinyuan is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Baoying Xinyuan engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2015 to 2017 followed by 3-year 50% exemption from 2018 to 2020. Besides, Baoying Xinyuan is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2015.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	4,261	3,895	3,705	3,089	3,419
Tax at domestic income tax rate of 25%	1,065	974	926	772	855
Effect of tax exemptions and concessions granted	(1,065)	(472)	(429)	(365)	(451)
Income tax expense for the year/period	–	502	497	407	404

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging:					
Loss on disposal of property, plant and equipment	–	4,582	16	–	–
Depreciation of:					
– Property, plant and equipment	1,723	2,077	1,771	1,325	1,345
– Right-of-use assets	–	–	252	189	191
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	30	102	73	57	60
– Retirement benefit scheme contributions	24	14	14	10	9

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director's emoluments

The emoluments of the sole director of Baoying Xinyuan during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Zhang Ningyong張寧勇 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Zhang Ningyong張寧勇 *(Note i)*	–	–	–	–	–
Xiang Changming向昌明 *(Note ii)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming向昌明 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming向昌明 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming向昌明 *(Note ii)*	–	–	–	–	–

Notes:

(i) Zhang Ningyong resigned as the sole director of Baoying Xinyuan with effect from 13 June 2018.

(ii) Xiang Changming has been appointed as the sole director of Baoying Xinyuan with effect from 13 June 2018.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Baoying Xinyuan during the Relevant Periods were borne by a related company for his service as the sole director of Baoying Xinyuan.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Baoying Xinyuan waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Baoying Xinyuan during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	173	98	94	74	68
Performance-related bonus	–	–	–	–	–
Retirement benefits scheme contribution	7	4	4	3	3
	180	102	98	77	71

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately Nil, RMB11,272,000, RMB6,141,000, Nil (unaudited) and Nil were proposed and paid to ordinary shareholder of Baoying Xinyuan during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building *RMB'000*	Leasehold Improvements, furniture fixtures & equipment *RMB'000*	Power generators and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2017	–	12	47,712	–	47,724
Additions	–	5	–	–	5
At 31 December 2017 and 1 January 2018	–	17	47,712	–	47,729
Additions	2,285	–	–	–	2,285
Disposals	–	–	(4,919)	–	(4,919)
At 31 December 2018 and 1 January 2019	2,285	17	42,793	–	45,095
Additions	–	139	16	3	158
Disposals	–	–	(16)	–	(16)
At 31 December 2019 and 1 January 2020	2,285	156	42,793	3	45,237
Additions	–	6	7	–	13
At 30 September 2020	2,285	162	42,800	3	45,250
Accumulated depreciation					
At 1 January 2017	–	4	3,145	–	3,149
Charge for the year	–	2	1,721	–	1,723
At 31 December 2017 and 1 January 2018	–	6	4,866	–	4,872
Charge for the year	337	3	1,737	–	2,077
Disposals	–	–	(337)	–	(337)
At 31 December 2018 and 1 January 2019	337	9	6,266	–	6,612
Charge for the year	106	6	1,659	–	1,771
At 31 December 2019 and 1 January 2020	443	15	7,925	–	8,383
Charge for the period	80	20	1,245	–	1,345
At 30 September 2020	523	35	9,170	–	9,728
Carrying values					
At 31 December 2017	–	11	42,846	–	42,857
At 31 December 2018	1,948	8	36,527	–	38,483
At 31 December 2019	1,842	141	34,868	3	36,854
At 30 September 2020	1,762	127	33,630	3	35,522

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	3,800
Depreciation charge	(252)
At 31 December 2019 and 1 January 2020	3,548
Depreciation charge	(191)
At 30 September 2020	3,357

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Year ended 31 December			**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	2,300	2,449	–	500
– intermediate holding companies	1,200	–	1,210	1,210
– immediate holding company	300	–	–	–
	3,800	2,449	1,210	1,710
Amounts due to related companies				
– immediate holding company	–	254	17,347	–
– intermediate holding companies	1,000	16,962	650	–
– fellow subsidiaries	–	2,800	–	17,952
	1,000	20,016	17,997	17,952

Except for amounts due to related companies of approximately Nil, RMB12,823,000, Nil and Nil at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at Nil per annum, at 6% per annum, Nil per annum, and Nil per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

		At 31 December		At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,490	8,056	9,598	10,635
Other receivables	4,558	4,218	4,178	789
Refundable value-added tax	2,056	1,002	–	–
	11,104	13,276	13,776	11,424

		At 31 December		At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	8,840	12,274	13,776	11,424
Non-current				
– Other receivable	208	–	–	–
– Refundable value-added tax *(Note)*	2,056	1,002	–	–
	2,264	1,002	–	–
	11,104	13,276	13,776	11,424

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Baoying Xinyuan.

For sales of electricity in the PRC, Baoying Xinyuan generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Baoying Xinyuan and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Baoying Xinyuan for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	4,490	8,056	8,716	10,635
0 – 90 days	–	–	822	–
	4,490	8,056	9,598	10,635

Note: At 31 December 2017, 2018, 2019 and 30 September 2020, the amount represented unbilled basic tariff receivables and the unbilled tariff adjustment receivables of the solar power plant which was already registered in the Catalogue/List prior to 1 January 2017. The sole director of Baoying Xinyuan expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	1,390	2,440	2,115	2,487
91 – 180 days	1,300	2,234	2,448	1,546
181 – 365 days	1,800	3,382	741	2,419
Over 365 days	–	–	3,412	4,183
	4,490	8,056	8,716	10,635

No trade receivables is past due at 31 December 2017, 2018, 2019 and 30 September 2020.

18. BANK BALANCES

Bank balances carry interest at floating rates at 0.3% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 23b.

19. OTHER BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the other borrowing are repayable:				
Within one year	10,131	10,705	13,939	18,700
More than one year, but not exceeding two years	10,353	8,440	4,400	–
More than two years, but not exceeding five years	8,439	–	9,900	–
More than five years	–	–	–	–
	28,923	19,145	28,239	18,700
Less: Accounts due within one year shown under current liabilities	(10,131)	(10,705)	(13,939)	(18,700)
Amounts due after one year	18,792	8,440	14,300	–

The variable-rate other borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 6.4% per annum throughout the Relevant Periods.

During the nine months period ended 30 September 2020, Baoying Xinyuan breached certain covenant clauses in a bank borrowing agreement under which Baoying Xinyuan failed to make repayment to a bank. As a result, as at 30 September 2020, bank borrowing of RMB18,700,000 is subject to an early repayment option by the bank. Such bank borrowing is classified as a current liability as at 30 September 2020. As of the date on this Historical Financial Information, the bank has not requested for the early repayment of the bank borrowings.

20. LEASE LIABILITIES

	At 31 December	At 30 September
	2019	2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	1,042	734
Within a period of more than one years but not more than two years	170	179
Within a period of more than two years but not more than five years	1,206	1,269
Within a period of more than five years	1,068	1,123
	3,486	3,305
Less: Amount due for settlement with 12 months shown under current liabilities	(1,042)	(734)
Amount due for settlement after 12 months shown under non-current liabilities	2,444	2,571

All lease liabilities are denominated in RMB.

21. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	10,000	10,000	10,000	10,000

22. CAPITAL MANAGEMENT

Baoying Xinyuan manages its capital to ensure that Baoying Xinyuan will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Baoying Xinyuan's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Baoying Xinyuan consists of net debt, which mainly includes amounts due to related companies, lease liabilities, other borrowing, net of cash and cash equivalents, and equity attributable to owner of Baoying Xinyuan, comprising paid-up capital and reserves.

The sole director of Baoying Xinyuan reviews the capital structure on a periodical basis. As part of this review, the sole director of Baoying Xinyuan considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Baoying Xinyuan, Baoying Xinyuan will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

23. FINANCIAL INSTRUMENTS

23a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	18,333	–	–	–
Amortised cost	–	18,188	24,093	16,706
Financial liabilities				
Amortised cost	38,555	41,836	52,567	40,603

23b. Financial risk management objectives and policies

Baoying Xinyuan's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, other payables, amounts due to related companies, lease liabilities and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Baoying Xinyuan is exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies, lease liabilities and bank balances, and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the other borrowing of Baoying Xinyuan is issued at variable rates which expose Baoying Xinyuan to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Baoying Xinyuan's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Baoying Xinyuan's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB127,000, RMB83,000, RMB95,000 and RMB76,000, respectively. This is mainly attributable to Baoying Xinyuan's exposure to interest rates on its variable-rate borrowings.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Baoying Xinyuan reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Baoying Xinyuan has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Baoying Xinyuan's counterparties default on their contractual obligations resulting in financial losses to Baoying Xinyuan. Baoying Xinyuan's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Baoying Xinyuan does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Baoying Xinyuan's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that all of Baoying Xinyuan's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Baoying Xinyuan always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Baoying Xinyuan assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Baoying Xinyuan's current liabilities exceeded its current assets by RMB3,694,000, RMB16,289,000, RMB11,835,000 and RMB21,470,000, respectively. Baoying Xinyuan is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Baoying Xinyuan monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Baoying Xinyuan's operations and mitigate the effects of fluctuation in cash flows.

Baoying Xinyuan relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Baoying Xinyuan is of the opinion that the Group will be able to meet its commitment to provide funds to Baoying Xinyuan, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Baoying Xinyuan's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Baoying Xinyuan can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	**On demand or less than 3 months**	**3 months to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	8,632	–	–	–	–	8,632	8,632
Other borrowing	6.96%	2,887	8,660	11,547	8,660	–	31,754	28,923
Amounts due to related companies	–	1,000	–	–	–	–	1,000	1,000
Total		12,519	8,660	11,547	8,660	–	41,386	38,555

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	2,675	–	–	–	–	2,675	2,675
Other borrowing	7.0%	2,887	8,660	8,660	–	–	20,207	19,145
Amounts due to related companies	–	20,016	–	–	–	–	20,016	20,016
Total		25,578	8,660	8,660	–	–	42,898	41,836

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	2,845	–	–	–	–	2,845	2,845
Other borrowing	6.4%	5,727	10,009	5,292	10,772	–	31,800	28,239
Lease liabilities	7.0%	1,201	–	–	1,652	1,817	4,670	3,486
Amounts due to related companies	–	17,997	–	–	–	–	17,997	17,997
Total		27,770	10,009	5,292	12,424	1,817	57,312	52,567

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	646	–	–	–	–	646	646
Other borrowing *(note)*	6.4%	5,626	3,999	5,059	7,007	–	21,691	18,700
Lease liabilities	7.0%	901	–	–	1,652	1,817	4,370	3,305
Amounts due to related companies	–	17,952	–	–	–	–	17,952	17,952
Total		25,125	3,999	5,059	8,659	1,817	44,659	40,603

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

Note: Save for disclosed in note 21 to the Historical Financial Information, during the nine months period ended 30 September 2020, Baoying Xinyuan Group breached certain covenant clauses in a other borrowing agreement. As a result, as at 30 September 2020, other borrowing of RMB18,700,000 is subject to an early repayment option by the lender. Such other borrowing is classified as a current liability as at 30 September 2020. As of the date on this Historical Financial Information, the lender has not requested for the early repayment of the other borrowings. Given no history of default, the sole director of lender believes that such other borrowing will be repaid in accordance with the scheduled repayment dates set out in the borrowing agreements.

23c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Baoying Xinyuan considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Baoying Xinyuan's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Baoying Xinyuan's statements of cash flows as cash flows from financing activities.

	Lease liabilities	Amounts due to related companies	Other borrowing	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	–	2,919	38,013	40,932
Financing cash flows	–	(1,919)	(11,262)	(13,181)
Finance costs	–	–	2,172	2,172
At 31 December 2017 and 1 January 2018	–	1,000	28,923	29,923
Financing cash flows	–	7,744	(11,349)	(3,605)
Finance costs	–	–	1,571	1,571
Dividend declared	–	11,272	–	11,272
At 31 December 2018	–	20,016	19,145	39,161
Adjustment upon application of IFRS 16	3,561	–	–	3,561
At 1 January 2019	3,561	20,016	19,145	42,722
Financing cash flows	(301)	(8,173)	7,224	(1,250)
Finance costs	226	13	1,870	2,109
Dividend declared	–	6,141	–	6,141
At 31 December 2019 and 1 January 2020	3,486	17,997	28,239	49,722
Financing cash flows	(300)	(45)	(10,716)	(11,061)
Finance costs	119	–	1,177	1,296
At 30 September 2020	3,305	17,952	18,700	39,957

25. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Baoying Xinyuan has no capital commitments.

26. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Land	276	278

Baoying Xinyuan's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	–	1,502
In the second to fifth year inclusive	4,970	3,468
	4,970	4,970

Lease is negotiated and rental is fixed for term of 19 year for the land for the years ended 31 December 2017 and 2018.

27. PLEDGE OF ASSETS

Baoying Xinyuan's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	42,846	36,527	34,868	33,630
Trade receivables and contract assets	4,490	8,056	9,598	10,635
	47,336	44,583	44,466	44,265

Baoying Xinyuan's secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Baoying Xinyuan and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity.

28. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Baoying Xinyuan also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense to a fellow subsidiary	–	–	13	13	–
Interest income from an intermediate holding company	–	–	7	4	–
Consultancy fee to immediate holding company	–	254	387	276	74

Details of the remuneration for the key management personnel, which represents the sole director of Baoying Xinyuan, are set out in Note 11.

29. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Baoying Xinyuan has no significant event occurred.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Baoying Xinyuan have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II B-1 to II B-46, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF DELINGHA CENTURY CONCORD PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Delingha Century Concord Photovoltaic Power Co., Ltd. (德令哈協合光伏發電有限公司) ("**Delingha Century Concord**") set out on pages II B-5 to II B-46, which comprises the statements of financial position of Delingha Century Concord at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Delingha Century Concord for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II B-5 to II B-46 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Delingha Century Concord is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Delingha Century Concord determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Delingha Century Concord, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinions for the years ended 31 December 2017 and 2018 and our opinion for the year ended 31 December 2019 and the nine months ended 30 September 2020.

Basis for qualified opinions for the years ended 31 December 2017 and 2018

As explained in notes 4 and 18 to the Historical Financial Information, Delingha Century Concord had a subsidiary, namely Hainanzhou Shineng Photovoltaic Power Co., Ltd. (海南州世能光伏發電有限公司) ("Hainanzhou Shineng"), during the year ended 31 December 2017, which was subsequently disposed of during the year ended 31 December 2018. No consolidated financial statements of Delingha Century Concord has been prepared for the years ended 31 December 2017 and 2018. The Historical Financial Information of Hainanzhou Shineng has been prepared and set out in appendix IIE to the Circular. Such consolidated financial statements are required by International Financial Reporting Standard 10 "Consolidated Financial Statements" issued by the International Accounting Standards Board. In our opinion, the non-preparation of consolidated financial statements of Delingha Century Concord and Hainanzhou Shineng Photovoltaic Power Co., Ltd. constitutes a departure from the International Financial Reporting Standard 10 that caused us to qualify our opinion on the Historical Financial Information in respect of the financial position as at 31 December 2017 and of the financial performances and cash flows of Delingha Century Concord for the years ended 31 December 2017 and 2018.

Qualified opinions for the years ended 31 December 2017 and 2018

In our opinion, except for the effect of the matter described in the basis of qualified opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Delingha Century Concord's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Delingha Century Concord's financial performance and cash flows for the Relevant Periods in accordance with International Accounting Standards and Interpretations issued by the International Accounting Standards Board.

Opinions for the year ended 31 December 2019 and the nine months ended 30 September 2020

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Delingha Century Concord's financial position at 31 December 2019 and 30 September 2020 and of Delingha Century Concord's financial performance and cash flows for the year ended 31 December 2019 and the nine months ended 30 September 2020 in accordance with the basis of preparation set out in note 4 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Delingha Century Concord which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Delingha Century Concord is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II B-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividend declared and paid by Delingha Century Concord in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF DELINGHA CENTURY CONCORD

The financial statements of Delingha Century Concord for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*5*	98,438	99,397	89,233	69,521	68,693
Cost of sales		(32,273)	(36,920)	(42,696)	(31,573)	(24,892)
Gross profit		66,165	62,477	46,537	37,948	43,801
Other income	*6*	399	27,553	743	575	173
Gain on disposal of property, plant and equipment		42	–	–	–	4
Administrative expenses		(1,107)	(759)	(488)	(341)	(525)
Finance costs	*7*	(34,302)	(33,522)	(26,590)	(20,252)	(17,907)
Profit before taxation		31,197	55,749	20,202	17,930	25,546
Income tax expenses	*8*	(4,060)	(3,582)	(2,503)	(2,697)	(4,255)
Profit and total comprehensive income for the year/period	*9*	27,137	52,167	17,699	15,233	21,291

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	640,014	610,271	579,357	556,757
Right-of-use assets	*14*	–	–	10,603	10,403
Prepaid lease payments	*15*	10,869	10,603	–	–
Investment in a subsidiary	*18*	72,000	–	–	–
Trade and other receivables	*17*	3,702	3,702	3,713	3,713
		726,585	624,576	593,673	570,873
CURRENT ASSETS					
Trade and other receivables	*17*	121,635	178,586	188,826	210,929
Prepaid lease payments	*15*	266	266	–	–
Amounts due from related companies	*16*	109,554	184,239	52,342	59,436
Bank balances	*19*	22,488	16,598	20,993	8,155
		253,943	379,689	262,161	278,520
CURRENT LIABILITIES					
Other payables		55,291	13,053	48,864	44,194
Amounts due to related companies	*16*	113,929	201,879	98,777	117,776
Tax payable		920	787	14	2,953
Bank borrowing	*20*	38,000	52,000	64,000	52,500
		208,140	267,719	211,655	217,423
NET CURRENT ASSETS		45,803	111,970	50,506	61,097
TOTAL ASSETS LESS CURRENT LIABILITIES		772,388	736,546	644,179	631,970
NON-CURRENT LIABILITY					
Bank borrowing	*20*	509,000	457,000	393,000	359,500
NET ASSETS		263,388	279,546	251,179	272,470
CAPITAL AND RESERVES					
Paid-up capital	*21*	222,000	222,000	222,000	222,000
Reserves		41,388	57,546	29,179	50,470
TOTAL EQUITY		263,388	279,546	251,179	272,470

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Legal reserve *RMB'000* *(Note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	222,000	14,251	92,466	328,717
Profit and total comprehensive income for the year	–	–	27,137	27,137
Transfer to legal reserve	–	2,714	(2,714)	–
Dividend declared *(Note 11)*	–	–	(92,466)	(92,466)
At 31 December 2017 and 1 January 2018	222,000	16,965	24,423	263,388
Profit and total comprehensive income for the year	–	–	52,167	52,167
Transfer to legal reserve	–	5,217	(5,217)	–
Dividend declared *(Note 11)*	–	–	(36,009)	(36,009)
At 31 December 2018 and 1 January 2019	222,000	22,182	35,364	279,546
Profit and total comprehensive income for the year	–	–	17,699	17,699
Transfer to legal reserve	–	1,770	(1,770)	–
Dividend declared *(Note 11)*	–	–	(46,066)	(46,066)
At 31 December 2019 and 1 January 2020	222,000	23,952	5,227	251,179
Profit and total comprehensive income for the period	–	–	21,291	21,291
At 30 September 2020	222,000	23,952	26,518	272,470
At 1 January 2019 (audited)	222,000	22,182	35,364	279,546
Profit and total comprehensive income for the period (unaudited)	–	–	15,233	15,233
Dividend declared *(Note 11)* (unaudited)	–	–	(35,364)	(35,364)
At 30 September 2019 (unaudited)	222,000	22,182	15,233	259,415

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Delingha Century Concord, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Profit before taxation	31,197	55,749	20,202	17,930	25,546
Adjustments for:					
Release of prepaid lease payments	247	266	–	–	–
Depreciation of property, plant and equipment	28,585	29,661	31,436	24,891	22,475
Depreciation of right-of-use assets	–	–	266	200	200
Finance costs	34,302	33,522	26,590	20,252	17,907
Interest income	(80)	(50)	(17)	(15)	(19)
Operating cash flows before movements in working capital	94,251	119,148	78,477	63,258	66,109
Increase in trade and other receivables	(28,925)	(56,951)	(10,251)	(16,590)	(22,103)
(Decrease) increase in other payables	(4,031)	(42,141)	35,811	33,896	(4,518)
Cash generated from operations	61,295	20,056	104,037	80,564	39,488
Income tax paid	(3,580)	(3,715)	(3,276)	(2,131)	(1,316)
Net cash from operating activities	57,715	16,341	100,761	78,433	38,172

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Interest received	80	50	17	15	19
Payments for construction and purchase of property, plant and equipment	(15,193)	(15)	(522)	(66)	(27)
Repayment from (advanced to) related companies	4,116	(74,685)	131,897	26,297	(7,094)
Proceeds from disposal of the subsidiary	–	72,000	–	–	–
Net cash (used in) from investing activities	(10,997)	(2,650)	131,392	26,246	(7,102)
Financing activities					
Interest paid	(34,302)	(33,522)	(26,590)	(20,252)	(17,907)
Repayment of bank borrowing	(32,000)	(38,000)	(52,000)	(26,000)	(45,000)
(Repayment to) advanced from related companies	(4,003)	51,941	(149,168)	(73,404)	18,999
Net cash used in financing activities	(70,305)	(19,581)	(227,758)	(119,656)	(43,908)
Net (decrease) increase in cash and cash equivalents	(23,587)	(5,890)	4,395	(14,977)	(12,838)
Cash and cash equivalents at beginning of year/period	46,075	22,488	16,598	16,598	20,993
Cash and cash equivalents at end of year/ period	22,488	16,598	20,993	1,621	8,155

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Delingha Century Concord Photovoltaic Power Co., Ltd. ("**Delingha Century Concord**") was established in the People's Republic of China (the "**PRC**") on 28 June 2011. Its immediate holding company is Suzhou GCL New Energy Investment Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Delingha Century Concord is Delingha City, West Export Photovoltaic (Thermal) Industrial Park.

Delingha Century Concord is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Delingha Century Concord.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

The statutory audited financial statements of Delingha Century Concord for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Delingha Century Concord for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Delingha Century Concord and became effective during the Relevant Periods. In preparing the Historical Financial Information, Delingha Century Concord has applied all these new and revised IFRS Standards which are effective for Delingha Century Concord's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Delingha Century Concord adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Delingha Century Concord has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Delingha Century Concord has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Delingha Century Concord recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Delingha Century Concord's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

At 1 January 2018, there was no reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the three solar power plants operated by Delingha Century Concord were admitted to the Catalogue prior to 1 January 2017.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 15 has no material impact to the total assets, profit or loss or net cash flows for respective year/ period.

3.2 IFRS 9

During the year ended 31 December 2018, Delingha Century Concord has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Delingha Century Concord has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Delingha Century Concord assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Delingha Century Concord applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Delingha Century Concord has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Delingha Century Concord has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Delingha Century Concord has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Delingha Century Concord applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Delingha Century Concord assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Delingha Century Concord has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Reclassified from prepaid lease payments *(Note)*	10,869

Note: Upfront payments for leasehold lands in the PRC in which Delingha Century Concord obtained relevant land use right certificate were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB266,000 and RMB10,603,000, respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Delingha Century Concord's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	10,603	(10,603)	–
Right-of-use assets	–	10,869	10,869
Current assets			
Prepaid lease payments	266	(266)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Delingha Century Concord anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Delingha Century Concord's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Delingha Century Concord's right to defer settlement for bank borrowing of RMB359,500,000 beyond 12 months from the end of the reporting period are subject to compliance with covenants at the end of the reporting period. Such bank borrowing was classified as non-current as Delingha Century Concord met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Delingha Century Concord will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB, except that consolidated financial statements have not been prepared in accordance with IAS 27 "Consolidated and Separate Financial Statements" issued by IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Delingha Century Concord recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Delingha Century Concord's performance as Delingha Century Concord performs;
- Delingha Century Concord's performance creates or enhances an asset that the customer controls as Delingha Century Concord performs; or
- Delingha Century Concord's performance does not create an asset with an alternative use to Delingha Century Concord and Delingha Century Concord has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Delingha Century Concord's right to consideration in exchange for goods or services that Delingha Century Concord has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Delingha Century Concord's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Delingha Century Concord's obligation to transfer goods or services to a customer for which Delingha Century Concord has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Delingha Century Concord estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Delingha Century Concord updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Delingha Century Concord adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Delingha Century Concord with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Delingha Century Concord applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Delingha Century Concord and when specific criteria have been met for each of Delingha Century Concord's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Delingha Century Concord assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Delingha Century Concord as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Delingha Century Concord reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Delingha Century Concord; and
- an estimate of costs to be incurred by Delingha Century Concord in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Delingha Century Concord presents right-of-use assets as a separate line item on the statement of financial position.

Delingha Century Concord as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Delingha Century Concord's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Delingha Century Concord expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Delingha Century Concord's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Delingha Century Concord makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Delingha Century Concord in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Delingha Century Concord reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Delingha Century Concord estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Delingha Century Concord becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Delingha Century Concord's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Delingha Century Concord performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Delingha Century Concord's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Delingha Century Concord always recognises lifetime ECL for trade receivables, including those with significant financing component. For all other instruments, Delingha Century Concord measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Delingha Century Concord recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Delingha Century Concord compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Delingha Century Concord considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Delingha Century Concord presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Delingha Century Concord has reasonable and supportable information that demonstrate otherwise.

Delingha Century Concord regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Delingha Century Concord considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Delingha Century Concord, in full without taking into account any collaterals held by Delingha Century Concord.

Irrespective of the above, Delingha Century Concord considers that default has occurred when a financial asset is more than 90 days past due unless Delingha Century Concord has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Delingha Century Concord writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Delingha Century Concord's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Delingha Century Concord in accordance with the contract and the cash flows that Delingha Century Concord expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Delingha Century Concord recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Delingha Century Concord derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Delingha Century Concord are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and bank borrowing are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Delingha Century Concord derecognises financial liabilities when, and only when, Delingha Century Concord's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Delingha Century Concord generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB83,206,000, RMB82,341,000, RMB74,294,000, RMB57,982,000 (unaudited) and RMB57,900,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Delingha Century Concord generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Delingha Century Concord and the local grid company. Delingha Century Concord will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Solar plants qualified and approved were registered into the Renewable Energy Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Delingha Century Concord operates three solar power plants, which were admitted to the Catalogue prior to 1 January 2017.

The management of Delingha Century Concord regularly reviews the results of the solar power plants operated by Delingha Century Concord when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Delingha Century Concord is solely located in the PRC. All revenue of Delingha Century Concord are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

6. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividend income	–	22,835	–	–	–
Government grants	–	4,544	496	496	61
Interest income of financial assets at amortised cost:					
– Bank interest income	80	50	17	15	19
– Interest income on amount due from intermediate holding company	319	52	230	64	93
Others	–	72	–	–	–
Total other income	399	27,553	743	575	173

7. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on financial liabilities at amortised cost:					
Bank borrowing	34,302	33,294	26,225	19,887	17,907
Amount due to intermediate holding company	–	228	365	365	–
Total finance costs	34,302	33,522	26,590	20,252	17,907

8. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("**EIT**")	4,060	3,582	2,503	2,697	4,255

The basic tax rate of Delingha Century Concord is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Delingha Century Concord engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to (i) tax holidays of 3-year full exemption from 2011 to 2013 followed by 3-year 50% exemption from 2014 to 2016 for the first solar power plant, (ii) tax holidays of 3-year full exemption from 2013 to 2015 followed by 3-year 50% exemption from 2016 to 2018 for the second solar power plant, and (iii) tax holidays of 3-year full exemption from 2014 to 2016 followed by 3-year 50% exemption from 2017 to 2019 for the third solar power plant. Besides, Delingha Century Concord is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	31,197	55,749	20,202	17,930	25,546
Tax at domestic income tax rate of 25%	7,799	13,937	5,051	4,483	6,387
Effect of tax exemptions and concessions granted	(3,743)	(9,756)	(2,020)	(1,793)	(2,555)
Others	4	(599)	(528)	7	423
Income tax expenses for the year/period	4,060	3,582	2,503	2,697	4,255

9. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging:					
Release of prepaid lease payments	247	266	–	–	–
Depreciation of:					
– Property, plant and equipment	28,585	29,661	31,436	24,891	22,475
– Right-of-use assets	–	–	266	200	200
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	1,468	753	1,179	854	772
– Retirement benefit scheme contributions	110	137	156	102	21

10. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director emoluments

The emoluments of the sole director of Delingha Century Concord during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Notes:

(i) Shi Wenzhong resigned as the director of Delingha Century Concord with effect from 25 July 2019.

(ii) Li Yong has been appointed as the director of Delingha Century Concord with effect from 25 July 2019.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Delingha Century Concord during the Relevant Periods were borne by a related company for his service as the sole director of Delingha Century Concord.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Delingha Century Concord waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Delingha Century Concord during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	462	544	552	419	496
Performance-related bonus	55	138	101	101	22
Retirement benefits scheme contribution	23	35	43	33	31
	540	717	696	553	549

The number of highest paid employees who are not the director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

11. DIVIDENDS

Dividends of approximately RMB92,466,000, RMB36,009,000, RMB46,066,000, RMB35,364,000 (unaudited) and nil were proposed and paid to ordinary shareholder of Delingha Century Concord during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

12. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

13. PROPERTY, PLANT AND EQUIPMENT

	Building *RMB'000*	Leasehold improvements, furniture fixtures & equipment *RMB'000*	Power generators and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2017	28,836	463	723,413	1,159	23,804	777,675
Additions	–	23	14,699	–	471	15,193
Transfer	–	–	24,275	–	(24,275)	–
At 31 December 2017 and 1 January 2018	28,836	486	762,387	1,159	–	792,868
Additions	–	15	–	–	–	15
Transfer	119	–	(119)	–	–	–
Disposals	–	–	(97)	–	–	(97)
At 31 December 2018 and 1 January 2019	28,955	501	762,171	1,159	–	792,786
Additions	–	228	294	–	–	522
At 31 December 2019 and 1 January 2020	28,955	729	762,465	1,159	–	793,308
Additions	–	–	27	–	–	27
Disposals	–	(1)	(390)	(451)	–	(842)
At 30 September 2020	28,955	728	762,102	708	–	792,493
Accumulated depreciation						
At 1 January 2017	3,205	372	119,649	1,043	–	124,269
Charge for the year	1,052	15	27,518	–	–	28,585
At 31 December 2017 and 1 January 2018	4,257	387	147,167	1,043	–	152,854
Charge for the year	1,059	18	28,584	–	–	29,661
At 31 December 2018 and 1 January 2019	5,316	405	175,751	1,043	–	182,515
Charge for the year	1,060	50	30,326	–	–	31,436
At 31 December 2019 and 1 January 2020	6,376	455	206,077	1,043	–	213,951
Charge for the period	2,479	19	19,977	–	–	22,475
Disposals	–	–	(284)	(406)	–	(690)
At 30 September 2020	8,855	474	225,770	637	–	235,736
Carrying values						
At 31 December 2017	24,579	99	615,220	116	–	640,014
At 31 December 2018	23,636	99	586,420	116	–	610,271
At 31 December 2019	22,579	274	556,388	116	–	579,357
At 30 September 2020	20,100	254	536,332	71	–	556,757

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Delingha Century Concord was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately RMB24,579,000, RMB23,520,000, RMB22,460,000 and RMB19,981,000, respectively. In the opinion of the sole director of Delingha Century Concord, the absence of the property ownership certificates to these property interests does not impair their carrying value to Delingha Century Concord as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

14. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	10,869
Depreciation charge	(266)
At 31 December 2019	10,603
Depreciation charge	(200)
At 30 September 2020	10,403

15. PREPAID LEASE PAYMENTS

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current assets	266	266
Non-current assets	10,869	10,603
	11,135	10,869

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies *(Note i)*				
– fellow subsidiaries	89,260	184,239	336	1,239
– immediate holding company	–	–	357	6,548
– intermediate holding companies	20,294	–	51,649	51,649
	109,554	184,239	52,342	59,436
Amounts due to related companies *(Note ii)*				
– immediate holding company	112,466	128,475	85,116	91,360
– intermediate holding companies	463	31,210	–	–
– fellow subsidiaries	1,000	42,194	13,661	26,416
	113,929	201,879	98,777	117,776

Note:

(i) Except for amounts of approximately nil, nil, RMB51,649,000 and RMB51,649,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand and interest bearing with interest rate of nil per annum, 1.26% per annum, 1.26% per annum and 1.26% per annum, respectively, the remaining amounts due from related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(ii) Except for amounts of approximately nil, RMB31,210,000, nil and nil at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand and interest bearing with interest rate of nil per annum, 1.26% per annum, nil per annum and nil per annum respectively, the remaining amounts due to related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	97,860	167,438	175,978	204,282
Refundable value-added tax	8,961	4,541	6,139	4,541
Other receivables	18,516	10,309	10,422	5,819
	125,337	182,288	192,539	214,642

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	121,635	178,586	188,826	210,929
Non-current	3,702	3,702	3,713	3,713
	125,337	182,288	192,539	214,642

For sales of electricity in the PRC, Delingha Century Concord generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Delingha Century Concord and the grid company.

At 31 December 2017, 2018 and 2019, and 30 September 2020, trade receivables include bills received amounting to RMB16,640,000, RMB1,880,000, RMB3,604,000 and RMB5,250,000, respectively held by Delingha Century Concord for future settlement of trade receivables. All bills received by Delingha Century Concord are with a maturity period of less than 1 year.

The following is an aging analysis of trade receivables (excluded bills held by Delingha Century Concord for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	78,520	165,558	172,374	196,015
0 – 90 days	2,700	–	–	3,017
	81,220	165,558	172,374	199,032

Note: At 31 December 2017, 2018, 2019 and 30 September 2020, the amount represents unbilled basic tariff receivables for the solar power plants operated by Delingha Century Concord and the unbilled tariff adjustment receivables for the solar power plants already registered in the Catalogue. The sole director of Delingha Century

Concord expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	29,342	17,095	25,785	38,256
91 – 180 days	25,650	23,923	19,400	13,310
181 – 365 days	23,528	49,280	47,721	41,317
Over 365 days	–	75,260	79,468	103,132
	78,520	165,558	172,374	196,015

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Delingha Century Concord does not hold any collaterals over these balances.

18. INVESTMENT IN A SUBSIDIARY

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	72,000	–	–	–

Details of Delingha Century Concord's subsidiary as at 31 December 2017 are set out in Note 27.

Consolidated financial statements have not been prepared in accordance with IAS 27 "Consolidated and Separate Financial Statements" issued by the IASB as the sole director are of the opinion that it would involve expenses and delay out of proportion to the value to the members of Delingha Century Concord.

The subsidiary was disposed of during the year ended 31 December 2018 at a consideration of RMB72,000,000.

19. BANK BALANCES

Bank balances carry interest at floating rates range from 0.30% to 0.35% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 23b.

20. BANK BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the bank borrowing are repayable:				
Within one year	38,000	52,000	64,000	52,500
More than one year, but not exceeding two years	52,000	64,000	67,000	67,000
More than two years, but not exceeding five years	198,000	293,000	235,000	142,500
More than five years	259,000	100,000	91,000	150,000
	547,000	509,000	457,000	412,000
Less: Accounts due within one year shown under current liabilities	38,000	52,000	64,000	52,500
Amounts due after one year	509,000	457,000	393,000	359,500

The variable-rate bank borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is ranging from 105% to 110% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

21. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	222,000	222,000	222,000	222,000

22. CAPITAL MANAGEMENT

Delingha Century Concord manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Delingha Century Concord's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Delingha Century Concord consists of net debt, which mainly includes amounts due to related companies, bank borrowing, net of cash and cash equivalents, and equity attributable to owner of Delingha Century Concord, comprising paid-up capital and reserves.

The sole director of Delingha Century Concord reviews the capital structure on a periodical basis. As part of this review, the sole director of Delingha Century Concord considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Delingha Century Concord, Delingha Century Concord will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

23. FINANCIAL INSTRUMENTS

23a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	257,379	–	–	–
Amortised cost	–	383,125	265,874	282,233
Financial liabilities				
Amortised cost	716,220	723,932	604,641	573,970

23b. Financial risk management objectives and policies

Delingha Century Concord's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Delingha Century Concord is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 16) and bank balances (see Note 19), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the borrowing of Delingha Century Concord is issued at variable rates which expose Delingha Century Concord to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Delingha Century Concord's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Delingha Century Concord's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB2,735,000, RMB2,545,000, RMB2,285,000 and RMB2,060,000, respectively. This is mainly attributable to Delingha Century Concord's exposure to interest rates on its variable-rate bank borrowings.

In the opinion of the sole director of Delingha Century Concord, the sensitivity analysis is not representative of Delingha Century Concord's exposure to interest rate risk for the Relevant Periods.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Delingha Century Concord reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Delingha Century Concord has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Delingha Century Concord's counterparties default on their contractual obligations resulting in financial losses to Delingha Century Concord. Delingha Century Concord credit risk exposures are primarily attributable to trade receivables, bank balances, amounts due from related companies and other receivables. Delingha Century Concord does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables

The credit risk on trade receivables is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Delingha Century Concord's trade receivables is contributed by a single customer located in the PRC.

Delingha Century Concord always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables are assessed to be low. Based on the loss rates, the ECL on trade receivables is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Delingha Century Concord assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

In the management of the liquidity risk, Delingha Century Concord monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Delingha Century Concord's operations and mitigate the effects of fluctuation in cash flows.

The following tables detail Delingha Century Concord's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Delingha Century Concord can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	55,291	–	–	–	–	55,291	55,291
Amounts due to related companies	–	113,929	–	–	–	–	113,929	113,929
Bank borrowing	5.26	7,121	58,954	77,821	256,014	294,615	694,525	547,000
Total		176,341	58,954	77,821	256,014	294,615	863,745	716,220

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	13,053	–	–	–	–	13,053	13,053
Amounts due to related companies	1.26	201,879	–	–	–	–	201,879	201,879
Bank borrowing	5.26	6,626	83,196	86,974	231,333	232,322	640,451	509,000
Total		221,558	83,196	86,974	231,333	232,322	855,383	723,932

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	48,864	–	–	–	–	48,864	48,864
Amounts due to related companies	1.26	98,777	–	–	–	–	98,777	98,777
Bank borrowing	5.26	6,013	80,960	86,324	208,896	168,436	550,629	457,000
Total		153,654	80,960	86,324	208,896	168,436	698,270	604,641

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2019								
Other payables	–	44,194	–	–	–	–	44,194	44,194
Amounts due to related companies	–	117,776	–	–	–	–	117,776	117,776
Bank borrowing	5.26	24,410	48,325	83,663	170,879	160,789	488,066	412,000
Total		186,380	48,325	83,663	170,879	160,789	650,036	573,970

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

23c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Delingha Century Concord considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Delingha Century Concord's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Delingha Century Concord's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	Bank borrowing	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	25,466	579,000	604,466
Financing cash flows	(4,003)	(66,302)	(70,305)
Finance costs	–	34,302	34,302
Dividend declared	92,466	–	92,466
At 31 December 2017 and 1 January 2018	113,929	547,000	660,929
Financing cash flows	51,713	(71,294)	(19,581)
Finance costs	228	33,294	33,522
Dividend declared	36,009	–	36,009
At 31 December 2018 and 1 January 2019	201,879	509,000	710,879
Financing cash flows	(149,533)	(78,225)	(227,758)
Finance costs	365	26,225	26,590
Dividend declared	46,066	–	46,066
At 31 December 2019 and 1 January 2020	98,777	457,000	555,777
Financing cash flows	18,999	(62,907)	(43,908)
Finance costs	–	17,907	17,907
At 30 September 2020	117,776	412,000	529,776

25. PLEDGE OF ASSETS

Delingha Century Concord's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	615,220	586,420	556,388	536,333
Trade receivables	80,374	165,558	172,374	196,015
	695,594	751,978	728,762	732,348

Delingha Century Concord secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Delingha Century Concord and (ii) trade receivables and fee collection rights in relation to the sales of electricity of Delingha Century Concord.

26. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Delingha Century Concord also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dividend income from a subsidiary	–	22,835	–	–	–
Interest expenses to a fellow subsidiary	–	228	365	365	–
Interest income from an intermediate holding company	319	52	230	64	93
Purchase of power generators and equipment from a fellow subsidiary	13,745	–	–	–	–
Consultancy fee expenses to immediate holding company	10	2,669	6,387	5,892	–

Details of the remuneration for the key management personnel, which represents the sole director of Delingha Century Concord, are set out in Note 10.

27. PARTICULARS OF THE SUBSIDIARY

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Interest held				Principal activities
			As at 31 December			At 30 September	
			2017	2018	2019	2020	
			%	%	%	%	
海南州世能光伏發電有限公司 Hainanzhou Shineng Photovoltaic Power Co., Ltd.	PRC	RMB60,000,000	100	0	0	0	Operation of solar power plant

The subsidiary had not issued any debt securities at the end of the reporting period or at any time during the Relevant Periods.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Delingha Century Concord has no significant event occurred.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Delingha Century Concord have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II C-1 to II C-45, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF DELINGHA ENERGY POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Delingha Energy Power Co., Ltd (德令哈陽光能源電力有限公司) ("**Delingha Energy Power**") set out on pages II C-5 to II C-45, which comprises the statements of financial position of Delingha Energy Power at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Delingha Energy Power for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II C-5 to II C-45 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Delingha Energy Power is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Delingha Energy Power determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Delingha Energy Power, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Delingha Energy Power's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Delingha Energy Power's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Delingha Energy Power which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Delingha Energy Power is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II C-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Delingha Energy Power in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF DELINGHA ENERGY POWER

The financial statements of Delingha Energy Power for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	11,033	12,103	11,408	8,692	8,757
Cost of sales		(3,777)	(3,642)	(3,909)	(2,665)	(2,573)
Gross profit		7,256	8,461	7,499	6,027	6,184
Other income	*7*	47	16	17	10	9
Administrative expenses		(858)	(695)	(109)	(69)	(64)
Finance costs	*8*	(2,546)	(3,046)	(3,297)	(2,480)	(2,372)
Profit before taxation		3,899	4,736	4,110	3,488	3,757
Income tax expenses	*9*	–	–	(305)	(258)	(293)
Profit and total comprehensive income for the year/period	*10*	3,899	4,736	3,805	3,230	3,464

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	At 30 September 2020 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	61,634	59,090	56,571	54,604
Right-of-use assets	15	–	–	2,681	2,659
Prepaid lease payments	16	2,630	2,681	–	–
Trade and other receivables	18	19,778	4,768	3,247	2,237
Contract assets	19	–	24,489	–	–
		84,042	91,028	62,499	59,500
CURRENT ASSETS					
Trade and other receivables	18	5,810	1,577	1,431	33,600
Contract assets	19	–	–	34,776	–
Prepaid lease payments	16	28	28	–	–
Amounts due from related companies	17	1,000	–	–	3,930
Bank balances	20	5,240	4,353	6,024	10,894
		12,078	5,958	42,231	48,424
CURRENT LIABILITIES					
Other payables		2,204	2,404	2,810	2,350
Amounts due to related companies	17	1,200	8,004	25,020	25,152
Tax payable		–	–	47	105
Bank borrowing	21	6,000	6,000	6,000	6,000
		9,404	16,408	33,877	33,607
NET CURRENT ASSETS (LIABILITIES)		2,674	(10,450)	8,354	14,817
TOTAL ASSETS LESS CURRENT LIABILITIES		86,716	80,578	70,853	74,317
NON-CURRENT LIABILITY					
Bank borrowing	21	64,000	58,000	52,000	52,000
NET ASSETS		22,716	22,578	18,853	22,317
CAPITAL AND RESERVES					
Paid-up capital	22	17,300	17,300	17,300	17,300
Reserves		5,416	5,278	1,553	5,017
TOTAL EQUITY		22,716	22,578	18,853	22,317

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Legal reserve *RMB'000* *(Note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	17,300	152	1,365	18,817
Profit and total comprehensive income for the year	–	–	3,899	3,899
Transfer to legal reserve	–	390	(390)	–
At 31 December 2017 and 1 January 2018	17,300	542	4,874	22,716
Profit and total comprehensive income for the year	–	–	4,736	4,736
Transfer to legal reserve	–	473	(473)	–
Dividend declared *(Note 12)*	–	–	(4,874)	(4,874)
At 31 December 2018 and 1 January 2019	17,300	1,015	4,263	22,578
Profit and total comprehensive income for the year	–	–	3,805	3,805
Transfer to legal reserve	–	381	(381)	–
Dividend declared *(Note 12)*	–	–	(7,530)	(7,530)
At 31 December 2019 and 1 January 2020	17,300	1,396	157	18,853
Profit and total comprehensive income for the period	–	–	3,464	3,464
At 30 September 2020	17,300	1,396	3,621	22,317
At 1 January 2019 (audited)	17,300	1,015	4,263	22,578
Profit and total comprehensive income for the period (unaudited)	–	–	3,230	3,230
Dividend declared *(Note 12)* (unaudited)	–	–	(4,263)	(4,263)
At 30 September 2019 (unaudited)	17,300	1,015	3,230	21,545

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Delingha Energy Power, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Profit before taxation	3,899	4,736	4,110	3,488	3,757
Adjustments for:					
Release of prepaid lease payments	28	28	–	–	–
Depreciation of property, plant and equipment	2,540	2,544	2,600	1,946	1,967
Depreciation of right-of-use assets	–	–	28	21	22
Finance costs	2,546	3,046	3,297	2,480	2,372
Interest income	(47)	(16)	(14)	(10)	(9)
Operating cash flows before movements in working capital	8,966	10,338	10,021	7,925	8,109
(Increase) decrease in trade and other receivables	(9,210)	(5,246)	1,667	660	(31,159)
(Increase) decrease in contract assets	–	–	(10,287)	(7,866)	34,776
(Decrease) increase in other payables	(5,781)	200	488	27	(460)
Cash (used in) generated from operations	(6,025)	5,292	1,889	746	11,266
Income tax paid	–	–	(258)	(189)	(235)
Net cash (used in) from operating activities	(6,025)	5,292	1,631	557	11,031

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Interest received	47	16	14	10	9
Payments for construction and purchase of property, plant and equipment	(903)	–	(163)	–	–
(Advance to) repayment from related companies	(1,000)	1,000	–	–	(3,930)
Addition of prepaid lease payment	(1,309)	(79)	–	–	–
Net cash (used in) from investing activities	(3,165)	937	(149)	10	(3,921)
Financing activities					
Interest paid	(2,546)	(3,046)	(3,297)	(2,480)	(2,372)
Proceeds from bank borrowings	70,000	–	–	–	–
Capital injection	17,300	–	–	–	–
Repayment of bank borrowings	–	(6,000)	(6,000)	(3,000)	–
(Repayment to) advanced from related companies	(73,906)	1,930	9,486	4,632	132
Net cash from (used in) financing activities	10,848	(7,116)	189	(848)	(2,240)
Net increase (decrease) in cash and cash equivalents	1,658	(887)	1,671	(281)	4,870
Cash and cash equivalents at beginning of year/period	3,582	5,240	4,353	4,353	6,024
Cash and cash equivalents at end of year/period	5,240	4,353	6,024	4,072	10,894

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Delingha Energy Power Co., Ltd ("**Delingha Energy Power**") was established in the People's Republic of China (the "**PRC**") on 1 September 2015. Its immediate holding company is Suzhou GCL New Energy Investment Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Delingha Energy Power is Delingha City, Economic Development Committee Center.

Delingha Energy Power is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Delingha Energy Power.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

The statutory audited financial statements of Delingha Energy Power for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Delingha Energy Power for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Delingha Energy Power and became effective during the Relevant Periods. In preparing the Historical Financial Information, Delingha Energy Power has applied all these new and revised IFRS Standards which are effective for Delingha Energy Power's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Delingha Energy Power adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Delingha Energy Power has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Delingha Energy Power has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Delingha Energy Power recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Delingha Energy Power's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31 December 2017** *RMB'000*	**Reclassification** *RMB'000*	**Carrying amounts under IFRS 15 at 1 January 2018** *RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	19,778	(13,305)	6,473
Contract assets	*(a)*	–	13,305	13,305

Note:

(a) At 1 January 2018, unbilled tariff adjustments receivables related to a solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Delingha Energy Power has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Delingha Energy Power has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Delingha Energy Power assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Delingha Energy Power applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Delingha Energy Power has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Delingha Energy Power has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Delingha Energy Power has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Delingha Energy Power applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Delingha Energy Power assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Delingha Energy Power has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Reclassified from prepaid lease payments *(Note)*	2,709

Note: Upfront payments for leasehold lands in the PRC in which Delingha Energy Power obtained relevant land use right certificate were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB28,000 and RMB2,681,000 respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Delingha Energy Power's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	2,681	(2,681)	–
Right-of-use assets	–	2,709	2,709
Current assets			
Prepaid lease payments	28	(28)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Delingha Energy Power anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Delingha Energy Power's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

(ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Delingha Energy Power's right to defer settlement for bank borrowing of RMB52,000,000 beyond 12 months from the end of the reporting period is subject to compliance with covenants at the end of the reporting period. Such bank borrowing was classified as non-current as Delingha Energy Power met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Delingha Energy Power will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Delingha Energy Power recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Delingha Energy Power's performance as Delingha Energy Power performs;
- Delingha Energy Power's performance creates or enhances an asset that the customer controls as Delingha Energy Power performs; or
- Delingha Energy Power's performance does not create an asset with an alternative use to Delingha Energy Power and Delingha Energy Power has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Delingha Energy Power's right to consideration in exchange for goods or services that Delingha Energy Power has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Delingha Energy Power's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Delingha Energy Power's obligation to transfer goods or services to a customer for which Delingha Energy Power has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Delingha Energy Power estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Delingha Energy Power updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Delingha Energy Power adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Delingha Energy Power with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Delingha Energy Power applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Delingha Energy Power and when specific criteria have been met for each of Delingha Energy Power's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Delingha Energy Power assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Delingha Energy Power as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Delingha Energy Power reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Delingha Energy Power; and
- an estimate of costs to be incurred by Delingha Energy Power in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Delingha Energy Power presents right-of-use assets as a separate line item on the statement of financial position.

Delingha Energy Power as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Delingha Energy Power's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Delingha Energy Power expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Delingha Energy Power's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Delingha Energy Power makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Delingha Energy Power in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Delingha Energy Power reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Delingha Energy Power estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Delingha Energy Power becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Delingha Energy Power's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Delingha Energy Power performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Delingha Energy Power's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Delingha Energy Power always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Delingha Energy Power measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Delingha Energy Power recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Delingha Energy Power compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Delingha Energy Power considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Delingha Energy Power presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Delingha Energy Power has reasonable and supportable information that demonstrate otherwise.

Delingha Energy Power regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Delingha Energy Power considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Delingha Energy Power, in full without taking into account any collaterals held by Delingha Energy Power.

Irrespective of the above, Delingha Energy Power considers that default has occurred when a financial asset is more than 90 days past due unless Delingha Energy Power has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Delingha Energy Power writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Delingha Energy Power's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Delingha Energy Power in accordance with the contract and the cash flows that Delingha Energy Power expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Delingha Energy Power recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Delingha Energy Power derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Delingha Energy Power are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and bank borrowing are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Delingha Energy Power derecognises financial liabilities when, and only when, Delingha Energy Power's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Delingha Energy Power's accounting policies, which are described in Note 4, the sole director of Delingha Energy Power is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Delingha Energy Power has made in the process of applying Delingha Energy Power's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Delingha Energy Power's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Delingha Energy Power.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Delingha Energy Power operates one solar power plant in the PRC and was admitted to the List in July 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB8,826,000 was included in the sales of electricity as disclosed in Note 6, of which solar power plant of Delingha Energy Power was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Delingha Energy Power had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. In making his judgement, the sole director of Delingha Energy Power, taking into account the legal opinion of the Company's legal advisor, considered that Delingha Energy Power's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Delingha Energy Power is confident that Delingha Energy Power's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, which is upon the application of IFRS 15, tariff adjustments of RMB9,611,000, RMB9,043,000 and RMB6,890,000 (unaudited), respectively, were included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Delingha Energy Power was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Delingha Energy Power which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Delingha Energy Power had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Delingha Energy Power had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivery on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019, Delingha Energy Power recognised revenue of RMB8,826,000, RMB9,611,000, RMB9,043,000 and RMB6,890,000 (unaudited), respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Delingha Energy Power generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB8,826,000, RMB9,611,000, RMB9,043,000, RMB6,890,000 (unaudited) and RMB7,065,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Delingha Energy Power generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Delingha Energy Power and the local grid company. Delingha Energy Power will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Delingha Energy Power operates one solar power plant and was admitted to the List in July 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Delingha Energy Power operates one solar power plant and it was admitted to the List in July 2020, accordingly, the management assessed that Delingha Energy Power's operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset has been transferred to trade receivables upon the solar power plant being enlisted on the List in July 2020. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Delingha Energy Power regularly reviews the results of the solar power plant operated by Delingha Energy Power when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Delingha Energy Power is solely located in the PRC. All revenue of Delingha Energy Power are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	47	16	14	10	9
Others	–	–	3	–	–
Total other income	47	16	17	10	9

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Bank borrowing	2,546	3,046	3,242	2,450	2,274
Amount due to intermediate holding company	–	–	55	30	98
Total finance costs	2,546	3,046	3,297	2,480	2,372

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	–	305	258	293

The basic tax rate of Delingha Energy Power is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Delingha Energy Power engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2016 to 2018 followed by 3-year 50% exemption from 2019 to 2021. Besides, Delingha Energy Power is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	3,899	4,736	4,110	3,488	3,757
Tax at domestic income tax rate of 25%	975	1,184	1,028	872	939
Effect of tax exemptions and concessions granted	(975)	(1,184)	(719)	(610)	(657)
Others	–	–	(4)	(4)	11
Income tax expenses for the year/period	–	–	305	258	293

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Release of prepaid lease payments	28	28	–	–	–
Depreciation of:					
– Property, plant and equipment	2,540	2,544	2,600	1,946	1,967
– Right-of-use assets	–	–	28	21	22
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	496	447	573	404	408
– Retirement benefit scheme contributions	50	75	68	43	9

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director emoluments

The emoluments of the sole director of Delingha Energy Power during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Notes:

(i) Shi Wenzhong resigned as the director of Delingha Energy Power with effect from 25 July 2019.

(ii) Li Yong has been appointed as the director of Delingha Energy Power with effect from 25 July 2019.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Delingha Energy Power during the Relevant Periods were borne by a related company for his service as the sole director of Delingha Energy Power.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Delingha Energy Power waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Delingha Energy Power during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	305	402	345	270	342
Performance-related bonus	19	29	47	47	20
Retirement benefits scheme contribution	16	29	25	20	20
	340	460	417	337	382

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately nil, RMB4,874,000, RMB7,530,000, RMB4,263,000 (unaudited) and nil were proposed and paid to ordinary shareholder of Delingha Energy Power during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2017	940	–	63,113	64,053
Additions	–	23	880	903
At 31 December 2017 and 1 January 2018	940	23	63,993	64,956
Transfer	2,661	–	(2,661)	–
At 31 December 2018 and 1 January 2019	3,601	23	61,332	64,956
Additions	–	163	–	163
Disposals	(82)	–	–	(82)
At 31 December 2019 and 1 January 2020	3,519	186	61,332	65,037
At 30 September 2020	3,519	186	61,332	65,037
Accumulated depreciation				
At 1 January 2017	14	–	768	782
Charge for the year	42	3	2,495	2,540
At 31 December 2017 and 1 January 2018	56	3	3,263	3,322
Charge for the year	165	4	2,375	2,544
At 31 December 2018 and 1 January 2019	221	7	5,638	5,866
Charge for the year	271	10	2,319	2,600
At 31 December 2019 and 1 January 2020	492	17	7,957	8,466
Charge for the period	121	25	1,821	1,967
At 30 September 2020	613	42	9,778	10,433
Carrying values				
At 31 December 2017	884	20	60,730	61,634
At 31 December 2018	3,380	16	55,694	59,090
At 31 December 2019	3,027	169	53,375	56,571
At 30 September 2020	2,906	144	51,554	54,604

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Delingha Energy Power was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately RMB884,000, RMB3,380,000, RMB3,027,000 and RMB2,906,000, respectively. In the opinion of the sole director of Delingha Energy Power, the absence of the property ownership certificates to these property interests does not impair their carrying value to Delingha Energy Power as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	2,709
Depreciation charge	(28)
At 31 December 2019	2,681
Depreciation charge	(22)
At 30 September 2020	2,659

16. PREPAID LEASE PAYMENTS

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current assets	28	28
Non-current assets	2,630	2,681
	2,658	2,709

17. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	1,000	–	–	3,930
	1,000	–	–	3,930
Amounts due to related companies				
– immediate holding company	–	4,875	17,234	17,234
– intermediate holding companies	–	841	7,786	7,884
– fellow subsidiaries	1,200	2,288	–	34
	1,200	8,004	25,020	25,152

Except for amounts due to related companies of approximately nil, RMB841,000, RMB7,786,000 and RMB7,884,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at nil per annum, at 1.26% per annum, 1.26% per annum, and 1.26% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

18. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	13,661	365	315	32,077
Refundable value-added tax	6,473	4,768	3,247	2,237
Other receivables	5,454	1,212	1,116	1,523
	25,588	6,345	4,678	35,837

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	5,810	1,577	1,431	33,600
Non-current				
– Trade receivables	13,305	–	–	–
– Refundable value-added tax *(Note)*	6,473	4,768	3,247	2,237
	19,778	4,768	3,247	2,237
	25,588	6,345	4,678	35,837

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Delingha Energy Power.

At 1 January 2018, trade receivables from contract with customers amounted to approximately RMB356,000.

For sales of electricity in the PRC, Delingha Energy Power generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Delingha Energy Power and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Delingha Energy Power for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	13,661	365	315	29,952
0 – 90 days	–	–	–	2,125
	13,661	365	315	32,077

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for solar power plant operated by Delingha Energy Power, as well as the unbilled tariff adjustments for the solar power plant which is not yet registered in the Catalogue. At 31 December 2018 and 2019, the amount represents unbilled basic tariff receivables for solar power plant operated by Delingha Energy Power. At 30 September 2020, the amount represents unbilled basic tariff receivables for solar power plant operated by Delingha Energy Power and the unbilled tariff adjustments for the solar power plant which is enlisted in the List. The sole director of Delingha Energy Power expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

		At 31 December		**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	3,297	365	315	3,228
91 – 180 days	3,408	–	–	3,209
181 – 365 days	4,122	–	–	4,412
Over 365 days	2,834	–	–	19,103
	13,661	365	315	29,952

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Delingha Energy Power does not hold any collaterals over these balances.

19. CONTRACT ASSETS

	At 31 December		**At 30 September**
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	24,489	–	–
– Current	–	34,776	–
	24,489	34,776	–

At 1 January 2018, contract assets amounted to approximately RMB13,305,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the on-grid solar power plant is still pending for registration to the Catalogue at 31 December 2018 and 2019, and tariff adjustment is recognised as revenue upon electricity is generated and transmitted as disclosed in Note 6.

Pursuant to the 2020 Measures, for an on-grid solar power plant yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plant that is enlisted in the List. The contract assets are transferred to trade receivables when Delingha Energy Power's on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Since the solar power plant operated by Delingha Energy Power is admitted to the List in July 2020, which represented Delingha Energy Power's right to consideration in exchange for services in connection with sales of electricity to its customer became unconditional, accordingly, the contract assets are reclassified as unbilled trade receivables in July 2020 since its solar power plant was admitted to the List and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 24b.

20. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

21. BANK BORROWING

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the bank borrowing are repayable:				
Within one year	6,000	6,000	6,000	6,000
More than one year, but not exceeding two years	6,000	6,000	6,000	6,000
More than two years, but not exceeding five years	18,000	18,000	18,000	18,000
More than five years	40,000	34,000	28,000	28,000
	70,000	64,000	58,000	58,000
Less: Accounts due within one year shown under current liabilities	6,000	6,000	6,000	6,000
Amounts due after one year	64,000	58,000	52,000	52,000

The variable-rate bank borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 105% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	17,300	17,300	17,300	17,300

23. CAPITAL MANAGEMENT

Delingha Energy Power manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Delingha Energy Power's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Delingha Energy Power consists of net debt, which mainly includes amounts due to related companies, bank borrowing, net of cash and cash equivalents, and equity attributable to owner of Delingha Energy Power, comprising paid-up capital and reserves.

The sole director of Delingha Energy Power reviews the capital structure on a periodical basis. As part of this review, the sole director of Delingha Energy Power considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Delingha Energy Power, Delingha Energy Power will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	31,828	–	–	–
Amortised cost	–	10,698	10,702	50,661
Financial liabilities				
Amortised cost	73,404	74,408	85,830	85,502

24b. Financial risk management objectives and policies

Delingha Energy Power's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Delingha Energy Power is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 17) and bank balances (see Note 20), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the borrowing of Delingha Energy Power is issued at variable rates which expose Delingha Energy Power to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Delingha Energy Power's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Delingha Energy Power's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB350,000, RMB320,000, RMB290,000 and RMB290,000, respectively. This is mainly attributable to Delingha Energy Power's exposure to interest rates on its variable-rate bank borrowings.

In the opinion of the sole director of Delingha Energy Power, the sensitivity analysis is not representative of Delingha Energy Power's exposure to interest rate risk for the Relevant Periods.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Delingha Energy Power reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Delingha Energy Power has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Delingha Energy Power's counterparties default on their contractual obligations resulting in financial losses to Delingha Energy Power. Delingha Energy Power's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Delingha Energy Power does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Delingha Energy Power's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, Delingha Energy Power's operating power plant is enlisted in the List in due course and the management are confident that the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Delingha Energy Power always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Delingha Energy Power assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

In the management of the liquidity risk, Delingha Energy Power monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Delingha Energy Power's operations and mitigate the effects of fluctuation in cash flows.

The following tables detail Delingha Energy Power's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Delingha Energy Power can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	2,204	–	–	–	–	2,204	2,204
Amounts due to related companies	–	1,200	–	–	–	–	1,200	1,200
Bank borrowing	5.83	900	8,641	9,233	26,972	50,128	95,874	70,000
Total		4,304	8,641	9,233	26,972	50,128	99,278	73,404

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	2,404	–	–	–	–	2,404	2,404
Amounts due to related companies	1.26	8,004	–	–	–	–	8,004	8,004
Bank borrowing	5.83	823	8,410	9,033	26,659	41,407	86,332	64,000
Total		11,231	8,410	9,033	26,659	41,407	96,740	74,408

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	2,810	–	–	–	–	2,810	2,810
Amounts due to related companies	1.26	25,020	–	–	–	–	25,020	25,020
Bank borrowing	5.83	754	8,279	9,001	25,966	33,099	77,099	58,000
Total		28,584	8,279	9,001	25,966	33,099	104,929	85,830

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	2,350	–	–	–	–	2,350	2,350
Amounts due to related companies	1.26	25,152	–	–	–	–	25,152	25,152
Bank borrowing	5.83	3,754	9,001	8,938	24,905	25,222	71,820	58,000
Total		31,256	9,001	8,938	24,905	25,222	99,322	85,502

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Delingha Energy Power considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Delingha Energy Power's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Delingha Energy Power's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	**Bank borrowing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	75,106	–	75,106
Financing cash flows	(73,906)	67,454	(6,452)
Finance costs	–	2,546	2,546
At 31 December 2017 and 1 January 2018	1,200	70,000	71,200
Financing cash flows	1,930	(9,046)	(7,116)
Finance costs	–	3,046	3,046
Dividend declared	4,874	–	4,874
At 31 December 2018 and 1 January 2019	8,004	64,000	72,004
Financing cash flows	9,431	(9,242)	189
Finance costs	55	3,242	3,297
Dividend declared	7,530	–	7,530
At 31 December 2019 and 1 January 2020	25,020	58,000	83,020
Financing cash flows	34	(2,274)	(2,240)
Finance costs	98	2,274	2,372
At 30 September 2020	25,152	58,000	83,152

26. PLEDGE OF ASSETS

Delingha Energy Power's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

		At 31 December		**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	61,873	55,694	53,375	51,554
Trade receivables and contract assets	13,661	24,854	35,091	32,077
	75,534	80,548	88,466	83,631

Delingha Energy Power's secured bank borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Delingha Energy Power and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity of Delingha Energy Power.

27. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Delingha Energy Power also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses to an intermediate holding company	–	–	55	30	98
Consultancy fee expenses to a fellow subsidiary	–	6	3	3	–

Details of the remuneration for the key management personnel, which represents the sole director of Delingha Energy Power, are set out in Note 11.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Delingha Energy Power has no significant event occurred.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Delingha Energy Power have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II D-1 to II D-47, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF DELINGHA SHIDAI NEW ENERGY POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Delingha Shidai New Energy Power Co., Ltd. (德令哈時代新能源發電有限公司) ("**Delingha Shidai**") set out on pages II D-5 to II D-47, which comprises the statements of financial position of Delingha Shidai at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Delingha Shidai for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II D-5 to II D-47 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Delingha Shidai is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Delingha Shidai determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Delingha Shidai, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Delingha Shidai's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Delingha Shidai's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Delingha Shidai which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Delingha Shidai is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II D-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Delingha Shidai in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF DELINGHA SHIDAI

The financial statements of Delingha Shidai for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			**Nine months ended 30 September**	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	24,537	25,787	24,188	18,980	19,960
Cost of sales		(7,425)	(7,260)	(6,146)	(4,585)	(4,548)
Gross profit		17,112	18,527	18,042	14,395	15,412
Other income	*7*	143	2	1	1	201
Administrative expenses		(597)	(377)	(310)	(218)	(243)
Finance costs	*8*	(4,917)	(7,256)	(7,457)	(5,528)	(5,714)
Profit before taxation		11,741	10,896	10,276	8,650	9,656
Income tax expenses	*9*	–	–	(690)	(590)	(774)
Profit and total comprehensive income for the year/period	*10*	11,741	10,896	9,586	8,060	8,882

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	At 30 September 2020 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	125,983	120,795	116,281	112,426
Right-of-use assets	15	–	–	4,715	4,640
Prepaid lease payments	16	3,760	4,715	–	–
Trade and other receivables	18	49,074	13,787	8,438	5,798
Contract assets	19	–	55,419	–	–
		178,817	194,716	129,434	122,864
CURRENT ASSETS					
Trade and other receivables	18	3,447	4,904	3,606	6,157
Contract assets	19	–	–	77,235	94,620
Prepaid lease payments	16	109	101	–	–
Amounts due from related companies	17	13,745	7,039	–	–
Bank balances	20	264	638	318	40
		17,565	12,682	81,159	100,817
CURRENT LIABILITIES					
Other payables		2,926	6,982	4,567	12,738
Amounts due to related companies	17	11,621	19,237	33,157	35,359
Tax payable		–	–	101	284
Bank borrowing	21	–	–	54,000	47,650
		14,547	26,219	91,825	96,031
NET CURRENT ASSETS (LIABILITIES)		3,018	(13,537)	(10,666)	4,786
TOTAL ASSETS LESS CURRENT LIABILITIES		181,835	181,179	118,768	127,650
NON-CURRENT LIABILITY					
Bank borrowing	21	130,000	130,000	76,000	76,000
NET ASSETS		51,835	51,179	42,768	51,650
CAPITAL AND RESERVES					
Paid-up capital	22	39,000	39,000	39,000	39,000
Reserves		12,835	12,179	3,768	12,650
TOTAL EQUITY		51,835	51,179	42,768	51,650

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	**Legal reserve** *RMB'000* *(Note)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	39,000	110	984	40,094
Profit and total comprehensive income for the year	–	–	11,741	11,741
Transfer to legal reserve	–	1,174	(1,174)	–
At 31 December 2017 and 1 January 2018	39,000	1,284	11,551	51,835
Profit and total comprehensive income for the year	–	–	10,896	10,896
Transfer to legal reserve	–	1,089	(1,089)	–
Dividend declared *(Note 12)*	–	–	(11,552)	(11,552)
At 31 December 2018 and 1 January 2019	39,000	2,373	9,806	51,179
Profit and total comprehensive income for the year	–	–	9,586	9,586
Transfer to legal reserve	–	959	(959)	–
Dividend declared *(Note 12)*	–	–	(17,997)	(17,997)
At 31 December 2019 and 1 January 2020	39,000	3,332	436	42,768
Profit and total comprehensive income for the period	–	–	8,882	8,882
At 30 September 2020	39,000	3,332	9,318	51,650
At 1 January 2019 (audited)	39,000	2,373	9,806	51,179
Profit and total comprehensive income for the period (unaudited)	–	–	8,060	8,060
Dividend declared *(Note 12)* (unaudited)	–	–	(9,806)	(9,806)
At 30 September 2019 (unaudited)	39,000	2,373	8,060	49,433

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Delingha Shidai, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Profit before taxation	11,741	10,896	10,276	8,650	9,656
Adjustments for:					
Release of prepaid lease payments	109	101	–	–	–
Depreciation of property, plant and equipment	5,703	5,232	5,073	3,800	3,855
Depreciation of right-of-use assets	–	–	101	75	75
Finance costs	4,917	7,256	7,457	5,228	5,714
Interest income	(6)	(2)	(1)	(1)	(1)
Operating cash flows before movements in working capital	22,464	23,483	22,906	17,752	19,299
(Increase) decrease in trade and other receivables	(21,357)	2,342	6,647	(3,582)	89
Increase in contract assets	–	(23,931)	(21,816)	(17,132)	(17,385)
(Decrease) increase in other payables	(4,182)	4,056	(2,365)	(14,518)	8,171
Cash (used in) generated from operations	(3,075)	5,950	5,372	(17,480)	10,174
Income tax paid	–	–	(589)	(409)	(591)
Net cash (used in) from operating activities	(3,075)	5,950	4,783	(17,889)	9,583

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Interest received	6	2	1	1	1
Payments for construction and purchase of property, plant and equipment	(50)	(44)	(609)	(396)	–
Addition of prepaid lease payment	(2,067)	(1,048)	–	–	–
Repayment from related companies	16,255	6,706	7,039	7,039	–
Net cash from investing activities	14,144	5,616	6,431	6,644	1
Financing activities					
Interest paid	(4,917)	(7,256)	(7,457)	(5,228)	(5,714)
Proceeds from bank borrowing	130,000	–	–	–	–
Repayment of bank borrowing	–	–	–	–	(6,350)
(Repayment to) advanced from related companies	(137,233)	(3,936)	(4,077)	15,943	2,202
Net cash (used in) from financing activities	(12,150)	(11,192)	(11,534)	10,715	(9,862)
Net (decrease) increase in cash and cash equivalents	(1,081)	374	(320)	(530)	(278)
Cash and cash equivalents at beginning of year/period	1,345	264	638	638	318
Cash and cash equivalents at end of year/period	264	638	318	108	40

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Delingha Shidai New Energy Power Co., Ltd. ("**Delingha Shidai** ") was established in the People's Republic of China (the "**PRC**") on 15 September 2015 . Its immediate holding company is Suzhou GCL New Energy Investment Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Delingha Shidai is Delingha City, Economic Development Committee Center.

Delingha Shidai is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Delingha Shidai.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

The statutory audited financial statements of Delingha Shidai for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Delingha Shidai for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Delingha Shidai and became effective during the Relevant Periods. In preparing the Historical Financial Information, Delingha Shidai has applied all these new and revised IFRS Standards which are effective for Delingha Shidai's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Delingha Shidai adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Delingha Shidai has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Delingha Shidai has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Delingha Shidai recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Delingha Shidai's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	49,074	(31,488)	17,586
Contract assets	*(a)*	–	31,488	31,488

Note:

(a) At 1 January 2018, unbilled tariff adjustments receivables related to a solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Delingha Shidai has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Delingha Shidai has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Delingha Shidai assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Delingha Shidai applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Delingha Shidai has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Delingha Shidai has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Delingha Shidai has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Delingha Shidai applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Delingha Shidai assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Delingha Shidai has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Reclassified from prepaid lease payments *(Note)*	4,816

Note: Upfront payments for leasehold lands in the PRC in which Delingha Shidai obtained relevant land use right certificate were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB101,000 and RMB4,715,000, respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Delingha Shidai's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	4,715	(4,715)	–
Right-of-use assets	–	4,816	4,816
Current assets			
Prepaid lease payments	101	(101)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Delingha Shidai anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Delingha Shidai's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Delingha Shidai's right to defer settlement for bank borrowing of RMB76,000,000 beyond 12 months from the end of the reporting period is subject to compliance with covenants at the end of the reporting period Such bank borrowing was classified as non-current as Delingha Shidai met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Delingha Shidai will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Delingha Shidai recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Delingha Shidai's performance as Delingha Shidai performs;

- Delingha Shidai's performance creates or enhances an asset that the customer controls as Delingha Shidai performs; or

- Delingha Shidai's performance does not create an asset with an alternative use to Delingha Shidai and Delingha Shidai has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Delingha Shidai's right to consideration in exchange for goods or services that Delingha Shidai has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Delingha Shidai's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Delingha Shidai's obligation to transfer goods or services to a customer for which Delingha Shidai has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Delingha Shidai estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Delingha Shidai updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Delingha Shidai adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Delingha Shidai with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Delingha Shidai applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Delingha Shidai and when specific criteria have been met for each of Delingha Shidai's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Delingha Shidai assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Delingha Shidai as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Delingha Shidai reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Delingha Shidai applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by Delingha Shidai; and
- an estimate of costs to be incurred by Delingha Shidai in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Delingha Shidai presents right-of-use assets as a separate line item on the statement of financial position.

Delingha Shidai as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Delingha Shidai's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Delingha Shidai expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Delingha Shidai's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Delingha Shidai makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Delingha Shidai in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Delingha Shidai reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Delingha Shidai estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Delingha Shidai becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Delingha Shidai's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Delingha Shidai performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on

Delingha Shidai's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Delingha Shidai always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Delingha Shidai measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Delingha Shidai recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Delingha Shidai compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Delingha Shidai considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Delingha Shidai presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Delingha Shidai has reasonable and supportable information that demonstrate otherwise.

Delingha Shidai regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Delingha Shidai considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Delingha Shidai, in full without taking into account any collaterals held by Delingha Shidai.

Irrespective of the above, Delingha Shidai considers that default has occurred when a financial asset is more than 90 days past due unless Delingha Shidai has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Delingha Shidai writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Delingha Shidai's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Delingha Shidai in accordance with the contract and the cash flows that Delingha Shidai expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Delingha Shidai recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Delingha Shidai derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Delingha Shidai are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and bank borrowing are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Delingha Shidai derecognises financial liabilities when, and only when, Delingha Shidai's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Delingha Shidai's accounting policies, which are described in Note 4, the sole director of Delingha Shidai is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Delingha Shidai has made in the process of applying Delingha Shidai's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Delingha Shidai's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Delingha Shidai.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Delingha Shidai operates one solar power plant in the PRC which was yet admitted to the Catalogue/List during the Relevant Periods.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB19,742,000 was included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Delingha Shidai was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Delingha Shidai had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. In making his judgement, the sole director of Delingha Shidai, taking into account the legal opinion of the Company's legal advisor, considered that Delingha Shidai's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Delingha Shidai is confident that Delingha Shidai's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, which is upon the application of IFRS 15, tariff adjustments of RMB20,573,000, RMB19,198,000, RMB15,054,000 (unaudited) and RMB16,121,000, respectively, were included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Delingha Shidai was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Delingha Shidai which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Delingha Shidai had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Delingha Shidai had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivery on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures. Hence, the solar power plant of Delingha Shidai is able to be enlisted on the List subsequent to the nine months ended 30 September 2020 and the accrued revenue on tariff are fully recoverable.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019 and 2020, Delingha Shidai recognised revenue of RMB19,742,000, RMB20,573,000, RMB19,198,000, RMB15,054,000 (unaudited) and RMB16,121,000, respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Delingha Shidai generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB19,742,000, RMB20,573,000, RMB19,198,000, RMB15,054,000 (unaudited) and RMB16,121,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Delingha Shidai generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Delingha Shidai and the local grid company. Delingha Shidai will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Delingha Shidai operates one solar power plant which was yet admitted to the Catalogue/List during the Relevant Periods.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivery on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to 1 January 2020); or the List (for the period after 1 January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the applications of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal will not occur and are included in contract assets. Management assessed that the operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset will be transferred to trade receivables when the solar power plant is enlisted in the List since the release of the 2020 Measures. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Delingha Shidai regularly reviews the results of the solar power plant operated by Delingha Shidai when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Delingha Shidai is solely located in the PRC. All revenue of Delingha Shidai are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income of financial assets at amortised cost:					
– Bank interest income	6	2	1	1	1
– Interest income on amount due from an intermediate holding company	137	–	–	–	–
Others	–	–	–	–	200
Total other income	143	2	1	1	201

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on financial liabilities at amortised cost:					
Bank borrowing	4,917	7,236	7,290	5,438	5,355
Amount due to intermediate holding company	–	20	167	90	359
Total finance costs	4,917	7,256	7,457	5,528	5,714

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("**EIT**")	–	–	690	590	774

The basic tax rate of Delingha Shidai is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Delingha Shidai engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2016 to 2018 followed by 3-year 50% exemption from 2019 to 2021. Besides, Delingha Shidai is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	11,741	10,896	10,276	8,650	9,656
Tax at domestic income tax rate of 25%	2,935	2,724	2,569	2,163	2,414
Effect of tax exemptions and concessions granted	(2,935)	(2,724)	(1,798)	(1,514)	(1,690)
Others	–	–	(81)	(59)	50
Income tax expenses for the year/period	–	–	690	590	774

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Release of prepaid lease payment	109	101	–	–	–
Depreciation of:					
– Property, plant and equipment	5,703	5,232	5,073	3,800	3,855
– Right-of-use assets	–	–	101	75	75
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	718	574	543	373	461
– Retirement benefit scheme contributions	62	82	71	43	10

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director emoluments

The emoluments of the sole director of Delingha Shidai during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Notes:

(i) Shi Wenzhong resigned as the director of Delingha Shidai with effect from 25 July 2019.

(ii) Li Yong has been appointed as the director of Delingha Shidai with effect from 25 July 2019.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Delingha Shidai during the Relevant Periods were borne by a related company for his service as the sole director of Delingha Shidai.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Delingha Shidai waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Delingha Shidai during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	444	427	422	294	387
Performance-related bonus	60	90	45	45	15
Retirement benefits scheme contribution	22	31	32	22	25
	526	548	499	361	427

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately nil, RMB11,552,000, RMB17,997,000, RMB9,806,000 (unaudited) and nil were proposed and paid to ordinary shareholder of Delingha Shidai during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	–	5	147,690	100	–	147,795
Additions	–	34	–	16	–	50
Disposals	–	–	(14,530)	–	–	(14,530)
At 31 December 2017 and 1 January 2018	–	39	133,160	116	–	133,315
Additions	–	–	–	–	44	44
Transfer	6,877	–	(6,877)	–	–	–
At 31 December 2018 and 1 January 2019	6,877	39	126,283	116	44	133,359
Additions	–	163	446	–	–	609
Disposals	(50)	–	–	–	–	(50)
Transfer	5	(5)	–	–	–	–
At 31 December 2019 and 1 January 2020	6,832	197	126,729	116	44	133,918
At 30 September 2020	6,832	197	126,729	116	44	133,918
Accumulated depreciation						
At 1 January 2017	–	1	2,413	–	–	2,414
Charge for the year	–	5	5,678	20	–	5,703
Disposals	–	–	(785)	–	–	(785)
At 31 December 2017 and 1 January 2018	–	6	7,306	20	–	7,332
Charge for the year	304	6	4,901	21	–	5,232
At 31 December 2018 and 1 January 2019	304	12	12,207	41	–	12,564
Charge for the year	311	11	4,730	21	–	5,073
Transfer	390	(1)	(388)	(1)	–	–
At 31 December 2019 and 1 January 2020	1,005	22	16,549	61	–	17,637
Charge for the period	233	26	3,580	16	–	3,855
At 30 September 2020	1,238	48	20,129	77	–	21,492
Carrying values						
At 31 December 2017	–	33	125,854	96	–	125,983
At 31 December 2018	6,573	27	114,076	75	44	120,795
At 31 December 2019	5,827	175	110,180	55	44	116,281
At 30 September 2020	5,594	149	106,600	39	44	112,426

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Delingha Shidai was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately nil, RMB6,573,000, RMB5,827,000 and RMB5,594,000, respectively. In the opinion of the sole director of Delingha Shidai, the absence of the property ownership certificates to these property interests does not impair their carrying value to Delingha Shidai as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	4,816
Depreciation charge	(101)
At 31 December 2019	4,715
Depreciation charge	(75)
At 30 September 2020	4,640

16. PREPAID LEASE PAYMENTS

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current assets	109	101
Non-current assets	3,760	4,715
	3,869	4,816

17. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– intermediate holding companies	13,745	7,039	–	–
	13,745	7,039	–	–
Amounts due to related companies				
– immediate holding company	2,604	11,551	8,828	10,665
– intermediate holding companies	902	4,456	24,299	24,637
– fellow subsidiaries	8,115	3,230	30	57
	11,621	19,237	33,157	35,359

Except for amounts due to related companies of approximately RMB1,016,000, RMB4,916,000, RMB24,299,000 and RMB24,637,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at nil per annum, at 1.26% per annum, 1.26% per annum, and 1.26% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

18. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	34,602	681	514	3,921
Refundable value-added tax	16,796	13,082	7,818	5,243
Other receivables	1,123	4,928	3,712	2,791
	52,521	18,691	12,044	11,955

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	3,447	4,904	3,606	6,157
Non-current				
– Trade receivables	31,488	–	–	–
– Other receivables	790	705	620	555
– Refundable value-added tax *(Note)*	16,796	13,082	7,818	5,243
	49,074	13,787	8,438	5,798
	52,521	18,691	12,044	11,955

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Delingha Shidai.

At 1 January 2018, trade receivables from contract with customers amounted to approximately RMB3,114,000.

For sales of electricity in the PRC, Delingha Shidai generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Delingha Shidai and the grid company.

At 31 December 2017, 2018 and 2019, and 30 September 2020, trade receivables include bills received amounting to RMB1,850,000, RMB2,100,000, RMB764,000 and RMB1,723,000, respectively held by Delingha Shidai for future settlement of trade receivables. All bills received by Delingha Shidai are with a maturity period of less than 1 year.

The following is an aging analysis of trade receivables (excluded bills held by Delingha Shidai for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	32,052	681	514	919
0 – 90 days	700	–	–	1,280
	32,752	681	514	2,199

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plant operated by Delingha Shidai, as well as the unbilled tariff adjustments which for the solar power plant which was not yet registered in the Catalogue at 31 December 2017. At 31 December 2018, 2019 and 30 September 2020, the amount represented unbilled basic tariff receivables for the solar power plant operated by Delingha Shidai only. The sole director of Delingha Shidai expects the unbilled tariff adjustments would be generally billed and settled within 1 year from 31 December 2017. The sole director of Delingha Shidai expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	5,966	681	514	919
91 – 180 days	10,505	–	–	–
181 – 365 days	9,163	–	–	–
Over 365 days	6,418	–	–	–
	32,052	681	514	919

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Delingha Shidai does not hold any collaterals over these balances.

19. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	55,419	–	–
– Current	–	77,235	94,620
	55,419	77,235	94,620

At 1 January 2018, contract assets amounted to approximately RMB31,488,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the on-grid solar power plant is still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated and transmitted as disclosed in Note 6.

Pursuant to the 2020 Measures, for an on-grid solar power plant yet to be registered on the Catalogue, it is required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plant that is enlisted in the List. The contract assets are transferred to trade receivables when Delingha Shidai's on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Details of impairment assessment are set out in Note 24b.

20. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

21. BANK BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the bank borrowing are repayable:				
Within one year	–	–	54,000	47,650
More than one year, but not exceeding two years	–	54,000	11,000	22,000
More than two years, but not exceeding five years	76,000	33,000	33,000	22,000
More than five years	54,000	43,000	32,000	32,000
	130,000	130,000	130,000	123,650
Less: Accounts due within one year shown under current liabilities	–	–	54,000	47,650
Amounts due after one year	130,000	130,000	76,000	76,000

The variable-rate bank borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 112% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	39,000	39,000	39,000	39,000

23. CAPITAL MANAGEMENT

Delingha Shidai manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Delingha Shidai's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Delingha Shidai consists of net debt, which mainly includes amounts due to related companies, bank borrowing, net of cash and cash equivalents, and equity attributable to owner of Delingha Shidai, comprising paid-up capital and reserves.

The sole director of Delingha Shidai reviews the capital structure on a periodical basis. As part of this review, the sole director of Delingha Shidai considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Delingha Shidai, Delingha Shidai will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	66,530	–	–	–
Amortised cost	–	26,368	12,362	11,995
Financial liabilities				
Amortised cost	144,547	156,219	167,724	171,747

24b. Financial risk management objectives and policies

Delingha Shidai's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Delingha Shidai is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 17) and bank balances (see Note 20), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the borrowing of Delingha Shidai is issued at variable rates which expose Delingha Shidai to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Delingha Shidai's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Delingha Shidai's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB650,000, RMB650,000, RMB650,000 and RMB618,000 respectively. This is mainly attributable to Delingha Shidai's exposure to interest rates on its variable-rate bank borrowings.

In the opinion of the sole director of Delingha Shidai, the sensitivity analysis is not representative of Delingha Shidai's exposure to interest rate risk for the Relevant Periods.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Delingha Shidai reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Delingha Shidai has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Delingha Shidai's counterparties default on their contractual obligations resulting in financial losses to Delingha Shidai. Delingha Shidai's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Delingha Shidai does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Delingha Shidai's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that the Delingha Shidai operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Delingha Shidai always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Delingha Shidai assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Delingha Shidai's current liabilities exceeded its current assets by approximately nil, RMB13,537,000, RMB10,666,000 and nil, respectively. Delingha Shidai is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Delingha Shidai monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Delingha Shidai's operations and mitigate the effects of fluctuation in cash flows.

The following tables detail Delingha Shidai's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Delingha Shidai can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	2,926	–	–	–	–	2,926	2,926
Amounts due to related companies	–	11,621	–	–	–	–	11,621	11,621
Bank borrowing	5.85	1,695	6,045	7,770	89,029	61,376	165,915	130,000
Total		16,242	6,045	7,770	89,029	61,376	180,462	144,547

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	6,982	–	–	–	–	6,982	6,982
Amounts due to related companies	1.26	19,237	–	–	–	–	19,237	19,237
Bank borrowing	5.85	1,702	6,068	59,622	43,139	47,673	158,204	130,000
Total		27,921	6,068	59,622	43,139	47,673	184,423	156,219

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	4,567	–	–	–	–	4,567	4,567
Amounts due to related companies	1.26	33,157	–	–	–	–	33,157	33,157
Bank borrowing	5.85	1,730	57,892	15,032	41,201	34,639	150,494	130,000
Total		39,454	57,892	15,032	41,201	34,639	188,218	167,724

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	12,738	–	–	–	–	12,738	12,738
Amounts due to related companies	1.26	35,359	–	–	–	–	35,359	35,359
Bank borrowing	5.85	1,143	61,043	13,895	39,755	22,563	138,399	123,650
Total		49,240	61,043	13,895	39,755	22,563	186,496	171,747

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Delingha Shidai considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Delingha Shidai's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Delingha Shidai's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	Bank borrowing	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	162,599	–	162,599
Financing cash flows	(150,978)	125,083	(25,895)
Finance costs	–	4,917	4,917
At 31 December 2017 and 1 January 2018	11,621	130,000	141,621
Financing cash flows	(3,956)	(7,236)	(11,192)
Finance costs	20	7,236	7,256
Dividend declared	11,552	–	11,552
At 31 December 2018 and 1 January 2019	19,237	130,000	149,237
Financing cash flows	(4,244)	(7,290)	(11,534)
Finance costs	167	7,290	7,457
Dividend declared	17,997	–	17,997
At 31 December 2019 and 1 January 2020	33,157	130,000	163,157
Financing cash flows	1,843	(11,705)	(9,862)
Finance costs	359	5,355	5,714
At 30 September 2020	35,359	123,650	159,009

26. PLEDGE OF ASSETS

Delingha Shidai's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	125,854	114,076	110,180	106,600
Trade receivables and contract assets	34,602	56,100	77,749	98,541
	160,456	170,176	187,929	205,141

Delingha Shidai's secured bank borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Delingha Shidai and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity of Delingha Shidai.

27. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Delingha Shidai also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses to an intermediate holding company	–	20	167	90	359
Interest income from an intermediate holding company	137	–	–	–	–
Sales of power generators and equipments to a fellow subsidiary *(Note)*	13,745	–	–	–	–
Consultancy fee expenses to immediate holding company	–	41	3	–	–

Note: During the year ended 31 December 2017, sales of power generators and equipment amounting to approximately HK$13,745,000 was net off with amounts due from related companies.

Details of the remuneration for the key management personnel, which represents the sole director of Delingha Shidai, are set out in Note 11.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, the application for admission to this List for the solar power plant is approved by the PRC government.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Delingha Shidai have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II E-1 to II E-43, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HAINANZHOU SHINENG PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Hainanzhou Shineng Photovoltaic Power Co., Ltd. (海南州世能光伏發電有限公司) ("**Hainanzhou Shineng**") set out on pages II E-5 to II E-43, which comprises the statements of financial position of Hainanzhou Shineng at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Hainanzhou Shineng for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II E-5 to II E-43 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Hainanzhou Shineng is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Hainanzhou Shineng determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Hainanzhou Shineng, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Hainanzhou Shineng's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Hainanzhou Shineng's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Hainanzhou Shineng exceeded its current assets by approximately RMB58,130,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Hainanzhou Shineng's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Hainanzhou Shineng which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Hainanzhou Shineng is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to

obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II E-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Hainanzhou Shineng in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF HAINANZHOU SHINENG

The financial statements of Hainanzhou Shineng for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	37,683	40,524	31,838	23,055	25,142
Cost of sales		(13,870)	(15,545)	(15,950)	(11,942)	(11,058)
Gross profit		23,813	24,979	15,888	11,113	14,084
Other income	*7*	10	2,140	764	763	12
Administrative expenses		(752)	(722)	(343)	(433)	(379)
Finance costs	*8*	(10,054)	(9,074)	(8,287)	(6,239)	(5,954)
Profit before taxation		13,017	17,323	8,022	5,204	7,763
Income tax expenses	*9*	(857)	(1,561)	(1,116)	(809)	(1,284)
Profit and total comprehensive income for the year/period	*10*	12,160	15,762	6,906	4,395	6,479

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
	NOTES	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	259,062	247,325	237,469	232,388
Right-of-use assets	*15*	–	–	9,405	9,251
Prepaid lease payments	*16*	9,610	9,405	–	–
Trade and other receivables	*18*	744	–	–	–
		269,416	256,730	246,874	241,639
CURRENT ASSETS					
Trade and other receivables	*18*	34,022	67,242	66,977	78,508
Prepaid lease payments	*16*	205	205	–	–
Amounts due from related companies	*17*	7,700	6,700	1,261	9,897
Bank balances	*19*	1,951	11,752	9,854	2,724
		43,878	85,899	78,092	91,129
CURRENT LIABILITIES					
Other payables		3,630	6,497	7,185	8,890
Amounts due to related companies	*17*	52,423	109,843	118,308	118,277
Tax payable		220	341	443	92
Bank borrowing	*20*	24,000	24,000	22,000	22,000
		80,273	140,681	147,936	149,259
NET CURRENT LIABILITIES		(36,395)	(54,782)	(69,844)	(58,130)
TOTAL ASSETS LESS CURRENT LIABILITIES		233,021	201,948	177,030	183,509
NON-CURRENT LIABILITY					
Bank borrowing	*20*	156,000	132,000	110,000	110,000
NET ASSETS		77,021	69,948	67,030	73,509
CAPITAL AND RESERVES					
Paid-up capital	*21*	60,000	60,000	60,000	60,000
Reserves		17,021	9,948	7,030	13,509
TOTAL EQUITY		77,021	69,948	67,030	73,509

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note)		
At 1 January 2017	60,000	2,932	1,929	64,861
Profit and total comprehensive income for the year	–	–	12,160	12,160
Transfer to legal reserve	–	1,216	(1,216)	–
At 31 December 2017 and 1 January 2018	60,000	4,148	12,873	77,021
Profit and total comprehensive income for the year	–	–	15,762	15,762
Transfer to legal reserve	–	1,576	(1,576)	–
Dividend declared *(Note 12)*	–	–	(22,835)	(22,835)
At 31 December 2018 and 1 January 2019	60,000	5,724	4,224	69,948
Profit and total comprehensive income for the year	–	–	6,906	6,906
Transfer to legal reserve	–	691	(691)	–
Dividend declared *(Note 12)*	–	–	(9,824)	(9,824)
At 31 December 2019 and 1 January 2020	60,000	6,415	615	67,030
Profit and total comprehensive income for the period	–	–	6,479	6,479
At 30 September 2020	60,000	6,415	7,094	73,509
At 1 January 2019 (audited)	60,000	5,724	4,224	69,948
Profit and total comprehensive income for the period (unaudited)	–	–	4,395	4,395
Dividend declared *(Note 12)* (unaudited)	–	–	(4,224)	(4,224)
At 30 September 2019 (unaudited)	60,000	5,724	4,395	70,119

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Hainanzhou Shineng, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Profit before taxation	13,017	17,323	8,022	5,204	7,763
Adjustments for:					
Release of prepaid lease payments	205	205	–	–	–
Depreciation of property, plant and equipment	11,665	11,882	11,867	8,908	8,897
Depreciation of right-of-use assets	–	–	205	154	154
Finance costs	10,054	9,074	8,297	6,239	5,954
Interest income	(10)	(19)	(15)	(14)	(9)
Loss on disposal of property, plant and equipment	53	–	–	–	–
Operating cash flows before movements in working capital	34,984	38,465	28,376	20,491	22,759
(Increase) decrease in trade and other receivables	(14,084)	(32,476)	265	(3,932)	(11,531)
Increase in other payables	173	2,867	1,206	2,204	1,705
Cash generated from operations	21,073	8,856	29,847	18,763	12,933
Income tax paid	(817)	(1,440)	(1,014)	(960)	(1,635)
Net cash from operating activities	20,256	7,416	28,833	17,803	11,298

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Interest received	10	19	15	14	9
Payments for construction and purchase of property, plant and equipment	(1,511)	(145)	(2,529)	(2,318)	(3,816)
(Advance to) repayment from related companies	(7,700)	1,000	5,439	5,080	(8,636)
Net cash (used in) from investing activities	(9,201)	874	2,925	2,776	(12,443)
Financing activities					
Interest paid	(10,054)	(9,074)	(8,297)	(6,239)	(5,954)
Repayment of bank borrowing	(20,000)	(24,000)	(24,000)	(12,000)	–
Advance from (repayment to) related companies	20,400	34,585	(1,359)	(13,086)	(31)
Net cash (used in) from financing activities	(9,654)	1,511	(33,656)	(31,325)	(5,985)
Net increase (decrease) in cash and cash equivalents	1,401	9,801	(1,898)	(10,746)	(7,130)
Cash and cash equivalents at beginning of year/period	550	1,951	11,752	11,752	9,854
Cash and cash equivalents at end of year/period	1,951	11,752	9,854	1,006	2,724

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Hainanzhou Shineng Photovoltaic Power Co., Ltd. ("**Hainanzhou Shineng**") was established in the People's Republic of China (the "**PRC**") on 21 May 2012. Its immediate holding company is Qinghai GCL New Energy Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Hainanzhou shineng is Hainanzhou Solar Ecological Power Park.

Hainanzhou Shineng is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Hainanzhou Shineng.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Notes 4.

At 30 September 2020, Hainanzhou Shineng's current liabilities exceeded its current assets by approximately RMB58,130,000. The sole director of Hainanzhou Shineng has reviewed the Hainanzhou Shineng's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from the shareholder and future financial plans. In the opinion of the sole director of the Hainanzhou Shineng, Hainanzhou Shineng will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Hainanzhou Shineng to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Hainanzhou Shineng. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Hainanzhou Shineng. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Hainanzhou Shineng to meet its financial obligations as and when they fall due for the coming twelve months from the end of each reporting period. Accordingly, the sole director of Hainanzhou Shineng is of the opinion that the Group will be able to meet its commitment to provide funds to Hainanzhou Shineng.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Hainanzhou Shineng. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal if its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Hainanzhou Shineng as committed and, in turn, Hainanzhou Shineng be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Hainanzhou Shineng to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

The statutory audited financial statements of Hainanzhou Shineng for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Hainanzhou Shineng for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Hainanzhou Shineng and became effective during the Relevant Periods. In preparing the Historical Financial Information, Hainanzhou Shineng has applied all these new and revised IFRS Standards which are effective for Hainanzhou Shineng's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Hainanzhou Shineng adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Hainanzhou Shineng has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Hainanzhou Shineng has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Hainanzhou Shineng recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Hainanzhou Shineng's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

At 1 January 2018, there was no reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the solar power plant operated by Hainanzhou Shineng was admitted to the Catalogue (as defined in note 6) prior to 1 January 2017.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 15 has no material impact to the total assets, profit or loss or net cash flows for respective year/ period.

3.2 IFRS 9

During the year ended 31 December 2018, Hainanzhou Shineng has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Hainanzhou Shineng has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Hainanzhou Shineng assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Hainanzhou Shineng applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Hainanzhou Shineng has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Hainanzhou Shineng has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Hainanzhou Shineng has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Hainanzhou Shineng applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Hainanzhou Shineng assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Hainanzhou Shineng has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Reclassified from prepaid lease payments *(Note)*	9,610

Note: Upfront payments for leasehold lands in the PRC in which Hainanzhou Shineng obtained relevant land use right certificate were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB205,000 and RMB9,405,000, respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Hainanzhou Shineng's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	9,405	(9,405)	–
Right-of-use assets	–	9,610	9,610
Current assets			
Prepaid lease payments	205	(205)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Hainanzhou Shineng anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Hainanzhou Shineng's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Hainanzhou Shineng's right to defer settlement for bank borrowing of RMB110,000,000 beyond 12 months from the end of the reporting period is subject to compliance with covenants at the end of the reporting period. Such bank borrowing was classified as non-current as Hainanzhou Shineng met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Hainanzhou Shineng will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Hainanzhou Shineng recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Hainanzhou Shineng's performance as Hainanzhou Shineng performs;
- Hainanzhou Shineng's performance creates or enhances an asset that the customer controls as Hainanzhou Shineng performs; or
- Hainanzhou Shineng's performance does not create an asset with an alternative use to Hainanzhou Shineng and Hainanzhou Shineng has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Hainanzhou Shineng's right to consideration in exchange for goods or services that Hainanzhou Shineng has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Hainanzhou Shineng's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Hainanzhou Shineng's obligation to transfer goods or services to a customer for which Hainanzhou Shineng has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Hainanzhou Shineng estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Hainanzhou Shineng updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Hainanzhou Shineng adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Hainanzhou Shineng with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Hainanzhou Shineng applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Hainanzhou Shineng and when specific criteria have been met for each of Hainanzhou Shineng's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Hainanzhou Shineng assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Hainanzhou Shineng as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Hainanzhou Shineng reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Hainanzhou Shineng; and
- an estimate of costs to be incurred by Hainanzhou Shineng in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Hainanzhou Shineng presents right-of-use assets as a separate line item on the statement of financial position.

Hainanzhou Shineng as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Hainanzhou Shineng's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Hainanzhou Shineng expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Hainanzhou Shineng's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Hainanzhou Shineng makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Hainanzhou Shineng in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Hainanzhou Shineng reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Hainanzhou Shineng estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Hainanzhou Shineng becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Hainanzhou Shineng's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Hainanzhou Shineng performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Hainanzhou Shineng's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Hainanzhou Shineng always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Hainanzhou Shineng measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Hainanzhou Shineng recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Hainanzhou Shineng compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Hainanzhou Shineng considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Hainanzhou Shineng presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Hainanzhou Shineng has reasonable and supportable information that demonstrate otherwise.

Hainanzhou Shineng regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Hainanzhou Shineng considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Hainanzhou Shineng, in full without taking into account any collaterals held by Hainanzhou Shineng.

Irrespective of the above, Hainanzhou Shineng considers that default has occurred when a financial asset is more than 90 days past due unless Hainanzhou Shineng has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Hainanzhou Shineng writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Hainanzhou Shineng's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Hainanzhou Shineng in accordance with the contract and the cash flows that Hainanzhou Shineng expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Hainanzhou Shineng recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Hainanzhou Shineng derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Hainanzhou Shineng are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and bank borrowing are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Hainanzhou Shineng derecognises financial liabilities when, and only when, Hainanzhou Shineng's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Hainanzhou Shineng's accounting policies, which are described in Note 4, the sole director of Hainanzhou Shineng is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Hainanzhou Shineng has made in the process of applying Hainanzhou Shineng's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Hainanzhou Shineng has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Hainanzhou Shineng to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Hainanzhou Shineng generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB31,338,000, RMB33,100,000, RMB26,137,000, RMB19,155,000 (unaudited) and RMB21,550,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Hainanzhou Shineng generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Hainanzhou Shineng and the local grid company. Hainanzhou Shineng will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Solar plants qualified and approved were registered into the Renewable Energy Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Hainanzhou Shineng operates one solar power plant and was admitted to the Catalogue prior to 1 January 2017.

The management of Hainanzhou Shineng regularly reviews the results of the solar power plant operated by Hainanzhou Shineng when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Hainanzhou Shineng is solely located in the PRC. All revenue of Hainanzhou Shineng are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	10	19	15	14	9
Government grants	–	2,121	749	749	–
Others	–	–	–	–	3
Total other income	10	2,140	764	763	12

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Bank borrowing	10,054	8,930	7,733	5,875	5,201
Amount due to intermediate holding company	–	144	554	364	753
Total finance costs	10,054	9,074	8,287	6,239	5,954

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("**EIT**")	857	1,561	1,116	809	1,284

The basic tax rate of Hainanzhou Shineng is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Hainanzhou Shineng engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2013 to 2015 followed by 3-year 50% exemption from 2016 to 2018. Besides, Hainanzhou Shineng is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	13,017	17,323	8,022	5,204	7,763
Tax at domestic income tax rate of 25%	3,254	4,331	2,006	1,301	1,941
Effect of tax exemptions and concessions granted	(2,278)	(3,032)	(802)	(520)	(776)
Others	(119)	262	(88)	28	119
Income tax expenses for the year/period	857	1,561	1,116	809	1,284

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging:					
Release of prepaid lease payments	205	205	–	–	–
Depreciation of:					
– Property, plant and equipment	11,665	11,882	11,867	8,908	8,897
– Right-of-use assets	–	–	205	154	154
Loss on disposal of property, plant and equipment	53	–	–	–	–
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	962	712	800	609	595
– Retirement benefit scheme contributions	86	160	186	133	20

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Director emoluments

The emoluments of the director of Hainanzhou Shineng during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Shi Wenzhong 時文忠 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Notes:

(i) Shi Wenzhong resigned as the director of Hainanzhou Shineng with effect from 17 July 2019.

(ii) Li Yong has been appointed as the director of Hainanzhou Shineng with effect from 17 July 2019.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Hainanzhou Shineng during the Relevant Periods were borne by a related company for his service as the sole director of Hainanzhou Shineng.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Hainanzhou Shineng waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Hainanzhou Shineng during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	479	484	514	385	461
Performance-related bonus	100	125	80	80	20
Retirement benefits scheme contribution	24	36	42	31	33
	603	645	636	496	514

The number of highest paid employees who are not the director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately nil, RMB22,835,000, RMB9,824,000, RMB4,224,000 (unaudited) and nil were proposed and paid to ordinary shareholder of Hainanzhou Shineng during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	24,688	244	283,658	498	–	309,088
Additions	558	76	877	–	–	1,511
Disposals	–	–	–	(120)	–	(120)
At 31 December 2017 and 1 January 2018	25,246	320	284,535	378	–	310,479
Additions	–	66	79	–	–	145
At 31 December 2018 and 1 January 2019	25,246	386	284,614	378	–	310,624
Additions	–	–	2,489	40	–	2,529
Transfers	–	(7)	–	7	–	–
Disposals	–	–	(541)	–	–	(541)
At 31 December 2019 and 1 January 2020	25,246	379	286,562	425	–	312,612
Additions	–	–	1,008	–	2,808	3,816
At 30 September 2020	25,246	379	287,570	425	2,808	316,428
Accumulated depreciation						
At 1 January 2017	3,752	97	35,722	248	–	39,819
Charge for the year	1,026	71	10,525	43	–	11,665
Disposals	–	–	–	(67)	–	(67)
At 31 December 2017 and 1 January 2018	4,778	168	46,247	224	–	51,417
Charge for the year	1,026	21	10,756	79	–	11,882
At 31 December 2018 and 1 January 2019	5,804	189	57,003	303	–	63,299
Charge for the year	1,038	54	10,737	38	–	11,867
Disposals	–	–	(23)	–	–	(23)
At 31 December 2019 and 1 January 2020	6,842	243	67,717	341	–	75,143
Charge for the period	778	–	8,078	41	–	8,897
At 30 September 2020	7,620	243	75,795	382	–	84,040
Carrying values						
At 31 December 2017	20,468	152	238,288	154	–	259,062
At 31 December 2018	19,442	197	227,611	75	–	247,325
At 31 December 2019	18,404	136	218,845	84	–	237,469
At 30 September 2020	17,626	136	211,775	43	2,808	232,388

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Hainanzhou Shineng was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately RMB20,468,000, RMB19,442,000, RMB18,404,000 and RMB17,626,000, respectively. In the opinion of the sole director of Hainanzhou Shineng, the absence of the property ownership certificates to these property interests does not impair their carrying value to Hainanzhou Shineng as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	9,610
Depreciation charge	(205)
At 31 December 2019	9,405
Depreciation charge	(154)
At 30 September 2020	9,251

16. PREPAID LEASE PAYMENTS

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current assets	205	205
Non-current assets	9,610	9,405
	9,815	9,610

17. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	7,700	6,700	541	7,900
– immediate holding company	–	–	720	400
– intermediate holding companies	–	–	–	1,597
	7,700	6,700	1,261	9,897
Amounts due to related companies				
– immediate holding company	52,423	1,132	–	–
– intermediate holding companies	–	30,353	118,308	118,077
– fellow subsidiaries	–	78,358	–	200
	52,423	109,843	118,308	118,277

Except for amounts due to related companies of approximately nil, RMB30,354,000, RMB59,860,000 and RMB64,763,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate ranging from nil per annum, at 1.26% per annum, 1.26% per annum, and 1.26% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

18. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	33,864	65,855	66,483	76,298
Refundable value-added tax	744	–	–	–
Other receivables	158	1,387	494	2,210
	34,766	67,242	66,977	78,508

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	34,022	67,242	66,977	78,508
Non-current				
– Refundable value-added tax *(Note)*	744	–	–	–
	34,766	67,242	66,977	78,508

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Hainanzhou Shineng.

For sales of electricity in the PRC, Hainanzhou Shineng generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Hainanzhou Shineng and the grid company.

At 31 December 2017, 2018 and 2019, and 30 September 2020, trade receivables include bills received amounting to RMB4,690,000, RMB2,030,000, RMB1,079,000 and RMB3,255,000, respectively held by Hainanzhou Shineng for future settlement of trade receivables. All bills received by Hainanzhou Shineng are with a maturity period of less than 1 year.

The following is an aging analysis of trade receivables (excluded bills held by Hainanzhou Shineng for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	27,974	63,825	65,404	73,043
0 – 90 days	1,200	–	–	–
	29,174	63,825	65,404	73,043

Note: At 31 December 2017, 2018, 2019 and 30 September 2020, the amount represents unbilled basic tariff receivables for the solar power plant operated by Hainanzhou Shineng and the unbilled tariff adjustment receivables for the solar power plant already registered in the Catalogue. The sole director of Hainanzhou Shineng expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	9,992	7,828	10,526	14,025
91 – 180 days	7,828	2,774	7,023	4,853
181 – 365 days	10,154	19,858	14,233	16,609
Over 365 days	–	33,365	33,622	37,556
	27,974	63,825	65,404	73,043

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Hainanzhou Shineng does not hold any collaterals over these balances.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 23b.

20. BANK BORROWING

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the bank borrowing are repayable:				
Within one year	24,000	24,000	22,000	22,000
More than one year, but not exceeding two years	24,000	22,000	22,000	22,000
More than two years, but not exceeding five years	22,000	22,000	22,000	22,000
More than five years	110,000	88,000	66,000	66,000
	180,000	156,000	132,000	132,000
Less: Accounts due within one year shown under current liabilities	24,000	24,000	22,000	22,000
Amounts due after one year	156,000	132,000	110,000	110,000

The variable-rate bank borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 105% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

21. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	60,000	60,000	60,000	60,000

22. CAPITAL MANAGEMENT

Hainanzhou Shineng manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Hainanzhou Shineng's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Hainanzhou Shineng consists of net debt, which mainly includes amounts due to related companies, bank borrowing, net of cash and cash equivalents, and equity attributable to owner of Hainanzhou Shineng, comprising paid-up capital and reserves.

The sole director of Hainanzhou Shineng reviews the capital structure on a periodical basis. As part of this review, the sole director of Hainanzhou Shineng considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Hainanzhou Shineng, Hainanzhou Shineng will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

23. FINANCIAL INSTRUMENTS

23a. Categories of financial instruments

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	44,417	–	–	–
Amortised cost	–	85,694	78,092	91,129
Financial liabilities				
Amortised cost	236,053	272,340	257,493	259,167

23b. Financial risk management objectives and policies

Hainanzhou Shineng's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Hainanzhou Shineng is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 17) and bank balances (see Note 19), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the borrowing of Hainanzhou Shineng is issued at variable rates which expose Hainanzhou Shineng to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Hainanzhou Shineng's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Hainanzhou Shineng's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB900,000, RMB780,000, RMB660,000 and RMB660,000, respectively. This is mainly attributable to Hainanzhou Shineng's exposure to interest rates on its variable-rate bank borrowings.

In the opinion of the sole director of Hainanzhou Shineng, the sensitivity analysis is not representative of Hainanzhou Shineng's exposure to interest rate risk for the Relevant Periods.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Hainanzhou Shineng reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Hainanzhou Shineng has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Hainanzhou Shineng's counterparties default on their contractual obligations resulting in financial losses to Hainanzhou Shineng. Hainanzhou Shineng's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Hainanzhou Shineng does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables

The credit risk on trade receivables is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Hainanzhou Shineng's trade receivables is contributed by a single customer located in the PRC.

Hainanzhou Shineng always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables are assessed to be low. Based on the loss rates, the ECL on trade receivables is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Hainanzhou Shineng assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Hainanzhou Shineng's current liabilities exceeded its current assets by RMB36,395,000, RMB54,782,000, RMB69,844,000 and RMB58,130,000, respectively. Hainanzhou Shineng is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Hainanzhou Shineng monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Hainanzhou Shineng's operations and mitigate the effects of fluctuation in cash flows.

Hainanzhou Shineng relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Hainanzhou Shineng is of the opinion that the Group will be able to meet its commitment to provide funds to Hainanzhou Shineng, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Hainanzhou Shineng's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Hainanzhou Shineng can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	3,630	–	–	–	–	3,630	3,630
Amounts due to related companies	–	52,423	–	–	–	–	52,423	52,423
Bank borrowing	4.79	2,223	30,652	31,716	86,376	78,416	229,383	180,000
Total		58,276	30,652	31,716	86,376	78,416	285,436	236,053

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	6,497	–	–	–	–	6,497	6,497
Amounts due to related companies	1.26	109,843	–	–	–	–	109,843	109,843
Bank borrowing	4.79	1,947	29,709	28,896	83,395	52,502	196,449	156,000
Total		118,287	29,709	28,896	83,395	52,502	312,789	272,340

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	7,185	–	–	–	–	7,185	7,185
Amounts due to related companies	1.26	118,308	–	–	–	–	118,308	118,308
Bank borrowing	4.79	1,690	27,179	28,798	78,592	28,507	164,766	132,000
Total		127,183	27,179	28,798	78,592	28,507	290,259	257,493

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	8,890	–	–	–	–	8,890	8,890
Amounts due to related companies	1.26	118,277	–	–	–	–	118,277	118,277
Bank borrowing	4.79	13,643	27,111	28,715	71,278	8,793	149,540	132,000
Total		140,810	27,111	28,715	71,278	8,793	276,707	259,167

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

23c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Hainanzhou Shineng considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Hainanzhou Shineng's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Hainanzhou Shineng's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	**Bank borrowing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	32,023	200,000	232,023
Financing cash flows	20,400	(30,054)	(9,654)
Finance costs	–	10,054	10,054
At 31 December 2017 and 1 January 2018	52,423	180,000	232,423
Financing cash flows	34,441	(32,930)	1,511
Finance costs	144	8,930	9,074
Dividend declared	22,835	–	22,835
At 31 December 2018 and 1 January 2019	109,843	156,000	265,843
Financing cash flows	(1,913)	(31,733)	(33,646)
Finance costs	554	7,733	8,287
Dividend declared	9,824	–	9,824
At 31 December 2019 and 1 January 2020	118,308	132,000	250,308
Financing cash flows	(784)	(5,201)	(5,985)
Finance costs	753	5,201	5,954
At 30 September 2020	118,277	132,000	250,277

25. PLEDGE OF ASSETS

Hainanzhou Shineng's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	238,288	227,611	218,845	211,775
Trade receivables	29,174	63,825	65,404	73,043
	267,462	291,436	284,249	284,818

Hainanzhou Shineng's secured bank borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Hainanzhou Shineng and (ii) trade receivables and fee collection rights in relation to the sales of electricity of Hainanzhou Shineng.

26. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Hainanzhou Shineng also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses from an intermediate holding company	–	144	554	364	753
Consultancy fee expenses to immediate holding company	–	1,132	1,884	1,884	–

Details of the remuneration for the key management personnel, which represents the sole director of Hainanzhou Shineng, are set out in Note 11.

27. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Hainanzhou Shineng has no significant event occurred.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Hainanzhou Shineng have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II F-1 to II F-47, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HETIAN GCL PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Hetian GCL Photovoltaic Power Co., Ltd. (和田協鑫光伏電力有限公司) ("**Hetian GCL**") set out on pages II F-5 to II F-47, which comprises the statements of financial position of Hetian GCL at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Hetian GCL for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II F-5 to II F-47 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Hetian GCL is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Hetian GCL determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Hetian GCL, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Hetian GCL's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Hetian GCL's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Hetian GCL exceeded its current assets by approximately RMB117,815,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Hetian GCL's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Hetian GCL which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Hetian GCL is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II F-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Hetian GCL in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF HETIAN GCL

The financial statements of Hetian GCL for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	6,086	16,891	19,552	14,697	14,478
Cost of sales		(3,837)	(8,148)	(8,535)	(6,137)	(6,218)
Gross profit		2,249	8,743	11,017	8,560	8,260
Other income	*7*	–	–	–	–	13
Administrative expenses		(122)	(508)	(184)	(114)	(127)
Finance costs	*8*	(962)	(1,179)	(718)	(548)	(609)
Profit before taxation		1,165	7,056	10,115	7,898	7,537
Income tax expenses	*9*	–	–	–	–	(958)
Profit and total comprehensive income for the year/period	*10*	1,165	7,056	10,115	7,898	6,579

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	At 30 September 2020 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	158,096	159,289	153,550	148,807
Right-of-use assets	15	–	–	3,627	3,387
Prepaid lease payments	16	–	517	–	–
Trade and other receivables	18	11,539	15,984	12,822	10,991
Contract assets	19	–	20,493	–	–
		169,635	196,283	169,999	163,185
CURRENT ASSETS					
Trade and other receivables	18	509	3,562	479	50,930
Contract assets	19	–	–	37,983	–
Prepaid lease payments	16	–	11	–	–
Amounts due from related companies	17	–	–	–	1,400
Bank balances	20	–	–	544	466
		509	3,573	39,006	52,796
CURRENT LIABILITIES					
Other payables		8,891	5,622	5,920	4,807
Amounts due to related companies	17	125,571	151,496	163,494	164,273
Tax payable		–	–	–	595
Lease liabilities	21	–	–	–	936
		134,462	157,118	169,414	170,611
NET CURRENT LIABILITIES		(133,953)	(153,545)	(130,408)	(117,815)
TOTAL ASSETS LESS CURRENT LIABILITIES		35,682	42,738	39,591	45,370
NON-CURRENT LIABILITY					
Lease liabilities	21	–	–	2,961	2,161
NET ASSETS		35,682	42,738	36,630	43,209
CAPITAL AND RESERVES					
Paid-up capital	22	34,534	34,534	34,534	34,534
Reserves		1,148	8,204	2,096	8,675
TOTAL EQUITY		35,682	42,738	36,630	43,209

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	(Accumulated losses) retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note)		
At 1 January 2017	34,534	–	(17)	34,517
Profit and total comprehensive income for the year	–	–	1,165	1,165
Transfer to legal reserve	–	115	(115)	–
At 31 December 2017 and 1 January 2018	34,534	115	1,033	35,682
Profit and total comprehensive income for the year	–	–	7,056	7,056
Transfer to legal reserve	–	706	(706)	–
At 31 December 2018 and 1 January 2019	34,534	821	7,383	42,738
Profit and total comprehensive income for the year	–	–	10,115	10,115
Transfer to legal reserve	–	1,033	(1,033)	–
Dividend declared *(Note 12)*	–	–	(16,223)	(16,223)
At 31 December 2019 and 1 January 2020	34,534	1,854	242	36,630
Profit and total comprehensive income for the period	–	–	6,579	6,579
At 30 September 2020	34,534	1,854	6,821	43,209
At 1 January 2019 (audited)	34,534	821	7,383	42,738
Profit and total comprehensive income for the period (unaudited)	–	–	7,898	7,898
At 30 September 2019 (unaudited)	34,534	821	15,281	50,636

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Hetian GCL, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Profit before taxation	1,165	7,056	10,115	7,898	7,537
Adjustments for:					
Release of prepaid lease payments	–	4	–	–	–
Depreciation of property, plant and equipment	2,909	6,095	6,412	4,809	4,854
Depreciation of right-of-use assets	–	–	320	240	240
Finance costs	962	1,179	718	548	609
Interest income	–	–	–	–	(2)
Operating cash flows before movements in working capital	5,036	14,334	17,565	13,495	13,238
(Increase) decrease in trade and other receivables	(4,418)	(12,596)	5,615	4,870	(15,011)
(Increase) decrease in contract assets	–	(15,395)	(17,490)	(13,291)	4,374
(Decrease) increase in other payables	(2,441)	(3,269)	298	409	(1,113)
Cash (used in) generated from operations	(1,823)	(16,926)	5,988	5,483	1,488
Income tax paid	–	–	–	–	(363)
Net cash (used in) from operating activities	(1,823)	(16,926)	5,988	5,483	1,125

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Interest received	–	–	–	–	2
Payments for construction and purchase of property, plant and equipment	(11,959)	(7,288)	(673)	(21)	(111)
Addition of prepaid lease payments	–	(532)	–	–	–
Advance to related companies	–	–	–	–	(1,400)
Net cash used in investing activities	(11,959)	(7,820)	(673)	(21)	(1,509)
Financing activities					
Interest paid	(962)	(1,179)	(546)	(420)	(473)
Advance from (repayment to) related companies	14,744	25,925	(4,225)	(5,042)	779
Net cash from (used in) financing activities	13,782	24,746	(4,771)	(5,462)	306
Net increase (decrease) in cash and cash equivalents	–	–	544	–	(78)
Cash and cash equivalents at beginning of year/period	–	–	–	–	544
Cash and cash equivalents at end of year/period	–	–	544	–	466

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Hetian GCL Photovoltaic Power Co., Ltd. ("**Hetian GCL**") was established in the People's Republic of China (the "**PRC**") on 7 December 2015. Its immediate holding company is Suzhou GCL New Energy Investment Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Hetian GCL is Xinjiang, Kunyu City, Longxin Community.

Hetian GCL is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Hetian GCL.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

At 30 September 2020, Hetian GCL's current liabilities exceeded its current assets by approximately RMB117,815,000. The sole director of Hetian GCL has reviewed the Hetian GCL's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from the sole shareholder and future financial plans. In the opinion of the sole director of the Hetian GCL, Hetian GCL will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Hetian GCL to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Hetian GCL. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Hetian GCL. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Hetian GCL to meet its financial obligations as and when they fall due for the coming twelve months from the end of each reporting period. Accordingly, the sole director of Hetian GCL is of the opinion that the Group will be able to meet its commitment to provide funds to Hetian GCL.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Hetian GCL. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows. Should the Group be unable to provide financial support to Hetian GCL as committed and, in turn, Hetian GCL be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Hetian GCL to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

The statutory audited financial statements of Hetian GCL for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Hetian GCL for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Hetian GCL and became effective during the Relevant Periods. In preparing the Historical Financial Information, Hetian GCL has applied all these new and revised IFRS Standards which are effective for Hetian GCL's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Hetian GCL adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Hetian GCL has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Hetian GCL has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Hetian GCL recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Hetian GCL's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	11,539	(5,098)	6,441
Contract assets	*(a)*	–	5,098	5,098

Note:

(a) At 1 January 2018, unbilled tariff adjustments receivables related to a solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Hetian GCL has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Hetian GCL has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Hetian GCL assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Hetian GCL applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Hetian GCL has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Hetian GCL has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Hetian GCL has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Hetian GCL applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Hetian GCL assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Hetian GCL has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Hetian GCL recognised additional lease liabilities of RMB2,789,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued lease payments by applying IFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Hetian GCL applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application. When recognising the lease liabilities for leases previously classified as operating leases, Hetian GCL has applied incremental borrowing rates of the entity at the date of initial application. The average incremental borrowing rate applied is 6.0%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 26)*	4,850
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rates upon application of IFRS 16	2,789
Analysed as:	
Non-current	2,789

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	2,789
Reclassified from prepaid rent *(Note a)*	630
Reclassified from prepaid lease payments *(Note b)*	528
By class:	
Leasehold lands	3,947

Note:

(a) Prepaid rent for parcels of land in the PRC in which Hetian GCL leased from third parties under operating leases were classified as prepayments at 31 December 2018. Upon application of IFRS 16, prepaid rent for parcels of lands amounting to RMB630,000 under trade and other receivable in current assets were reclassified to right-of-use assets.

(b) Upfront payments for leasehold lands in the PRC in which Hetian GCL obtained relevant land use right certificate were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB11,000 and RMB517,000, respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Hetian GCL's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	517	(517)	–
Right-of-use assets	–	3,947	3,947
Current assets			
Trade and other receivables	15,984	(630)	15,354
Prepaid lease payments	11	(11)	–
Non-current liabilities			
Lease liabilities	–	2,789	2,789

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]

Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Hetian GCL anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Hetian GCL's financial position and performance when they become effective.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Hetian GCL recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Hetian GCL's performance as Hetian GCL performs;
- Hetian GCL's performance creates or enhances an asset that the customer controls as Hetian GCL performs; or
- Hetian GCL's performance does not create an asset with an alternative use to Hetian GCL and Hetian GCL has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Hetian GCL's right to consideration in exchange for goods or services that Hetian GCL has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Hetian GCL's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Hetian GCL's obligation to transfer goods or services to a customer for which Hetian GCL has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Hetian GCL estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Hetian GCL updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Hetian GCL adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Hetian GCL with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Hetian GCL applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Hetian GCL and when specific criteria have been met for each of Hetian GCL's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Hetian GCL assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Hetian GCL as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Hetian GCL reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Hetian GCL; and
- an estimate of costs to be incurred by Hetian GCL in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Hetian GCL presents right-of-use assets as a separate line item on the statement of financial position.

Lease liabilities

At the commencement date of a lease, Hetian GCL recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Hetian GCL uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by Hetian GCL under residual value guarantees;
- the exercise price of a purchase option if Hetian GCL is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects Hetian GCL exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Hetian GCL remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Hetian GCL presents lease liabilities as a separate line item on statement of financial position.

Lease modifications

Hetian GCL accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, Hetian GCL remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Hetian GCL accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, Hetian GCL allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Hetian GCL as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Hetian GCL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Hetian GCL expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Hetian GCL's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Hetian GCL makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Hetian GCL in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Hetian GCL reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Hetian GCL estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Hetian GCL becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Hetian GCL's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Hetian GCL performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Hetian GCL's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Hetian GCL always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Hetian GCL measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Hetian GCL recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Hetian GCL compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Hetian GCL considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Hetian GCL presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Hetian GCL has reasonable and supportable information that demonstrate otherwise.

Hetian GCL regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Hetian GCL considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Hetian GCL, in full without taking into account any collaterals held by Hetian GCL.

Irrespective of the above, Hetian GCL considers that default has occurred when a financial asset is more than 90 days past due unless Hetian GCL has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Hetian GCL writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Hetian GCL's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Hetian GCL in accordance with the contract and the cash flows that Hetian GCL expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Hetian GCL recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Hetian GCL derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Hetian GCL are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables and amounts due to related companies are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Hetian GCL derecognises financial liabilities when, and only when, Hetian GCL's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Hetian GCL's accounting policies, which are described in Note 4, the sole director of Hetian GCL is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Hetian GCL has made in the process of applying Hetian GCL's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Hetian GCL has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Hetian GCL to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Hetian GCL's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Hetian GCL.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Hetian GCL operates one solar power plant in the PRC and was admitted to the List in June 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB5,098,000 was included in the sales of electricity as disclosed in Note 6, of which solar power plant of Hetian GCL was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Hetian GCL had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. In making his judgement, the sole director of Hetian GCL, taking into account the legal opinion of the Company's legal advisor, considered that Hetian GCL's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Hetian GCL is confident that Hetian GCL's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, which is upon the application of IFRS 15, tariff adjustments of RMB13,238,000, RMB15,388,000 and RMB11,672,000 (unaudited), respectively, were included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Hetian GCL was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Hetian GCL which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Hetian GCL had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Hetian GCL had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivery on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019, Hetian GCL recognised revenue of RMB5,098,000, RMB13,238,000, RMB15,388,000 and RMB11,672,000 (unaudited), respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Hetian GCL generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB5,098,000, RMB13,238,000, RMB15,388,000, RMB11,672,000 (unaudited) and RMB11,007,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Hetian GCL generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Hetian GCL and the local grid company. Hetian GCL will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Hetian GCL operates one solar power plant and was admitted to the List in June 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Hetian GCL operates one solar power plant and it was admitted to the List in June 2020, accordingly, the management assessed that Hetian GCL's operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset has been transferred to trade receivables upon the solar power plant being enlisted on the List in June 2020. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Hetian GCL regularly reviews the results of the solar power plant operated by Hetian GCL when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Hetian GCL is solely located in the PRC. All revenue of Hetian GCL are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	–	–	–	–	2
Others	–	–	–	–	11
Total other income	–	–	–	–	13

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Amount due to immediate holding company	669	347	–	–	–
Amount due to intermediate holding company	1,087	832	546	420	473
Lease liabilities	–	–	172	128	136
Total finance costs	1,756	1,179	718	548	609
Less: amounts capitalised in cost of qualifying assets	(794)	–	–	–	–
	962	1,179	718	548	609

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("**EIT**")	–	–	–	–	958

The basic tax rate of Hetian GCL is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Hetian GCL engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2017 to 2019 followed by 3-year 50% exemption from 2020 to 2022. Besides, Hetian GCL is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	1,165	7,056	10,115	7,898	7,537
Tax at domestic income tax rate of 25%	291	1,764	2,529	1,975	1,884
Effect of tax exemptions and concessions granted	(291)	(1,764)	(2,529)	(1,975)	(1,319)
Others	–	–	–	–	393
Income tax expenses for the year/period	–	–	–	–	958

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging:					
Release of prepaid lease payments	–	4	–	–	–
Depreciation of:					
– Property, plant and equipment	2,909	6,095	6,412	4,809	4,854
– Right-of-use assets	–	–	320	240	240
Operating lease rental in respect of properties	280	280	–	–	–
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	391	748	683	498	541
– Retirement benefit scheme contributions	30	51	105	77	19

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Director emoluments

The emoluments of the sole director of Hetian GCL during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note i)*	–	–	–	–	–
Fang Qi 方琦 *(Note ii)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note i)*	–	–	–	–	–

Notes:

(i) Li Yong has been appointed as the director of Hetian GCL with effect from 5 December 2017.

(ii) Fang Qi resigned as the director of Hetian GCL with effect from 5 December 2017.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Hetian GCL during the Relevant Periods were borne by a related company for his service as the sole director of Hetian GCL.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Hetian GCL waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Hetian GCL during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	218	477	620	487	465
Performance-related bonus	–	250	94	94	22
Retirement benefits scheme contribution	12	22	52	38	41
	230	749	766	619	528

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately nil, nil, RMB16,223,000, nil (unaudited) and nil were proposed and paid to ordinary shareholder of Hetian GCL during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	–	168	–	99	148,797	149,064
Additions	–	36	390	–	11,533	11,959
Disposals	–	(4)	–	–	–	(4)
Transfer	5,438	–	154,892	–	(160,330)	–
At 31 December 2017 and 1 January 2018	5,438	200	155,282	99	–	161,019
Additions	–	44	–	–	7,244	7,288
Transfer	605	–	6,639	–	(7,244)	–
At 31 December 2018 and 1 January 2019	6,043	244	161,921	99	–	168,307
Additions	21	–	652	–	–	673
At 31 December 2019 and 1 January 2020	6,064	244	162,573	99	–	168,980
Additions	–	–	111	–	–	111
At 30 September 2020	6,064	244	162,684	99	–	169,091
Accumulated depreciation						
At 1 January 2017	–	8	–	7	–	15
Charge for the year	103	33	2,755	18	–	2,909
Disposals	–	(1)	–	–	–	(1)
At 31 December 2017 and 1 January 2018	103	40	2,755	25	–	2,923
Charge for the year	217	38	5,822	18	–	6,095
At 31 December 2018 and 1 January 2019	320	78	8,577	43	–	9,018
Charge for the year	226	44	6,124	18	–	6,412
At 31 December 2019 and 1 January 2020	546	122	14,701	61	–	15,430
Charge for the period	169	33	4,639	13	–	4,854
At 30 September 2020	715	155	19,340	74	–	20,284
Carrying values						
At 31 December 2017	5,335	160	152,527	74	–	158,096
At 31 December 2018	5,723	166	153,344	56	–	159,289
At 31 December 2019	5,518	122	147,872	38	–	153,550
At 30 September 2020	5,349	89	143,344	25	–	148,807

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Hetian GCL was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately RMB5,335,000, RMB5,723,000, RMB5,518,000 and RMB5,349,000, respectively. In the opinion of the sole director of Hetian GCL, the absence of the property ownership certificates to these property interests does not impair their carrying value to Hetian GCL as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

15. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*
Carrying amount	
At 1 January 2019	3,947
Depreciation charge	(320)
At 31 December 2019	3,627
Depreciation charge	(240)
At 30 September 2020	3,387
Total cash outflow for leases *(Note)*	
– for the year ended 31 December 2019	–
– for the nine months ended 30 September 2019 (unaudited)	–
– for the nine months ended 30 September 2020	–

Note: Amount includes payments of principal and interest portion of lease liabilities.

For the year ended 31 December 2019 and for the nine months ended 30 September 2020, Hetian GCL leases lands for its operations. Lease contract is entered into for fixed term of 20 years, but may have extension option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, Hetian GCL applies the definition of a contract and determines the period for which the contract is enforceable.

Hetian GCL has extension option in the lease for the leasehold land. This is used to maximise operational flexibility in terms of managing the assets used in Hetian GCL's operations. The extension option held is exercisable only by Hetian GCL and not by the respective lessor.

Hetian GCL assessed at lease commencement date/date of initial application whether it is reasonably certain to exercise the extension options. There is no extension option which Hetian GCL is not reasonably certain to exercise. At 31 December 2019 and 30 September 2020, lease liabilities with the exercise of extension option of approximately RMB2,961,000 and RMB3,097,000 are recognised, respectively.

In addition, Hetian GCL reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019 and nine months ended 30 September 2020, there is no such triggering event. Details of the lease maturity analysis of lease liabilities are set out in note 21.

16. PREPAID LEASE PAYMENTS

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current assets	–	11
Non-current assets	–	517
	–	528

17. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	–	–	–	1,400
	–	–	–	1,400
Amounts due to related companies				
– immediate holding company	11,745	1,092	124,282	123,682
– intermediate holding companies	113,734	150,404	39,212	39,406
– fellow subsidiaries	92	–	–	1,185
	125,571	151,496	163,494	164,273

Except for amounts due to related companies of approximately RMB32,338,000, RMB53,362,000, RMB46,529,000 and RMB39,406,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate ranging from 1.26% per annum, at 1.26% per annum, 1.26% per annum, and 1.26% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

18. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	5,395	321	323	50,730
Prepaid rent of parcels of land	4,510	630	–	–
Refundable value-added tax	1,914	15,354	12,822	10,991
Other receivables	229	3,241	156	200
	12,048	19,546	13,301	61,921

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	509	3,562	479	50,930
Non-current				
– Trade receivables	5,098	–	–	–
– Prepayment and other receivables	4,527	630	–	–
– Refundable value-added tax *(Note)*	1,914	15,354	12,822	10,991
	11,539	15,984	12,822	10,991
	12,048	19,546	13,301	61,921

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Hetian GCL.

At 1 January 2018, trade receivables from contract with customers amounted to approximately RMB297,000.

For sales of electricity in the PRC, Hetian GCL generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Hetian GCL and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Hetian GCL for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	5,395	321	323	50,730

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for solar power plant operated by Hetian GCL, as well as the unbilled tariff adjustments for the solar power plant which is not yet registered in the Catalogue. At 31 December 2018 and 2019, the amount represents unbilled basic tariff receivables for solar power plant operated by Hetian GCL. At 30 September 2020, the amount represents unbilled basic tariff receivables for solar power plant operated by Hetian GCL and the unbilled tariff adjustments for the solar power plant which is enlisted in the List. The sole director of Hetian GCL expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

		At 31 December		**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	3,902	321	323	4,949
91 – 180 days	1,493	–	–	4,860
181 – 365 days	–	–	–	7,312
Over 365 days	–	–	–	33,609
	5,395	321	323	50,730

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Hetian GCL does not hold any collaterals over these balances.

19. CONTRACT ASSETS

	At 31 December		**At 30 September**
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	20,493	–	–
– Current	–	37,983	–
	20,493	37,983	–

At 1 January 2018, contract assets amounted to approximately RMB5,098,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the on-grid solar power plant is still pending for registration to the Catalogue at 31 December 2018 and 2019, and tariff adjustment is recognised as revenue upon electricity is generated and transmitted as disclosed in Note 6.

Pursuant to the 2020 Measures, for an on-grid solar power plant yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plant that is enlisted in the List. The contract assets are transferred to trade receivables when Hetian GCL's on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Since the solar power plant operated by Hetian GCL is admitted to the List in June 2020, which represented Hetian GCL's right to consideration in exchange for services in connection with sales of electricity to its customer became unconditional, accordingly, the contract assets are reclassified as unbilled trade receivables in June 2020 since its solar power plant was admitted to the List and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 24b.

20. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

21. LEASE LIABILITIES

	At 31 December 2019	**At 30 September 2020**
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	–	936
Within a period of more than one years but not more than two years	908	–
Within a period of more than two years but not more than five years	–	–
Within a period of more than five years	2,053	2,161
	2,961	3,097
Less: Amount due settlement with 12 months shown under current liabilities	–	(936)
Amount due for settlement after 12 months shown under non-current liabilities	2,961	2,161

All lease liabilities are denominated in RMB.

Hetian GCL has financial risk management policies in place to ensure settlement of payables within the credit time frame.

22. PAID-UP CAPITAL

	At 31 December			**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	34,534	34,534	34,534	34,534

23. CAPITAL MANAGEMENT

Hetian GCL manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Hetian GCL's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Hetian GCL consists of net debt, which mainly includes amounts due to related companies, net of cash and cash equivalents, and equity attributable to owner of Hetian GCL, comprising paid-up capital and reserves.

The sole director of Hetian GCL reviews the capital structure on a periodical basis. As part of this review, the sole director of Hetian GCL considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Hetian GCL, Hetian GCL will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	12,048	–	–	–
Amortised cost	–	19,546	13,845	63,787
Financial liabilities				
Amortised cost	134,462	157,118	169,414	169,675
Lease liabilities	–	–	2,961	3,097

24b. Financial risk management objectives and policies

Hetian GCL's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Hetian GCL is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 17) and bank balances (see Note 20), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Hetian GCL reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Hetian GCL has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Hetian GCL's counterparties default on their contractual obligations resulting in financial losses to Hetian GCL. Hetian GCL's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Hetian GCL does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Hetian GCL's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that all of Hetian GCL's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Hetian GCL always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Hetian GCL assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Hetian GCL's current liabilities exceeded its current assets by RMB133,953,000, RMB153,545,000, RMB130,408,000 and RMB117,815,000, respectively. Hetian GCL is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Hetian GCL monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Hetian GCL's operations and mitigate the effects of fluctuation in cash flows.

Hetian GCL relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Hetian GCL is of the opinion that the Group will be able to meet its commitment to provide funds to Hetian GCL, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Hetian GCL's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Hetian GCL can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	8,891	–	–	–	–	8,891	8,891
Amounts due to related companies	1.26	125,571	–	–	–	–	125,571	125,571
Total		134,462	–	–	–	–	134,462	134,462

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	5,622	–	–	–	–	5,622	5,622
Amounts due to related companies	1.26	151,496	–	–	–	–	151,496	151,496
Total		157,118	–	–	–	–	157,118	157,118

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	5,920	–	–	–	–	5,920	5,920
Amounts due to related companies	1.26	163,494	–	–	–	–	163,494	163,494
Sub-total		169,414	–	–	–	–	169,414	169,414
Lease liabilities	6.0	45	138	1,537	370	3,349	5,439	2,961
Total		169,459	138	1,537	370	3,349	174,853	172,375

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	4,807	–	–	–	–	4,807	4,807
Amounts due to related companies	1.26	164,273	–	–	–	–	164,273	164,273
Sub-total		169,080	–	–	–	–	169,080	169,080
Lease liabilities	6.0	47	1,509	114	387	3,246	5,303	3,097
Total		169,127	1,509	114	387	3,246	174,383	172,177

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Hetian GCL considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Hetian GCL's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Hetian GCL's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	110,827	–	110,827
Financing cash flows	13,782	–	13,782
Finance costs	962	–	962
At 31 December 2017 and 1 January 2018	125,571	–	125,571
Financing cash flows	24,746	–	24,746
Finance costs	1,179	–	1,179
At 31 December 2018	151,496	–	151,496
Adjustment upon application of IFRS 16	–	2,789	2,789
At 1 January 2019	151,496	2,789	154,285
Financing cash flows	(4,771)	–	(4,771)
Finance costs	546	172	718
Dividend declared	16,223	–	16,223
At 31 December 2019 and 1 January 2020	163,494	2,961	166,455
Financing cash flows	306	–	306
Finance costs	473	136	609
At 30 September 2020	164,273	3,097	167,370

26. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
Hetian GCL as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Land	280	280

Hetian GCL's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	280	280
In the second to fifth year inclusive	1,120	1,120
After five years	3,730	3,450
	5,130	4,850

Lease is negotiated and rental is fixed for term of 20 year for the parcel of land for the years ended 31 December 2017 and 2018. The lease agreement entered into between the landlord and Hetian GCL include renewal options at the discretion of the respective group entities for further 5 years from the end of the leases with fixed rental.

27. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Hetian GCL also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses to immediate holding company	669	347	–	–	–
Interest expenses to intermediate holding company	1,087	832	546	420	473
Consultancy fee expenses to immediate holding company	12	12	–	–	3

Details of the remuneration for the key management personnel, which represents the sole director of Hetian GCL, are set out in Note 11.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Hetian GCL has no significant event occurred.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Hetian GCL have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II G-1 to II G-53, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GAOTANG COUNTY GCL JINGHUI PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Gaotang County GCL Jinghui GCL Photovoltaic Power Co., Ltd. (高唐縣協鑫晶輝光伏有限公司) ("**Gaotang GCL**") and its subsidiary (collectively referred to as "**Gaotang GCL Group**") set out on pages II G-5 to II G-53, which comprises the consolidated statements of financial position of Gaotang GCL Group and the statements of financial position of Gaotang GCL at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Gaotang GCL Group for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II G-5 to II G-53 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Gaotang GCL is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Gaotang GCL determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Gaotang GCL, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Gaotang GCL Group's and Gaotang GCL's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Gaotang GCL Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Gaotang GCL Group exceeded its current assets by approximately RMB15,178,000. This condition along with other matters as set forth in note 2 to the Historical Financial Information indicate that a material uncertainty exists they may cast significant doubt on Gaotang GCL Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Gaotang GCL Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Gaotang GCL is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period

Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II G-5 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Gaotang GCL in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF GAOTANG GCL GROUP

The consolidated financial statements of Gaotang GCL Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information ("**Underlying Financial Statements**") and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	36,916	32,953	32,944	26,831	23,632
Cost of sales		(12,330)	(13,552)	(13,182)	(11,123)	(8,924)
Gross profit		24,586	19,401	19,762	15,708	14,708
Other income	*7*	203	308	969	957	36
Loss on disposal of property, plant and equipment		–	–	(558)	–	–
Administrative expenses		(3,454)	(1,678)	(864)	(604)	(519)
Finance costs	*8*	(13,162)	(10,791)	(10,530)	(8,061)	(6,969)
Profit before taxation		8,173	7,240	8,779	8,000	7,256
Income tax expenses	*9*	–	–	(1,190)	(1,201)	(964)
Profit and total comprehensive income for the year/period	*10*	8,173	7,240	7,589	6,799	6,292

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
	NOTES	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	231,209	230,103	221,376	214,441
Right-of-use assets	*15*	–	–	18,021	17,377
Trade and other receivables	*17*	26,479	16,837	12,840	9,887
Contract assets	*18*	–	5,696	8,736	–
		257,688	252,636	260,973	241,705
CURRENT ASSETS					
Trade and other receivables	*17*	39,618	27,861	42,094	58,037
Amounts due from related companies	*16*	–	13,912	–	–
Bank balances	*19*	31,025	19,196	9,969	13,769
		70,643	60,969	52,063	71,806
CURRENT LIABILITIES					
Other payables		36,326	43,265	32,164	29,133
Amounts due to related companies	*16*	12,350	20,369	34,107	39,497
Lease liabilities	*20*	–	–	339	354
Bank borrowing	*21*	18,000	18,000	18,000	18,000
		66,676	81,634	84,610	86,984
NET CURRENT ASSETS/ (LIABILITIES)		3,967	(20,665)	(32,547)	(15,178)
TOTAL ASSETS LESS CURRENT LIABILITIES		261,655	231,971	228,426	226,527
NON-CURRENT LIABILITY					
Lease liabilities	*20*	–	–	18,219	19,028
Bank borrowing	*21*	162,000	144,000	126,000	117,000
		162,000	144,000	144,219	136,028
NET ASSETS		99,655	87,971	84,207	90,499
CAPITAL AND RESERVES					
Paid-up capital	*22*	81,000	81,000	81,000	81,000
Reserves		18,655	6,971	3,207	9,499
TOTAL EQUITY		99,655	87,971	84,207	90,499

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Investment in a subsidiary	30	–	873	873	873
Property, plant and equipment		231,209	229,906	221,246	214,360
Right-of-use assets		–	–	18,021	17,377
Trade and other receivables		26,479	16,771	12,773	9,820
Contract assets		–	5,696	8,736	–
		257,688	253,246	261,649	242,430
CURRENT ASSETS					
Trade and other receivables		39,618	27,201	41,441	57,466
Amounts due from related companies		–	13,912	–	–
Bank balances		31,025	19,161	9,933	13,751
		70,643	60,274	51,374	71,217
CURRENT LIABILITIES					
Other payables		36,326	43,260	32,164	29,133
Amounts due to related companies		12,350	20,369	34,107	39,497
Lease liabilities		–	–	339	354
Bank borrowing		18,000	18,000	18,000	18,000
		66,676	81,629	84,610	86,984
NET CURRENT ASSETS/ (LIABILITIES)		3,967	(21,355)	(33,236)	(15,767)
TOTAL ASSETS LESS CURRENT LIABILITIES		261,655	231,891	228,413	226,663
NON-CURRENT LIABILITY					
Lease liabilities		–	–	18,219	19,028
Bank borrowing		162,000	144,000	126,000	117,000
		162,000	144,000	144,219	136,028
NET ASSETS		99,655	87,891	84,194	90,635
CAPITAL AND RESERVES					
Paid-up capital	22	81,000	81,000	81,000	81,000
Reserves		18,655	6,891	3,194	9,635
TOTAL EQUITY		99,655	87,891	84,194	90,635

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	Retained earnings (accumulated losses)	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	–	1,048	9,434	10,482
Profit and total comprehensive income for the year	–	–	8,173	8,173
Capital injection *(Note 22)*	81,000	–	–	81,000
Transfer to legal reserve	–	817	(817)	–
At 31 December 2017 and 1 January 2018	81,000	1,865	16,790	99,655
Profit and total comprehensive income for the year	–	–	7,240	7,240
Transfer to legal reserve	–	724	(724)	–
Dividend declared *(Note 12)*	–	–	(18,924)	(18,924)
At 31 December 2018 and 1 January 2019	81,000	2,589	4,382	87,971
Profit and total comprehensive income for the year	–	–	7,589	7,589
Transfer to legal reserve	–	759	(759)	–
Dividend declared *(Note 12)*	–	–	(11,353)	(11,353)
At 31 December 2019 and 1 January 2020	81,000	3,348	(141)	84,207
Profit and total comprehensive income for the period	–	–	6,292	6,292
At 30 September 2020	81,000	3,348	6,151	90,499
At 1 January 2019 (audited)	81,000	2,589	4,382	87,971
Profit and total comprehensive income for the period (unaudited)	–	–	6,799	6,799
Transfer to legal reserve (unaudited)	–	13	(13)	–
Dividend declared *(Note 12)* (unaudited)	–	–	(6,429)	(6,429)
At 30 September 2019 (unaudited)	81,000	2,602	4,739	88,341

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Gaotang GCL, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	8,173	7,240	8,779	8,000	7,256
Adjustments for:					
Depreciation of property, plant and equipment	8,884	9,322	9,656	7,190	7,395
Depreciation of right-of-use assets	–	–	858	644	644
Finance costs	13,162	10,791	10,530	8,061	6,969
Interest income	(203)	(289)	(544)	(538)	(17)
Loss on disposal of property, plant and equipment	–	–	558	–	33,012
Operating cash flows before movements in working capital	30,016	27,064	29,837	23,357	55,259
(Increase) decrease in trade and other receivables	(3,877)	21,399	(10,236)	(6,462)	(13,425)
(Increase) decrease in contract assets	–	(5,696)	(3,040)	(1,874)	8,736
(Decrease) increase in other payables	(33,488)	6,939	(11,101)	(3,401)	(2,596)
Cash (used in) generated from operations	(7,349)	49,706	5,460	11,620	47,974
Income tax paid	(2,879)	–	(1,190)	(636)	(964)
Net cash (used in) from operating activities	(10,228)	49,706	4,270	10,984	47,010

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	203	289	544	538	17
Payments for construction and purchase of property, plant and equipment	(5,010)	(8,216)	(1,487)	(2,298)	(33,472)
(Advance to) repayment from related companies	–	(13,912)	13,912	13,453	–
Net cash (used in) generated from investing activities	(4,807)	(21,839)	12,969	11,693	(33,455)
Financing activities					
Interest paid	(10,430)	(10,244)	(9,170)	(6,981)	(6,145)
Capital injection	81,000	–	–	–	–
Repayment of other borrowing	(3,486)	(18,000)	(18,000)	(9,000)	(9,000)
Repayment of lease liabilities	–	–	(1,439)	–	–
Advance from (repayment to) related companies	(50,772)	(11,452)	2,143	(11,535)	5,390
Net cash generated from (used in) financing activities	16,312	(39,696)	(26,466)	(27,516)	(9,755)
Net increase (decrease) in cash and cash equivalents	1,277	(11,829)	(9,227)	(4,839)	3,800
Cash and cash equivalents at beginning of year/period	29,748	31,025	19,196	19,196	9,969
Cash and cash equivalents at end of year/period	31,025	19,196	9,969	14,357	13,769

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Gaotang GCL Photovoltaic Power Co., Ltd. ("**Gaotang GCL**") was established in the People's Republic of China (the "**PRC**") on 15 April 2015. Its immediate holding company is Suzhou GCL New Energy Investment Company Limited, a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Gaotang GCL is Room 203, Hui Xin Office Building, Gao Tang Country, Liao Cheng City, Shan Dong Province, the PRC.

Gaotang GCL is principally engaged in the sale of electricity in the PRC. The principal activity of Gaotang GCL and its subsidiary (together the "**Gaotang GCL Group**") is sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Gaotang GCL.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory audited financial statements of Gaotang GCL for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The Statutory audited financial statements of Gaotang GCL for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

No statutory financial statements of 高唐縣協鑫天地源農業開發有限公司 for the years ended 31 December 2017, 2018 and 2019 have been prepared as 高唐縣協鑫天地源農業開發有限公司 did not carried on any business.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") Further details of the significant accounting policies adopted are set out in Notes 3 and 4.

At 30 September 2020, Gaotang GCL's Group current liabilities exceeded its current assets by approximately RMB15,178,000. The sole director of Gaotang GCL has reviewed the Gaotang GCL Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from shareholder and future financial plans. In the opinion of the sole director of the Gaotang GCL, Gaotang GCL Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Gaotang GCL to continue as a going concern is highly dependent upon the financial support from the Company, until the completion of the disposal of Gaotang GCL Group. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Gaotang GCL Group. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support

Gaotang GCL Group to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the sole director of Gaotang GCL is of the opinion that the Group will be able to meet its commitment to provide funds to Gaotang GCL Group.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Gaotang GCL Group. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Gaotang GCL Group as committed and, in turn, Gaotang GCL Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Gaotang GCL Group to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Gaotang GCL Group and became effective during the Relevant Periods. In preparing the Historical Financial Information, Gaotang GCL Group has applied all these new and revised IFRS Standards which are effective for Gaotang GCL Group's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Gaotang GCL Group adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Gaotang GCL Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Gaotang GCL Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Gaotang GCL Group recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Gaotang GCL Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	26,479	(19,220)	7,259
Contract assets	*(a)*	–	19,220	19,220

Note:

(a) At 1 January 2018, tariff adjustments related to solar power plants yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Gaotang GCL Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Gaotang GCL Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Gaotang GCL Group assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Gaotang GCL Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Gaotang GCL Group has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Gaotang GCL Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Gaotang GCL Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Gaotang GCL Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Gaotang GCL Group assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Gaotang GCL Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Gaotang GCL Group recognised additional lease liabilities approximately of RMB18,879,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Gaotang GCL Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment at whether leases are onerous by applying IAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for lease previously classified as operating lease, Gaotang GCL Group has applied incremental borrowing rates at the date of initial application. The incremental borrowing rate applied is 5.9%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 27)*	33,512
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rate upon application of IFRS 16	18,879
Analysed as:	
Current	320
Non-current	18,559
	18,879

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	18,879

The transition to IFRS 16 has no impact to Gaotang GCL Group's retained earnings at 1 January 2019.

Sales and lease back transaction

Gaotang GCL Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, Gaotang GCL Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year ended 31 December 2019, and the nine months ended 30 September 2020 there is no sales and leaseback transactions entered by Gaotang GCL Group. Hence, there is no impact from sale and leaseback transaction to Gaotang GCL Group upon the implementation of IFRS 16.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	18,879	18,879
Current liabilities			
Lease liabilities	–	(320)	(320)
Non-current liabilities			
Lease liabilities	–	(18,559)	(18,559)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2] Cycle

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Gaotang GCL anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Gaotang GCL Group's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Gaotang GCL Group's right to defer settlement for other borrowing of RMB117,000,000 are subject to compliance with covenants within 12 months from the reporting date. Such other borrowing was classified as non-current as Gaotang GCL Group met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Gaotang GCL Group will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as described in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of Gaotang GCL and entities controlled by Gaotang GCL. Control is achieved when Gaotang GCL:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Gaotang GCL Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Gaotang GCL Group obtains control over the subsidiary and ceases when Gaotang GCL Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Gaotang GCL Group gains control until the date when Gaotang GCL Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income ("OCI") are attributed to the owners of Gaotang GCL and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Gaotang GCL and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Gaotang GCL Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Gaotang GCL Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Gaotang GCL Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in Gaotang GCL Group's interests in existing subsidiaries

Changes in Gaotang GCL Group's interests in subsidiaries that do not result in Gaotang GCL Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Gaotang GCL Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Gaotang GCL Group and the non-controlling interests according to Gaotang GCL's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Gaotang GCL.

When Gaotang GCL Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Gaotang GCL. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if Gaotang GCL Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Gaotang GCL Group, liabilities incurred by Gaotang GCL Group to the former owners of the acquiree and the equity interests issued by Gaotang GCL Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes ("IAS 12") and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of Gaotang GCL Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms, except for right-of-use assets relating to leasehold lands in which the relevant acquirees are the registered owners with full upfront lease payments, which are measured at fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests'proportionate share of the recognised amounts of the acquiree's identifiable net assets or fair value.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, Gaotang GCL Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when Gaotang GCL Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amount arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if Gaotang GCL Group had disposed directly of the previously held equity interest.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Gaotang GCL Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Gaotang GCL Group's performance as Gaotang GCL Group performs;
- Gaotang GCL Group's performance creates or enhances an asset that the customer controls as Gaotang GCL Group performs; or
- Gaotang GCL Group's performance does not create an asset with an alternative use to Gaotang GCL Group and Gaotang GCL Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Gaotang GCL Group's right to consideration in exchange for goods or services that Gaotang GCL Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Gaotang GCL Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Gaotang GCL Group's obligation to transfer goods or services to a customer for which Gaotang GCL has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Gaotang GCL Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Gaotang GCL Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Gaotang GCL Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Gaotang GCL Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Gaotang GCL Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Gaotang GCL Group and when specific criteria have been met for each of Gaotang GCL Group's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Gaotang GCL Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Gaotang GCL Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Gaotang GCL Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Gaotang GCL Group applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Gaotang GCL Group; and
- an estimate of costs to be incurred by Gaotang GCL Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Gaotang GCL Group presents right-of-use assets as a separate line item on the statement of financial position.

Gaotang GCL Group as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Gaotang GCL Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Gaotang GCL Group.

Gaotang GCL Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Gaotang GCL Group as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Gaotang GCL Group as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Gaotang GCL Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Gaotang GCL Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Gaotang GCL Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Gaotang GCL Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Gaotang GCL Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Gaotang GCL Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Gaotang GCL Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Gaotang GCL Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Gaotang GCL Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Gaotang GCL Group's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Gaotang GCL Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Gaotang GCL Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Gaotang GCL Group always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Gaotang GCL Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Gaotang GCL Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Gaotang GCL Group compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Gaotang GCL Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Gaotang GCL Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Gaotang GCL Group has reasonable and supportable information that demonstrate otherwise.

Gaotang GCL Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Gaotang GCL Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Gaotang GCL, in full without taking into account any collaterals held by Gaotang GCL Group.

Irrespective of the above, Gaotang GCL Group considers that default has occurred when a financial asset is more than 90 days past due unless Gaotang GCL Group has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Gaotang GCL Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Gaotang GCL's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Gaotang GCL Group in accordance with the contract and the cash flows that Gaotang GCL Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Gaotang GCL Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Gaotang GCL Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Gaotang GCL Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Gaotang GCL Group transferred the legal title of certain equipment of Gaotang GCL Group to the relevant financial institutions, and Gaotang GCL Group is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Gaotang GCL Group during the lease period.

Derecognition of financial liabilities

Gaotang GCL Group derecognises financial liabilities when, and only when, Gaotang GCL Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Gaotang GCL Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Gaotang GCL Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Gaotang GCL Group's accounting policies, which are described in Note 4, the sole director of Gaotang GCL is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Gaotang GCL has made in the process of applying Gaotang GCL Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Gaotang GCL Group has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Gaotang GCL Group to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Gaotang GCL Group's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Gaotang GCL Group.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Gaotang GCL Group operates two solar power plants in the PRC, one of the solar power plants was admitted to the Catalogue prior to June 2018, and the remaining solar power plant was admitted to the List in September 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB24,153,000 was included in the sales of electricity as disclosed in Note 6, of which solar power plants of Gaotang GCL Group were still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that all of the operating power plants of Gaotang GCL Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. In making his judgement, the sole director of Gaotang GCL, taking into account the legal opinion of the Company's legal advisor, considered that all of Gaotang GCL Group's operating solar power plants had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Gaotang GCL is confident that all of Gaotang GCL Group's operating solar power plants were able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, which is upon the application of IFRS 15, tariff adjustments of RMB3,583,000, RMB3,574,000, and RMB2,903,000 (unaudited) respectively, were included in the sales of electricity as disclosed in Note 6, of which one out of two on-grid solar power plant of Gaotang GCL Group was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Gaotang GCL Group which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that all of the solar power plants operated by Gaotang GCL Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Gaotang GCL Group had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures. Hence, the solar power plants of Gaotang GCL Group are able to be enlisted on the List subsequent to the period ended 30 September 2020 and the accrued revenue on tariff are fully recoverable.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019, Gaotang GCL Group recognised revenue of RMB24,153,000, RMB3,583,000, RMB3,574,000, and RMB2,903,000 (unaudited) respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Gaotang GCL Group generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB24,153,000, RMB19,452,000, RMB19,498,000, RMB15,835,000 (unaudited) and RMB13,537,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Gaotang GCL Group generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Gaotang GCL Group and the local grid company. Gaotang GCL Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Gaotang GCL Group operates two solar power plants, one of the solar power plant was admitted to the List prior to June 2018, and the remaining solar power plant was admitted to the List in September 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Management assessed that the solar power plant operated has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract assets of the solar power plant admitted to the List in June 2018 and September 2020 are transferred to trade receivables upon such solar power plants being admitted to the List in June 2018 and September 2020 respectively. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Gaotang GCL Group regularly reviews the results of the solar power plants operate by Gaotang GCL Group when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Gaotang GCL Group is solely located in the PRC. All revenue of Gaotang GCL Group are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income of financial assets at amortised cost:					
– Bank interest income	203	77	34	28	13
– Interest income on amount due from an intermediate holding company	–	212	510	510	4
Others	–	19	425	419	19
Total other income	203	308	969	957	36

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Bank borrowing	10,430	10,244	9,170	6,981	6,145
Amounts due to related companies	2,732	547	242	242	–
Lease liabilities	–	–	1,118	838	824
Total finance costs	13,162	10,791	10,530	8,061	6,969

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	–	1,190	1,201	964

The basic tax rate of Gaotang GCL and its subsidiary is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Gaotang GCL engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2016 to 2018 followed by 3-year 50% exemption from 2019 to 2021. Besides, Gaotang GCL is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2016.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	8,173	7,240	8,779	8,000	7,256
Tax at domestic income tax rate of 25%	2,043	1,810	2,195	2,000	1,814
Effect of tax exemptions and concessions granted	(2,043)	(1,810)	(1,097)	(1,000)	(907)
Others	–	–	92	201	57
Income tax expense for the year/period	–	–	1,190	1,201	964

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Loss on disposal at property, plant and equipment	–	–	558	–	33,012
Depreciation of:					
– Property, plant and equipment	8,884	9,322	9,656	7,190	7,395
– Right-of-use assets	–	–	858	644	644
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	605	726	550	280	437
– Retirement benefit scheme contributions	24	72	64	44	18

11. DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director's emoluments

The emoluments of the sole director of Gaotang GCL during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Ding Jiangsu 丁江蘇 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Ding Jiangsu 丁江蘇 *(Note i)*	–	–	–	–	–
Ren Xiaoliang 任孝良 *(Note ii)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Ren Xiaoliang 任孝良 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Ren Xiaoliang 任孝良 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Ren Xiao liang 任孝良 *(Note ii)*	–	–	–	–	–

Notes:

(i) Ding Jiangsu resigned as the sole director of Gaotang GCL with effect from 16 March 2018.

(ii) Ren Xiaoliang has been appointed as the sole director of Gaotang GCL with effect from 16 March 2018.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Gaotang GCL during the Relevant Periods were borne by a related company for his service as the sole director of Gaotang GCL.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Gaotang GCL waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Gaotang GCL Group during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	533	449	397	280	375
Performance-related bonus	72	118	153	–	62
Retirement benefits scheme contribution	24	60	64	44	18
	629	627	614	324	455

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately Nil, RMB18,924,000, RMB11,353,000, RMB6,429,000 (unaudited) and Nil were proposed and paid to ordinary shareholder of Gaotang GCL during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020 respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2017	9,893	522	225,628	–	236,043
Additions	1,222	1,579	–	7,919	10,720
Transfer	–	47	7,872	(7,919)	–
At 31 December 2017 and 1 January 2018	11,115	2,148	233,500	–	246,763
Additions	–	388	125	7,703	8,216
Transfer	–	–	7,703	(7,703)	–
At 31 December 2018 and 1 January 2019	11,115	2,536	241,328	–	254,979
Additions	14	53	–	1,420	1,487
Disposals	(434)	–	(125)	–	(559)
Transfer	–	–	1,420	(1,420)	–
At 31 December 2019 and 1 January 2020	10,695	2,589	242,623	–	255,907
Additions	33,126	–	–	346	33,472
Disposals	–	–	(69,929)	–	(69,929)
At 30 September 2020	43,821	2,589	172,694	346	219,450
Accumulated depreciation					
At 1 January 2017	158	35	6,477	–	6,670
Charge for the year	476	213	8,195	–	8,884
At 31 December 2017 and 1 January 2018	634	248	14,672	–	15,554
Charge for the year	485	449	8,388	–	9,322
At 31 December 2018 and 1 January 2019	1,119	697	23,060	–	24,876
Charge for the year	485	456	8,715	–	9,656
Disposals	–	–	(1)	–	(1)
At 31 December 2019 and 1 January 2020	1,604	1,153	31,774	–	34,531
Charge for the period	676	343	6,376	–	7,395
Disposals	–	–	(36,917)	–	(36,917)
At 30 September 2020	2,280	1,496	1,233	–	5,009
Carrying values					
At 31 December 2017	10,481	1,900	218,828	–	231,209
At 31 December 2018	9,996	1,839	218,268	–	230,103
At 31 December 2019	9,091	1,436	210,849	–	221,376
At 30 September 2020	41,541	1,093	171,461	346	214,441

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	18,879
Depreciation charge	(858)
At 31 December 2019 and 1 January 2020	18,021
Depreciation charge	(644)
At 30 September 2020	17,377

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Year ended 31 December			**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	–	1,520	–	–
– intermediate holding company	–	12,392	–	–
	–	13,912	–	–
Amounts due to related companies				
– immediate holding company	12,050	18,924	19,492	23,864
– intermediate holding companies	–	–	14,120	14,120
– fellow subsidiaries	300	1,445	495	1,513
	12,350	20,369	34,107	39,497

Except for amounts due to related companies of approximately RMB12,050,000, RMB18,924,000, RMB14,120,000 and RMB14,120,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at 27% per annum, 27% per annum, 6.8% per annum, and 6.8% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	43,367	26,288	39,711	54,115
Prepayments and deposits	2	38	15	1,162
Other receivables				
– Refundable value-added tax	19,249	16,837	12,840	9,887
– Others	3,479	1,535	2,368	2,760
	66,097	44,698	54,934	67,924

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	39,618	27,861	42,094	58,037
Non-current				
– Trade receivables	7,230	–	–	–
– Refundable value-added tax *(Note)*	19,249	16,837	12,840	9,887
	26,479	16,837	12,840	9,887
	66,097	44,698	54,934	67,924

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Gaotang GCL Group.

At 1 January 2018, trade receivables from contract with customers amounted to RMB42,273,000.

For sales of electricity in the PRC, Gaotang GCL Group generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Gaotang GCL Group and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Gaotang GCL for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	42,302	91	22,063	42,335
0 – 90 days	1,065	26,197	2,528	1,209
91 – 180 days	–	–	–	10,571
Over 180 days	–	–	15,120	–
	43,367	26,288	39,711	54,115

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plants operated by Gaotang GCL Group, as well as the unbilled tariff adjustment receivables for the solar power plants which were not yet registered in the Catalogue at 31 December 2017. At 31 December 2018 and 2019, the amount represented unbilled basic tariff receivables for the solar power plants operated by Gaotang GCL Gruop and the unbilled tariff adjustment receivables of the solar power plant which was already registered in the Catalogue/List. At 31 December 2020, the amount represents unbilled basic tariff receivables and unbilled tariff adjustment receivables of the solar power plants of Gaotang GCL Group. The sole director of Gaotang GCL expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	1,814	91	2,522	7,155
91 – 180 days	6,242	–	5,270	3,949
181 – 365 days	13,191	–	3,959	13,922
Over 365 days	21,055	–	10,312	17,309
	42,302	91	22,063	42,335

At 31 December 2017, 2018, 2019 and 30 September 2020, included in these trade receivables are debtors with aggregate carrying amount of Nil, Nil, RMB15,120,000 and RMB10,571,000, respectively, which are past due as at the end of the reporting date.

18. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	5,696	8,736	–

At 1 January 2018, contract assets amounted to RMB19,220,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the relevant on-grid solar power plants are still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated as disclosed in Note 6.

Pursuant to the 2020 Measures, for those on-grid solar power plants yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List. The contract assets are transferred to trade receivables when Gaotang GCL Group's respective on-grid solar power plants are enlisted in the List. The management considers that financing component, and tariff adjustment until the end of the expected collection period is insignificant.

Since the solar power plants operated by Gaotang GCL Group are admitted to the List in June 2018 and 30 September 2020, which represented Gaotang GCL Group's right to consideration in exchange for service in connection with sales of electricity to its customer became unconditional, accordingly, the relevant contract assets are reclassified as unbilled trade receivables in June 2018 and 30 September 2020 since its solar power plants are admitted to the List and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 24b.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

20. LEASE LIABILITIES

	At 31 December 2019	**At 30 September 2020**
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	339	354
Within a period of more than one years but not more than two years	359	375
Within a period of more than two years but not more than five years	1,210	1,264
Within a period of more than five years	16,650	17,389
	18,558	19,382
Less: Amount due for settlement with 12 months shown under current liabilities	(339)	(354)
Amount due for settlement after 12 months shown under non-current liabilities	18,219	19,028

All lease liabilities are denominated in RMB.

21. BANK BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the bank borrowing are repayable:				
Within one year	18,000	18,000	18,000	18,000
More than one year, but not exceeding two years	18,000	18,000	18,000	18,000
More than two years, but not exceeding five years	54,000	54,000	54,000	54,000
More than five years	90,000	72,000	54,000	45,000
	180,000	162,000	144,000	135,000
Less: Accounts due within one year shown under current liabilities	(18,000)	(18,000)	(18,000)	(18,000)
Amounts due after one year	162,000	144,000	126,000	117,000

The variable-rate bank borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 120% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	81,000	81,000	81,000	81,000

23. CAPITAL MANAGEMENT

Gaotang GCL Group manages its capital to ensure that entities in Gaotang GCL Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Gaotang GCL Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Gaotang GCL Group consists of net debt, which mainly includes amounts due to related companies, lease liabilities, other borrowing, net of cash and cash equivalents, and equity attributable to owner of Gaotang GCL, comprising paid-up capital and reserves.

The sole director of Gaotang GCL reviews the capital structure on a periodical basis. As part of this review, the sole director of Gaotang GCL considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Gaotang GCL, Gaotang GCL Group will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	97,122	–	–	–
Amortised cost	–	77,806	64,033	80,825
Financial liabilities				
Amortised cost	228,676	225,634	228,829	223,012

24b. Financial risk management objectives and policies

Gaotang GCL Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, other payables, lease liabilities, amounts due to related companies, and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Gaotang GCL Group is exposed to fair value interest rate risk in relation to amounts due to related companies and lease liabilities. Gaotang GCL Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowing and bank balances, and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the bank borrowing of Gaotang GCL Group is issued at variable rates which expose Gaotang GCL Group to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Gaotang GCL Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Gaotang GCL Group's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB900,000, RMB810,000, RMB720,000 and RMB675,000, respectively. This is mainly attributable to Gaotang GCL Group's exposure to interest rates on its variable-rate borrowings.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Gaotang GCL Group reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Gaotang GCL Group has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Gaotang GCL Group's counterparties default on their contractual obligations resulting in financial losses to Gaotang GCL Group. Gaotang GCL Group's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Gaotang GCL Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Gaotang GCL Group's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that all of Gaotang GCL Group's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Gaotang GCL Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Gaotang GCL Group assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2018 and 2019, and 30 September 2020, Gaotang GCL Group's current liabilities exceeded its current assets by RMB20,665,000, RMB32,547,000 and RMB15,178,000, respectively. Gaotang GCL Group is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Gaotang GCL Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Gaotang GCL Group's operations and mitigate the effects of fluctuation in cash flows.

Gaotang GCL Group relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Gaotang GCL is of the opinion that the Group will be able to meet its commitment to provide funds to Gaotang GCL Group, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Gaotang GCL Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Gaotang GCL Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	36,326	–	–	–	–	36,326	36,326
Other borrowing	5.62%	2,646	25,598	27,170	75,052	103,764	234,230	180,000
Amounts due to related companies	27%	12,350	–	–	–	–	12,350	12,350
Total		51,322	25,598	27,170	75,052	103,764	282,906	228,676

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	43,265	–	–	–	–	43,265	43,265
Other borrowing	5.94%	2,381	24,788	26,088	71,848	80,880	205,985	162,000
Amounts due to related companies	27%	20,369	–	–	–	–	20,639	20,369
Total		66,105	24,788	26,088	71,848	80,880	269,889	225,634

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	31,729	–	–	–	–	31,729	31,729
Other borrowing	5.94%	2,109	24,788	62,088	68,651	59,061	216,697	144,000
Lease liabilities		–	1,438	1,438	4,313	26,323	33,512	18,558
Amounts due to related companies	6.8%	34,349	–	–	–	–	34,349	34,107
Total		68,187	26,226	63,526	72,964	85,384	316,287	228,394

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	28,699	–	–	–	–	28,699	28,699
Other borrowing	5.90%	10,943	14,312	24,216	66,254	47,886	163,611	135,000
Lease liabilities		1,438	–	1,438	4,313	27,761	34,950	19,382
Amounts due to related companies	6.8%	39,497	–	–	–	–	39,497	39,497
Total		80,577	14,372	25,654	70,567	75,647	266,757	222,578

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Gaotang GCL considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Gaotang GCL Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Gaotang GCL Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities	**Amounts due to related companies**	**Other borrowing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	–	60,390	–	60,390
Financing cash flows	–	(50,772)	169,570	118,798
Finance costs	–	2,732	10,430	13,162
At 31 December 2017 and 1 January 2018	–	12,350	180,000	192,350
Financing cash flows	–	(11,452)	(28,244)	(39,696)
Finance costs	–	547	10,244	10,791
Dividend declared	–	18,924	–	18,924
At 31 December 2018	–	20,369	162,000	182,369
Adjustment upon application of IFRS 16	18,879	–	–	18,879
At 1 January 2019	18,879	20,369	162,000	201,248
Financing cash flows	(1,439)	2,143	(27,170)	(26,466)
Finance costs	1,118	242	9,170	10,530
Dividend declared	–	11,353	–	11,353
At 31 December 2019 and 1 January 2020	18,558	34,107	144,000	196,665
Financing cash flows	–	5,390	(15,145)	(9,755)
Finance costs	824	–	6,145	6,969
At 30 September 2020	19,382	39,497	135,000	193,879

26. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Gaotang GCL Group has no capital commitments.

27. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
Gaotang GCL Group as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Office premise	1,438	1,438

Gaotang GCL Group's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	1,438	1,438
In the second to fifth year inclusive	5,751	5,751
Over fifth year	27,761	26,323
	34,950	33,512

Lease is negotiated and rental is fixed for term of 25 year for the land for the years ended 31 December 2017 and 2018.

28. PLEDGE OF ASSETS

Gaotang GCL Group's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	218,828	218,268	210,849	171,461
Trade receivables and contract assets	46,202	36,058	50,127	54,115
	265,030	254,326	260,976	225,576

Gaotang GCL Group's secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Gaotang GCL Group and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity.

29. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Gaotang GCL Group also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expense to an intermediate holding company	–	47	242	242	–
Interest expense to immediate holding company	2,732	500	–	–	–
Interest income from an intermediate holding company	–	212	510	510	4
Consultancy fee to fellow subsidiary	–	–	1,132	1,132	–
Consultancy fee to immediate holding company	–	–	255	–	–

Details of the remuneration for the key management personnel, which represents the sole director of Gaotang GCL, are set out in Note 11.

30. INVESTMENT IN A SUBSIDIARY

	At 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	–	873	873	873

The following is a list of a subsidiary at 31 December 2017, 2018 and 2019 and 30 September 2020:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital/paid in capital	Effective interest held as at			
				31 December			30 September
				2017	2018	2019	2020
Directly held by the Gaotang GCL:							
高唐縣協鑫天地源農業開發有限公司 *(Note)*	PRC, limited liability company	Dormant, PRC	RMB1,000,000/ RMB873,000	N/A	100%	100%	100%

Note: The company is incorporated on 15 April 2015.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Gaotung GCL Group has no significant event occurred.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Gaotang GCL or Gaotang GCL Group have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II H-1 to II H-53, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LANXI JINRUI PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Lanxi Jinrui Photovoltaic Power Co., Ltd. (蘭溪金瑞太陽能發電有限公司) ("**Lanxi Jinrui**") and its subsidiary (collectively referred to as the "**Lanxi Jinrui Group**") set out on pages II H-5 to II H-53, which comprises the consolidated statements of financial position of Lanxi Jinrui Group and the statements of financial position of Lanxi Jinrui at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Lanxi Jinrui Group for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II H-5 to II H-53 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Lanxi Jinrui is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Lanxi Jinrui determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Lanxi Jinrui, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Lanxi Jinrui Group's and Lanxi Jinrui's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Lanxi Jinrui Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Lanxi Jinrui Group exceeded its current assets by approximately RMB18,582,000. This condition, along with other matters as set forth in note 2 to the Historical Financial Information, indicate that a material uncertainty exists that may cast significant doubt on Lanxi Jinrui Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Lanxi Jinrui Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Lanxi Jinrui is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period

Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II H-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Lanxi Jinrui in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF LANXI JINRUI

The consolidated financial statements of Lanxi Jinrui Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	25,833	42,082	49,699	39,152	30,675
Cost of sales		(4,563)	(13,273)	(23,920)	(22,795)	(11,290)
Gross profit		21,270	28,809	25,779	16,357	19,385
Other income	*7*	11	53	38	19	277
Administrative expenses		(129)	(649)	(391)	(338)	(106)
Finance costs	*8*	(7,024)	(18,882)	(20,403)	(16,224)	(14,934)
Profit (loss) before taxation		14,128	9,331	5,023	(186)	4,622
Income tax expenses	*9*	–	–	–	–	(761)
Profit (loss) and total comprehensive income for the year/period	*10*	14,128	9,331	5,023	(186)	3,861

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	At 31 December 2018	At 31 December 2019	At 30 September 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	269,597	283,749	262,024	254,901
Right-of-use assets	*15*	–	–	14,663	14,216
Trade and other receivables	*17*	41,770	26,406	21,044	17,288
Contract assets	*18*	–	48,672	–	–
		311,367	358,827	297,731	286,405
CURRENT ASSETS					
Trade and other receivables	*17*	5,908	18,111	1,248	104,459
Contract assets	*18*	–	–	76,055	–
Amounts due from related companies	*16*	4,290	8,174	7,156	1,073
Bank balances	*19*	18,935	97	488	1,171
		29,133	26,382	84,947	106,703
CURRENT LIABILITIES					
Other payables		26,164	74,866	34,442	41,551
Amounts due to related companies	*16*	42,747	24,694	62,898	62,993
Lease liabilities	*20*	–	–	152	159
Tax payable		–	–	–	543
Other borrowing	*21*	227,461	4,000	1,956	20,039
		296,372	103,560	99,448	125,285
NET CURRENT LIABILITIES		(267,239)	(77,178)	(14,501)	(18,582)
TOTAL ASSETS LESS CURRENT LIABILITIES		44,128	281,649	283,230	267,823
NON-CURRENT LIABILITY					
Lease liabilities	*20*	–	–	13,416	14,058
Other borrowing	*21*	–	208,806	207,668	187,758
		–	208,806	221,084	201,816
NET ASSETS		44,128	72,843	62,146	66,007
CAPITAL AND RESERVES					
Paid-up capital	*22*	30,000	60,320	60,320	60,320
Reserves		14,128	12,523	1,826	5,687
TOTAL EQUITY		44,128	72,843	62,146	66,007

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017 *RMB'000*	At 31 December 2018 *RMB'000*	At 31 December 2019 *RMB'000*	At 30 September 2020 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment		269,597	273,564	262,021	254,897
Investment in a subsidiary	*30*	–	1,250	1,250	1,250
Right-of-use assets		–	–	14,345	13,898
Trade and other receivables		41,770	26,406	21,044	17,288
Contract assets		–	48,672	–	–
		311,367	349,892	298,660	287,333
CURRENT ASSETS					
Trade and other receivables		5,908	17,792	1,248	104,243
Contract assets		–	–	76,055	–
Amounts due from related companies		4,290	8,174	7,156	1,073
Bank balances		18,935	62	480	1,171
		29,133	26,028	84,939	106,487
CURRENT LIABILITIES					
Other payables		26,164	74,866	34,434	41,350
Amounts due to related companies		42,747	15,405	62,792	62,827
Lease liabilities		–	–	152	159
Tax payable		–	–	–	543
Other borrowing		227,461	4,000	1,956	20,039
		296,372	94,271	99,334	124,918
NET CURRENT LIABILITIES		(267,239)	(68,243)	(14,395)	(18,431)
TOTAL ASSETS LESS CURRENT LIABILITIES		44,128	281,649	284,265	268,902
NON-CURRENT LIABILITY					
Lease liabilities		–	–	13,416	14,058
Other borrowing		–	208,806	207,668	187,758
		–	208,806	221,084	201,816
NET ASSETS		44,128	72,843	63,181	67,086
CAPITAL AND RESERVES					
Paid-up capital	*22*	30,000	60,320	60,320	60,320
Reserves		14,128	12,523	2,861	6,766
TOTAL EQUITY		44,128	72,843	63,181	67,086

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	1,000	–	–	1,000
Profit and total comprehensive income for the year	–	–	14,128	14,128
Capital injection (Note 22)	29,000	–	–	29,000
Transfer to legal reserve	–	1,413	(1,413)	–
At 31 December 2017 and 1 January 2018	30,000	1,413	12,715	44,128
Profit and total comprehensive income for the year	–	–	9,331	9,331
Capital injection *(Note 22)*	30,320	–	–	30,320
Transfer to legal reserve	–	1,845	(1,845)	–
Dividend declared *(Note 12)*	–	–	(10,936)	(10,936)
At 31 December 2018 and 1 January 2019	60,320	3,258	9,265	72,843
Profit and total comprehensive income for the year	–	–	5,023	5,023
Transfer to legal reserve	–	649	(649)	–
Dividend declared *(Note 12)*	–	–	(15,720)	(15,720)
At 31 December 2019 and 1 January 2020	60,320	3,907	(2,081)	62,146
Profit and total comprehensive income for the period	–	–	3,861	3,861
At 30 September 2020	60,320	3,907	1,780	66,007
At 1 January 2019 (audited)	60,320	3,258	9,265	72,843
Loss and total comprehensive income for the period (unaudited)	–	–	(186)	(186)
Dividend declared *(Note 12)* (unaudited)	–	–	(10,177)	(10,177)
At 30 September 2019 (unaudited)	60,320	3,258	(1,098)	62,480

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Lanxi Jinrui, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit (loss) before taxation	14,128	9,331	5,023	(186)	4,622
Adjustments for:					
Depreciation of property, plant and equipment	3,719	7,619	19,185	7,749	6,962
Depreciation of right-of-use assets	–	–	596	447	447
Finance costs	7,024	18,882	20,403	16,224	14,934
Interest income	(11)	(53)	(7)	(7)	(277)
Loss on written off of property, plant and equipment	–	–	10,186	–	330
Operating cash flows before movements in working capital	24,860	35,779	55,386	24,227	27,018
(Increase) decrease in trade and other receivables	33,158	(12,645)	20,676	17,102	(99,455)
Increase in contract assets	–	(32,866)	(27,383)	(20,302)	76,055
Increase (decrease) in other payables	8,847	48,701	(40,424)	(8,818)	7,109
Cash generated from operations	66,865	38,969	8,255	12,209	10,727
Income tax paid	–	–	–	–	(218)
Net cash from operating activities	66,865	38,969	8,255	12,209	10,509

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	11	24	3	2	4
Payments for construction and purchase of property, plant and equipment	(91,032)	(21,771)	(7,646)	(7,645)	(169)
Repayment from (advance to) related companies	(1,718)	(3,854)	1,022	485	6,356
Net cash (used in) generated from investing activities	(92,739)	(25,601)	(6,621)	(7,158)	6,191
Financing activities					
Interest paid	(7,024)	(18,623)	(18,037)	(14,226)	(14,285)
Capital injection	29,000	30,320	–	–	–
Inception (repayment) of other borrowing	21,713	(14,655)	(3,182)	(2,835)	(1,827)
Repayment of lease liabilities	–	–	(1,016)	(685)	–
(Repayment to) advance from related companies	1,065	(29,248)	20,992	13,261	95
Net cash generated from (used in) financing activities	44,754	(32,206)	(1,243)	(4,485)	(16,017)
Net (decrease) increase in cash and cash equivalents	18,880	(18,838)	391	566	683
Cash and cash equivalents at beginning of year/period	55	18,935	97	97	488
Cash and cash equivalents at end of year/period	18,935	97	488	663	1,171

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Lanxi Jinrui Photovoltaic Power Co., Ltd. ("**Lanxi Jinrui**") was established in the People's Republic of China (the "**PRC**") on 25 November 2015. Its immediate holding company is Nanjing GCL New Energy Development Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Lanxi Jinrui is Xihe Village, Yongchang Street, Lanxi City, Jinhua City, Zhejiang Province, the PRC.

Lanxi Jinrui is an investment holding company and principally engaged in the sale of electricity in the PRC. Lanxi Jinrui and its subsidiary (together the "**Lanxi Jinrui Group**") is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Lanxi Jinrui.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory audited financial statements of Lanxi Jinrui for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The Statutory audited financial statements Lanxi Jinrui for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

No audited statutory financial statements of 蘭溪金瑞農業科技有限公司 have been prepared as it has not carried on any business.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Notes 3 and 4.

At 30 September 2020, Lanxi Jinrui Group's current liabilities exceeded its current assets by approximately RMB18,582,000. The sole director of Lanxi Jinrui has reviewed the Lanxi Jinrui Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from shareholder and future financial plans. In the opinion of the sole director of the Lanxi Jinrui, Lanxi Jinrui Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Lanxi Jinrui Group to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Lanxi Jinrui Group. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Lanxi Jinrui Group. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support

Lanxi Jinrui Group to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the sole director of Lanxi Jinrui is of the opinion that the Group will be able to meet its commitment to provide funds to Lanxi Jinrui Group.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Lanxi Jinrui Group. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Lanxi Jinrui Group as committed and, in turn, Lanxi Jinrui Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Lanxi Jinrui Group to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Lanxi Jinrui Group and became effective during the Relevant Periods. In preparing the Historical Financial Information, Lanxi Jinrui Group has applied all these new and revised IFRS Standards which are effective for Lanxi Jinrui Group's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Lanxi Jinrui Group adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") and *IFRS 15 Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Lanxi Jinrui Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Lanxi Jinrui Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Lanxi Jinrui Group recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Lanxi Jinrui Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	41,770	(15,806)	25,964
Contract assets	*(a)*	–	15,806	15,806

Note:

(a) At 1 January 2018, tariff adjustments related to solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Lanxi Jinrui Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Lanxi Jinrui Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the Lanxi Jinrui Group's accounting policies above, Lanxi Jinrui Group assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Lanxi Jinrui Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Lanxi Jinrui Group has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Lanxi Jinrui Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Lanxi Jinrui Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Lanxi Jinrui Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Lanxi Jinrui Group assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Lanxi Jinrui Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Lanxi Jinrui Group recognised additional lease liabilities of approximately RMB13,710,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued lease payments by applying IFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Lanxi Jinrui Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, Lanxi Jinrui Group has applied incremental borrowing rates at the date of initial application. The average incremental borrowing rate applied is 6.4%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 27)*	26,794
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rates upon application of IFRS 16	13,710
Analysed as:	
Current	956
Non-current	12,754
	13,710

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	13,710
Reclassified from prepaid rent *(note)*	1,549
By class:	
Leasehold lands	15,259

Note: Prepaid rent for parcels of land in the PRC in which Lanxi Jinrui Group leased from third parties under operating leases were classified as prepayment at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid rent for parcels of lands amounting to RMB319,000 and RMB1,230,000, respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Lanxi Jinrui Group retained earnings at 1 January 2019.

Sales and lease back transaction

Lanxi Jinrui Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, Lanxi Jinrui Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year ended 31 December 2019, and the nine months ended 30 September 2020 there is no sales and leaseback transactions entered by Lanxi Jinrui Group. Hence, there is no impact from sale and leaseback transaction to Lanxi Jinrui Group upon the implementation of IFRS 16.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Trade and other receivables	21,044	(1,230)	19,814
Right-of-use assets	–	15,259	15,259
Current assets			
Trade and other receivables	1,248	(319)	929
Current liabilities			
Lease liabilities	–	(956)	(956)
Non-current liabilities			
Lease liabilities	–	(12,754)	(12,754)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]

Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2] Cycle

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Lanxi Jinrui anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Lanxi Jinrui Group's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Lanxi Jinrui Group's right to defer settlement for other borrowing of RMB120,397,000 beyond 12 months from the end at the reporting period is subject to compliance at the end at the reporting period. Such other borrowing was classified as non-current as Lanxi Jinrui Group met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Lanxi Jinrui Group will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of Lanxi Jinrui and entities controlled by Lanxi Jinrui. Control is achieved when Lanxi Jinrui:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Lanxi Jinrui Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Lanxi Jinrui Group obtains control over the subsidiary and ceases when Lanxi Jinrui Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Lanxi Jinrui Group gains control until the date when Lanxi Jinrui Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income ("OCI") are attributed to the owners of Lanxi Jinrui and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Lanxi Jinrui and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Lanxi Jinrui Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Lanxi Jinrui Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Lanxi Jinrui Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in Lanxi Jinrui Group's interests in existing subsidiaries

Changes in Lanxi Jinrui Group's interests in subsidiaries that do not result in Lanxi Jinrui Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Lanxi Jinrui Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Lanxi Jinrui Group and the non-controlling interests according to Lanxi Jinrui and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Lanxi Jinrui.

When Lanxi Jinrui Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Lanxi Jinrui. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if Lanxi Jinrui Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Lanxi Jinrui Group, liabilities incurred by Lanxi Jinrui Group to the former owners of the acquiree and the equity interests issued by Lanxi Jinrui Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes ("IAS 12") and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of Lanxi Jinrui Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms, except for right-of-use assets relating to leasehold lands in which the relevant acquirees are the registered owners with full upfront lease payments, which are measured at fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or fair value.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, Lanxi Jinrui Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when Lanxi Jinrui Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amount arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Lanxi Jinrui Group had disposed directly of the previously held equity interest.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Lanxi Jinrui Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Lanxi Jinrui Group's performance as Lanxi Jinrui Group performs;
- Lanxi Jinrui Group's performance creates or enhances an asset that the customer controls as Lanxi Jinrui Group performs; or
- Lanxi Jinrui Group's performance does not create an asset with an alternative use to Lanxi Jinrui Group and Lanxi Jinrui Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Lanxi Jinrui Group's right to consideration in exchange for goods or services that Lanxi Jinrui Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Lanxi Jinrui Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Lanxi Jinrui Group's obligation to transfer goods or services to a customer for which Lanxi Jinrui Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Lanxi Jinrui Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Lanxi Jinrui Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Lanxi Jinrui Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Lanxi Jinrui Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Lanxi Jinrui Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Lanxi Jinrui Group and when specific criteria have been met for each of Lanxi Jinrui Group's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Lanxi Jinrui Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Lanxi Jinrui Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Lanxi Jinrui Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Lanxi Jinrui Group applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Lanxi Jinrui Group; and
- an estimate of costs to be incurred by Lanxi Jinrui in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lanxi Jinrui presents right-of-use assets as a separate line item on the statement of financial position.

Lanxi Jinrui Group as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Lanxi Jinrui Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Lanxi Jinrui Group.

Lanxi Jinrui Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Lanxi Jinrui Group as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Lanxi Jinrui Group as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Lanxi Jinrui Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Lanxi Jinrui Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Lanxi Jinrui Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Lanxi Jinrui's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Lanxi Jinrui Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Lanxi Jinrui Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Lanxi Jinrui Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Lanxi Jinrui Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Lanxi Jinrui Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Lanxi Jinrui Group's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Lanxi Jinrui Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Lanxi Jinrui Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Lanxi Jinrui Group always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Lanxi Jinrui Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Lanxi Jinrui Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Lanxi Jinrui Group compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Lanxi Jinrui Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Lanxi Jinrui Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Lanxi Jinrui Group has reasonable and supportable information that demonstrate otherwise.

Lanxi Jinrui Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Lanxi Jinrui Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Lanxi Jinrui Group, in full without taking into account any collaterals held by Lanxi Jinrui Group.

Irrespective of the above, Lanxi Jinrui Group considers that default has occurred when a financial asset is more than 90 days past due unless Lanxi Jinrui Group has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Lanxi Jinrui Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Lanxi Jinrui Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Lanxi Jinrui Group in accordance with the contract and the cash flows that Lanxi Jinrui Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Lanxi Jinrui Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Lanxi Jinrui Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Lanxi Jinrui are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Lanxi Jinrui Group transferred the legal title of certain equipment of Lanxi Jinrui Group to the relevant financial institutions, and Lanxi Jinrui Group is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Lanxi Jinrui during the lease period.

Derecognition of financial liabilities

Lanxi Jinrui derecognises financial liabilities when, and only when, Lanxi Jinrui Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Lanxi Jinrui Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Lanxi Jinrui Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Lanxi Jinrui Group's accounting policies, which are described in Note 4, the sole director of Lanxi Jinrui is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Lanxi Jinrui has made in the process of applying Lanxi Jinrui Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Lanxi Jinrui Group has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Lanxi Jinrui Group to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Lanxi Jinrui's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Lanxi Jinrui Group.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Lanxi Jinrui Group operates one solar power plant in the PRC and was admitted to the List in September 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB15,909,000 was included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Lanxi Jinrui Group was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Lanxi Jinrui Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. In making his judgement, the sole director of Lanxi Jinrui, taking into account the legal opinion of the Company's legal advisor, considered the Lanxi Jinrui Group's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Lanxi Jinrui is confident that Lanxi Jinrui Group's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, which is upon the application of IFRS 15, tariff adjustments of RMB25,877,000, RMB24,151,000 and RMB17,883,000 (unaudited), respectively, were included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Lanxi Jinrui Group was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Lanxi Jinrui which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Lanxi Jinrui Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Lanxi Jinrui Group had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019 2020, Lanxi Jinrui Group recognised revenue of RMB15,909,000, RMB25,877,000, RMB24,151,000 and RMB17,883,000 (unaudited), respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Lanxi Jinrui Group generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB15,909,000, RMB25,877,000, RMB24,151,000, RMB17,883,000 (unaudited) and RMB18,181,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Lanxi Jinrui Group generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Lanxi Jinrui Group and the local grid company. Lanxi Jinrui Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Lanxi Jinrui Group operates one solar power plants and was admitted to the List in September 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Lanxi Jinrui Group operates one solar power plant and it was admitted to the List in September 2020, accordingly, the management assessed that the solar power plant operated has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract assets have been transferred to trade receivables upon the solar power plant enlisted on the List in September 2020. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Lanxi Jinrui Group regularly reviews the results of the solar power plant operate by Lanxi Jinrui Group when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Lanxi Jinrui Group is solely located in the PRC. All revenue of Lanxi Jinrui Group are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income	11	24	3	2	4
Interest income on amount due from an intermediate holding company	–	29	4	5	273
Others	–	–	31	12	–
Total other income	11	53	38	19	277

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on financial liabilities at amortised cost:					
Other borrowing	7,024	18,623	18,037	14,226	14,285
Amounts due to intermediate holding companies	–	259	1,492	1,342	–
Lease liabilities	–	–	874	656	649
Total finance costs	7,024	18,882	20,403	16,224	14,934

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("**EIT**")	–	–	–	–	761

The basic tax rate of Lanxi Jinrui and its subsidiary is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Lanxi Jinrui engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2017 to 2019 followed by 3-year 50% exemption from 2020 to 2022. Besides, Lanxi Jinrui is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2017.

The tax charge for the Relevant Periods can be reconciled to the profit (loss) before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit (loss) before taxation	14,128	9,331	5,023	(186)	4,622
Tax at domestic income tax rate of 25%	3,532	2,333	1,256	(47)	1,156
Effect of tax exemptions and concessions granted	(3,532)	(2,333)	(1,256)	47	(395)
Income tax expense for the year/period	–	–	–	–	761

10. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) for the year/period has been arrived at after charging:					
Depreciation of:					
– Property, plant and equipment	3,719	7,619	19,185	7,749	6,962
– Right-of-use assets	–	–	596	447	447
Loss on written off of property, plant and equipment	–	–	10,186	–	330
Staff costs (including directors' remuneration)					
– Salaries, wages and other benefits	217	632	502	392	410
– Retirement benefit scheme contributions	14	29	27	21	24

11. DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Directors' emoluments

The emoluments of the directors of Lanxi Jinrui during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Yin Ying 殷嬰 *(Note i)*	–	–	–	–	–
Ge Jianjun 葛建軍 *(Note ii)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ge Jianjun 葛建軍 *(Note ii)*	–	–	–	–	–
Xiang Changming 向昌明 *(Note iii)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Xiang Changming 向昌明 *(Note iii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Xiang Changming 向昌明 *(Note iii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Xiang Changming 向昌明 *(Note iii)*	–	–	–	–	–

Notes:

(i) Yin Ying resigned as a director of Lanxi Jinrui with effect from 24 November 2017.

(ii) Ge Jianjun has been appointed and resigned as a director of Lanxi Jinrui with effect from 24 November 2017 and 16 October 2018 respectively.

(iii) Xiang Changming has been appointed as the sole director of Lanxi Jinrui with effect from 16 October 2018.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the directors of Lanxi Jinrui during the Relevant Periods were borne by a related company for their service as the directors of Lanxi Jinrui.

The directors did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the directors of Lanxi Jinrui waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five (years ended 31 December 2017 and 2018: four) highest paid employees of Lanxi Jinrui during the Relevant Periods included 4, 4, 5, 5 and 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 respectively, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	212	470	458	348	389
Performance-related bonus	5	162	44	44	21
Retirement benefits scheme contribution	14	29	27	21	24
	231	661	529	413	434

The number of highest paid employees who are not the directors whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	4	4	5	5	5

12. DIVIDENDS

Dividends of approximately nil, RMB10,936,000, RMB15,720,000, RMB10,177,000 (unaudited) and nil were proposed and paid to ordinary shareholder of Lanxi Jinrui during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2017	–	–	–	182,284	182,284
Additions	–	40	–	90,992	91,032
Transfer	2,033	–	261,514	(263,547)	–
At 31 December 2017 and 1 January 2018	2,033	40	261,514	9,729	273,316
Additions	10,081	81	10,413	1,196	21,771
Transfer	740	–	–	(740)	–
At 31 December 2018 and 1 January 2019	12,854	121	271,927	10,185	295,087
Additions	122	–	6,819	705	7,646
Written off	–	–	–	(10,186)	(10,186)
At 31 December 2019 and 1 January 2020	12,976	121	278,746	704	292,547
Additions	–	169	–	–	169
Written off	–	–	(330)	–	(330)
At 30 September 2020	12,976	290	278,416	704	292,386
Accumulated depreciation					
At 1 January 2017	–	–	–	–	–
Charge for the year	4	2	3,713	–	3,719
At 31 December 2017 and 1 January 2018	4	2	3,713	–	3,719
Charge for the year	152	18	7,449	–	7,619
At 31 December 2018 and 1 January 2019	156	20	11,162	–	11,338
Charge for the year	8,921	22	10,242	–	19,185
At 31 December 2019 and 1 January 2020	9,077	42	21,404	–	30,523
Charge for the period	870	33	6,059	–	6,962
At 30 September 2020	9,947	75	27,463	–	37,485
Carrying values					
At 31 December 2017	2,029	38	257,801	9,729	269,597
At 31 December 2018	12,698	101	260,765	10,185	283,749
At 31 December 2019	3,899	79	257,342	704	262,024
At 30 September 2020	3,029	215	250,953	704	254,901

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	15,259
Depreciation charge	(596)
At 31 December 2019 and 1 January 2020	14,663
Depreciation charge	(447)
At 30 September 2020	14,216

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Year ended 31 December			**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	4,290	2,274	7,156	560
– intermediate holding company	–	5,900	–	513
	4,290	8,174	7,156	1,073
Amounts due to related companies				
– immediate holding company	2,650	13,978	62,792	62,792
– intermediate holding companies	–	1,426	–	–
– fellow subsidiaries	40,097	9,290	106	201
	42,747	24,694	62,898	62,993

Except for amounts due to related companies of approximately Nil, RMB13,978,000, RMB14,650,000 and Nil at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at Nil per annum, 6% per annum, 6% per annum, and Nil per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	21,016	754	1,202	98,242
Prepayments and deposits	17	1,676	46	1,171
Refundable value-added tax	25,946	25,176	21,044	17,288
Others	699	16,911	–	5,046
	47,678	44,517	22,292	121,747

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	5,908	18,111	1,248	104,459
Non-current				
Trade receivables	15,806	–	–	–
Prepayments	–	1,230	–	–
Refundable value-added tax *(Note)*	25,964	25,176	21,044	17,288
	41,770	26,406	21,044	17,288
	47,678	44,517	22,292	121,747

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Lanxi Jinrui Group.

At 1 January 2018, trade receivables from contract with customers amounted to RMB5,210,000.

For sales of electricity in the PRC, Lanxi Jinrui Group generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Lanxi Jinrui Group and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Lanxi Jinrui Group for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	18,638	45	220	96,600
0 – 90 days	2,378	709	982	1,642
91 – 180 days	–	–	–	–
Over 180 days	–	–	–	–
	21,016	754	1,202	98,242

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plant operated by Lanxi Jinrui Group as well as the unbilled tariff adjustment receivables for the solar power plant which was not yet registered in the Catalogue at 31 December 2017. At 31 December 2018 and 2019, the amount represented unbilled basic tariff receivables for the solar power plant. At 30 September 2020, the amount represents unbilled basic tariff receivables and tariff adjustment receivables for the solar power plant. The sole director of Lanxi Jinrui expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	7,859	45	220	7,804
91 – 180 days	5,132	–	–	8,157
181 – 365 days	4,171	–	–	11,743
Over 365 days	1,476	–	–	68,896
	18,638	45	220	96,600

At 31 December 2017, 2018, 2019 and 30 September 2020, no trade receivables are past due at the end of each reporting period.

18. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	48,672	–	–
– Current	–	76,055	–
	48,672	76,055	–

At 1 January 2018, contract assets amounted to RMB15,806,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the relevant on-grid solar power plant is still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated and transmitted as disclosed in Note 6.

Pursuant to the 2020 Measures, for those on-grid solar power plants yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List. The contract assets are transferred to trade receivables when Lanxi Jinrui Group's respective on-grid solar power plants are enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end and of the expected collection period is insignificant.

Since the solar power plant operated by Lanxi Jinrui Group is admitted to the List in September 2020, which represented Lanxi Jinrui Group's right to consideration in exchange for service in connection with sales of electricity to its customer became unconditional, accordingly, the contract assets are reclassified as unbilled trade receivables in September 2020 since its solar power plant was admitted to the List and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 24b.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

20. LEASE LIABILITIES

	At 31 December 2019	**At 30 September 2020**
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	152	159
Within a period of more than one years but not more than two years	162	169
Within a period of more than two years but not more than five years	718	753
Within a period of more than five years	12,536	13,136
	13,568	14,217
Less: Amount due for settlement with 12 months shown under current liabilities	(152)	(159)
Amount due for settlement after 12 months shown under non-current liabilities	13,416	14,058

All lease obligations are denominated in RMB.

21. OTHER BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the other borrowing are repayable:				
Within one year	227,461	4,000	1,956	20,039
More than one year, but not exceeding two years	–	1,956	30,010	39,429
More than two years, but not exceeding five years	–	69,438	78,419	117,961
More than five years	–	137,412	99,239	30,368
	227,461	212,806	209,624	207,797
Less: Accounts due within one year shown under current liabilities	(277,461)	(4,000)	(1,956)	(20,039)
Amounts due after one year	–	208,806	207,668	187,758

The variable-rate other borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at ranging from 120% to 159% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

Prior to the Relevant Periods, Lanxi Jinrui Group has a financing arrangement with a financial institution with lease terms of ranging from 1 to 8 years, and the legal title of the respective equipments transferred to the financial institution. Lanxi Jinrui Group continued to operate and manage the relevant equipments during the lease term without any involvement from the financial institution, and Lanxi Jinrui Group is entitled to purchase back the equipments at a minimal consideration upon maturity of the lease. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, Lanxi Jinrui Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method under IFRS9/IAS39 in prior years before application of IFRS 16, in accordance with the substance of the arrangement.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	30,000	60,320	60,320	60,320

On 5 December 2017 and 25 January 2018, the registered capital of Lanxi Jinrui was increased to RMB30,000,000 and RMB60,320,000 and were paid-up by the shareholder during the years ended 31 December 2017 and 2018 respectively.

23. CAPITAL MANAGEMENT

Lanxi Jinrui Group manages its capital to ensure that entities in Lanxi Jinrui Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Lanxi Jinrui Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Lanxi Jinrui Group consists of net debt, which mainly includes amounts due to related companies, lease liabilities, other borrowing, net of cash and cash equivalents, and equity attributable to owner of Lanxi Jinrui, comprising paid-up capital and reserves.

The sole director of Lanxi Jinrui reviews the capital structure on a periodical basis. As part of this review, the sole director of Lanxi Jinrui considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Lanxi Jinrui, Lanxi Jinrui Group will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	70,903	–	–	–
Amortised cost	–	52,788	29,936	123,991
Financial liabilities				
Amortised cost	296,372	312,366	320,532	326,558

24b. Financial risk management objectives and policies

Lanxi Jinrui Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, other payables, amounts due to related companies, lease liabilities, and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Lanxi Jinrui Group is exposed to fair value interest rate risk in relation to amounts due to related companies and lease liabilities. Lanxi Jinrui Group is also exposed to cash flow interest rate risk in relation to variable-rate other borrowing and bank balances, and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the other borrowing of Lanxi Jinrui Group is issued at variable rates which expose Lanxi Jinrui Group to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Lanxi Jinrui Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Lanxi Jinrui Group's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB1,137,000, RMB1,064,000, RMB1,048,000 and RMB1,039,000, respectively. This is mainly attributable to Lanxi Jinrui Group's exposure to interest rates on its variable-rate borrowings.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Lanxi Jinrui Group reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Lanxi Jinrui Group has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Lanxi Jinrui Group's counterparties default on their contractual obligations resulting in financial losses to Lanxi Jinrui Group. Lanxi Jinrui Group's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Lanxi Jinrui Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Lanxi Jinrui Group's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that the

Lanxi Jinrui Group's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Lanxi Jinrui Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Lanxi Jinrui Group assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Lanxi Jinrui Group's current liabilities exceeded its current assets by RMB267,239,000, RMB68,243,000, RMB14,395,000 and RMB18,431,000, respectively. Lanxi Jinrui Group is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Lanxi Jinrui Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Lanxi Jinrui Group's operations and mitigate the effects of fluctuation in cash flows.

Lanxi Jinrui Group relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Lanxi Jinrui is of the opinion that the Group will be able to meet its commitment to provide funds to Lanxi Jinrui Group, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Lanxi Jinrui Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Lanxi Jinrui Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	26,164	–	–	–	–	26,164	26,164
Other borrowing	5.2%	–	227,779	–	–	–	227,779	227,461
Amounts due to related companies	–	42,747	–	–	–	–	42,747	42,747
Total		68,911	227,779	–	–	–	296,690	296,372

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	74,866	–	–	–	–	74,866	74,866
Other borrowing	7.9%	4,927	15,575	18,171	146,140	109,150	293,963	212,806
Amounts due to related companies	6.1%	24,694	–	–	–	–	24,694	24,694
Total		104,487	15,575	18,171	146,140	109,150	393,523	312,366

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	34,442	–	–	–	–	34,442	34,442
Other borrowing	7.9%	4,855	13,316	45,563	146,544	63,182	273,460	209,624
Amounts due to related companies	6.1%	62,898	–	–	–	–	62,898	62,898
Lease liabilities	6.4%	216	801	1,018	3,215	21,544	26,794	13,568
Total		102,411	14,117	46,581	149,759	84,726	397,594	320,532

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	41,551	–	–	–	–	41,557	41,551
Other borrowing	7.9%	4,085	31,905	52,867	139,792	30,725	259,374	207,797
Amounts due to related companies	–	62,993	–	–	–	–	62,993	62,993
Lease liabilities	6.4%	374	642	1,010	3,215	20,904	26,145	14,217
Total		109,003	32,547	53,877	143,007	51,629	390,069	326,558

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Lanxi Jinrui considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Lanxi Jinrui Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Lanxi Jinrui Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	Other borrowing	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	41,682	205,748	–	247,430
Financing cash flows	1,065	14,689	–	15,754
Finance costs	–	7,024	–	7,024
At 31 December 2017 and 1 January 2018	42,747	227,461	–	270,208
Financing cash flows	(29,248)	(33,278)	–	(62,526)
Finance costs	259	18,623	–	18,882
Dividend declared	10,936	–	–	10,936
At 31 December 2018	24,694	212,806	–	237,500
Adjustment upon application of IFRS16	–	–	13,710	13,710
At 1 January 2019	24,694	212,806	13,710	251,210
Financing cash flows	20,992	(21,219)	(1,016)	(1,243)
Finance costs	1,492	18,037	874	20,403
Dividend declared	15,720	–	–	15,720
At 31 December 2019 and 1 January 2020	62,898	209,624	13,568	286,090
Financing cash flows	95	(16,112)	–	(16,017)
Finance costs	–	14,285	649	14,934
At 30 September 2020	62,993	207,797	14,217	285,007

26. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Lanxi Jinrui Group has no capital commitments.

27. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
Lanxi Jinrui Group as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Land	424	1,027

Lanxi Jinrui Group's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	1,027	1,018
In the second to fifth year inclusive	4,645	4,314
Over fifth year	22,561	21,462
	28,233	26,794

Lease is negotiated and rental is fixed for term of 24 years for the land for the years ended 31 December 2017 and 2018.

28. PLEDGE OF ASSETS

Lanxi Jinrui Group's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	257,801	260,765	257,342	250,953
Trade receivables and contract assets	21,016	49,426	77,257	98,242
	278,817	310,191	334,599	349,195

Lanxi Jinrui Group's secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Lanxi Jinrui Group and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity.

29. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Lanxi Jinrui Group also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expense to intermediate holding companies	–	259	1,492	1,342	–
Interest income from an intermediate holding company	–	29	4	5	273
Consultancy fee to immediate holding company	–	1,426	614	614	447

Details of the remuneration for the key management personnel, which represents the sole director of Lanxi Jinrui, are set out in Note 11.

30. INVESTMENT IN A SUBSIDIARY

	At 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	–	1,250	1,250	1,250

The following is a list of a subsidiary at 31 December 2017, 2018 and 2019 and 30 September 2020:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital/paid in capital	Effective interest held as at 31 December 2017	31 December 2018	31 December 2019	31 September 2020
Directly held by the Target Company:							
蘭溪金瑞農業科技有限公司 *(Note)*	PRC, limited liability company	Dormant	RMB60,320,000/ RMB1,250,000	N/A	100%	100%	100%

Note: The company is acquired on 7 November 2018.

31. CONTINGENT LIABILITIES

As at 30 September 2020, Lanxi Jinrui Group provided a corporate guarantee in favour of an independent third party in respect of a financing arrangement of RMB100,000,000 offered to a fellow subsidiary. As at 30 September 2020 RMB75,718,000 had been utilised.

32. EVENTS AFTER THE REPORTING PERIOD

Subsequence to 30 September 2020, Lanxi Jinrui Group has no significant event occurred.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Lanxi Jinrui or Lanxi Jinrui Group have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II I-1 to II I-54, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LIANSHUI XINYUAN PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Lianshui Xinyuan Photovoltaic Power Co., Ltd. (漣水鑫源光伏電力有限公司) ("**Lianshui Xinyuan**") and its subsidiary (collectively referred to as the "**Lianshui Xinyuan Group**") set out on pages II I-5 to II I-54, which comprises the consolidated statements of financial position Lianshui Xinyuan Group and the statements of financial position of Lianshui Xinyuan at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Lianshui Xinyuan Group for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II I-5 to II I-54 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Lianshui Xinyuan is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Lianshui Xinyuan determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Lianshui Xinyuan, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Lianshui Xinyuan Group's and Lianshui Xinyuan's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Lianshui Xinyuan Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Lianshui Xinyuan Group exceeded its current assets by approximately RMB64,450,000. This condition along with other matters set forth in Note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Lianshui Xinyuan Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Lianshui Xinyuan Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Lianshui Xinyuan is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Lianshui Xinyuan in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF LIANSHUI XINYUAN

The consolidated financial statements of Lianshui Xinyuan Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	17,005	17,613	20,149	16,135	15,904
Cost of sales		(3,902)	(5,680)	(6,454)	(4,795)	(4,498)
Gross profit		13,103	11,933	13,695	11,340	11,406
Other income	*7*	242	286	3	3	2
Administrative expenses		(523)	(905)	(270)	(192)	(169)
Finance costs	*8*	(3,151)	(5,180)	(4,968)	(3,789)	(3,563)
Profit before taxation		9,671	6,134	8,460	7,362	7,676
Income tax expenses	*9*	–	(65)	(80)	(80)	(1,006)
Profit and total comprehensive income for the year/period	*10*	9,671	6,069	8,380	7,282	6,670

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017 RMB'000	At 31 December 2018 RMB'000	At 31 December 2019 RMB'000	At 30 September 2020 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	101,608	99,060	96,708	93,582
Right-of-use assets	*15*	–	–	9,114	8,708
Trade and other receivables	*17*	14,413	1,575	–	–
Contract assets	*18*	–	24,262	–	–
		116,021	124,897	105,822	102,290
CURRENT ASSETS					
Trade and other receivables	*17*	4,197	1,934	1,937	1,754
Contract assets	*18*	–	–	37,944	48,746
Amounts due from related companies	*16*	121	144	–	–
Bank balances	*19*	819	665	420	1,038
		5,137	2,743	40,301	51,538
CURRENT LIABILITIES					
Other payables		1,709	2,788	583	874
Amounts due to related companies	*16*	14,581	31,438	50,873	50,752
Lease liabilities	*20*	–	–	–	3,335
Tax payable		–	–	–	368
Other borrowing	*21*	7,034	6,117	7,116	60,659
		23,324	40,343	58,572	115,988
NET CURRENT LIABILITIES		(18,187)	(37,600)	(18,271)	(64,450)
TOTAL ASSETS LESS CURRENT LIABILITIES		97,834	87,297	87,551	37,840
NON-CURRENT LIABILITY					
Lease liabilities	*20*	–	–	8,279	5,267
Other borrowing	*21*	64,774	59,422	53,369	–
		64,774	59,422	61,648	5,267
NET ASSETS		33,060	27,875	25,903	32,573
CAPITAL AND RESERVES					
Paid-up capital	*22*	23,400	23,400	23,400	23,400
Reserves		9,660	4,475	2,503	9,173
TOTAL EQUITY		33,060	27,875	25,903	32,573

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
	NOTES	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment		101,608	99,060	96,708	93,582
Investment in a subsidiary	*30*	–	–	–	–
Right-of-use assets		–	–	9,114	8,708
Trade and other receivables		14,413	1,575	–	–
Contract assets		–	24,262	–	–
		116,021	124,897	105,822	102,290
CURRENT ASSETS					
Trade and other receivables		4,197	1,934	1,937	1,754
Contract assets		–	–	37,944	48,746
Amounts due from related companies		121	144	–	–
Bank balances		819	665	420	1,038
		5,137	2,743	40,301	51,538
CURRENT LIABILITIES					
Other payables		1,709	2,788	583	874
Amounts due to related companies		14,581	31,438	50,873	50,752
Lease liabilities		–	–	–	3,335
Tax payable		–	–	–	368
Other borrowing		7,034	6,117	7,116	60,659
		23,324	40,343	58,572	115,988
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NON-CURRENT LIABILITY					
Lease liabilities		–	–	8,279	5,267
Other borrowing		64,774	59,422	53,369	–
		64,774	59,422	61,648	5,267
NET ASSETS		33,060	27,875	25,903	32,573
CAPITAL AND RESERVES					
Paid-up capital	*22*	23,400	23,400	23,400	23,400
Reserves		9,660	4,475	2,503	9,173
TOTAL EQUITY		33,060	27,875	25,903	32,573

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	(Accumulated loss)/retained earnings	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	18,000	–	(11)	17,989
Profit and total comprehensive income for the year	–	–	9,671	9,671
Capital injection (Note 22)	5,400	–	–	5,400
Transfer to legal reserve	–	966	(966)	–
At 31 December 2017 and 1 January 2018	23,400	966	8,694	33,060
Profit and total comprehensive income for the year	–	–	6,069	6,069
Transfer to legal reserve	–	607	(607)	–
Dividend declared *(Note 12)*	–	–	(11,254)	(11,254)
At 31 December 2018 and 1 January 2019	23,400	1,573	2,902	27,875
Profit and total comprehensive income for the year	–	–	8,380	8,380
Transfer to legal reserve	–	838	(838)	–
Dividend declared *(Note 12)*	–	–	(10,352)	(10,352)
At 31 December 2019 and 1 January 2020	23,400	2,411	92	25,903
Profit and total comprehensive income for the period	–	–	6,670	6,670
At 30 September 2020	23,400	2,411	6,762	32,573
At 1 January 2019 (audited)	23,400	1,573	2,902	27,875
Profit and total comprehensive income for the period (unaudited)	–	–	7,282	7,282
At 30 September 2019 (unaudited)	23,400	1,573	10,184	35,157

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Lianshui Xinyuan, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	9,671	6,134	8,460	7,362	7,676
Adjustments for:					
Depreciation of property, plant and equipment	2,760	3,776	4,031	3,009	3,126
Depreciation of right-of-use assets	–	–	540	403	406
Finance costs	3,151	5,180	4,968	3,789	3,563
Interest income	(3)	(2)	(3)	(3)	(2)
Operating cash flows before movements in working capital	15,579	15,088	17,996	14,560	14,769
(Increase) decrease in trade and other receivables	(15,533)	2,518	(213)	10,701	183
Increase in contract assets	–	(11,679)	(13,682)	(23,841)	(10,802)
Decrease (increase) in other payables	(78,085)	1,079	(2,205)	(1,906)	291
Cash (used in) generated from operations	(78,039)	7,006	1,896	(486)	4,441
Income tax paid	–	(65)	(80)	(80)	(638)
Net cash (used in) generated from operating activities	(78,039)	6,941	1,816	(566)	3,803

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	3	2	3	3	2
Payments for construction and purchase of property, plant and equipment	(19,015)	(1,228)	(1,679)	–	–
(Advance to) repayment from related companies	(121)	(23)	144	144	–
Net cash (used in) generated from investing activities	(19,133)	(1,249)	(1,532)	147	2
Financing activities					
Interest paid	(3,151)	(4,513)	(4,110)	(3,484)	(3,066)
Capital injection	5,400	–	–	–	–
Inception (repayment) of other borrowing	71,808	(6,269)	(5,054)	(3,213)	–
Advance from (repayment to) related companies	9,555	4,936	8,635	7,756	(121)
Net cash generated from (used in) financing activities	83,612	(5,846)	(529)	1,059	(3,187)
Net (decrease) increase in cash and cash equivalents	(13,560)	(154)	(245)	640	618
Cash and cash equivalents at beginning of year/period	14,379	819	665	665	420
Cash and cash equivalents at end of year/period	819	665	420	1,305	1,038

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Lianshui Xinyuan Photovoltaic Power Co., Ltd. ("**Lianshui Xinyuan**") was established in the People's Republic of China (the "**PRC**") on 24 June 2016. Its immediate holding company is Jiangsu GCL New Energy Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Lianshui Xinyuan is No. 68, Zhen Nan Street, Tangji Town, Lianshai Country Huaion City, Jiangsu Provence, the PRC. .

Lianshui Xinyuan is an investment holding company and is principally engaged in the sale of electricity in the PRC. The principal activity of Lianshui Xinyuan and its subsidiary (together the "**Lianshui Xinyuan Group**") is sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Lianshui Xinyuan.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory audited financial statements of Lianshui Xinyuan for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The Statutory audited financial statements of Lianshui Xinyuan for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

No statutory financial statements of 漣水鑫眾新農業科技有限公司 for the years ended 31 December 2017, 2018 and 2019 have been prepared as 漣水鑫眾新農業科技有限公司 did not carried on any business.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Notes 3 and 4.

At 30 September 2020, Lianshui Xinyuan Group's current liabilities exceeded its current assets by approximately RMB64,450,000. The sole director of Lianshui Xinyuan has reviewed the Lianshui Xinyuan Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from the shareholder and future financial plans. In the opinion of the sole director of Lianshui Xinyuan, Lianshui Xinyuan Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Lianshui Xinyuan Group to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Lianshui Xinyuan Group. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Lianshui Xinyuan Group. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Lianshui Xinyuan Group to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the sole director of Lianshui Xinyuan is of the opinion that the Group will be able to meet its commitment to provide funds to Lianshui Xinyuan Group.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Lianshui Xinyuan Group. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Lianshui Xinyuan Group as committed and, in turn, Lianshui Xinyuan Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Lianshui Xinyuan Group to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Lianshui Xinyuan Group and became effective during the Relevant Periods. In preparing the Historical Financial Information, Lianshui Xinyuan Group has applied all these new and revised IFRS Standards which are effective for Lianshui Xinyuan Group's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Lianshui Xinyuan Group adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Lianshui Xinyuan Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Lianshui Xinyuan Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Lianshui Xinyuan Group recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Lianshui Xinyuan Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	14,413	(12,583)	1,830
Contract assets	*(a)*	–	12,583	12,583

Note:

(a) At 1 January 2018, tariff adjustments related to a solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Lianshui Xinyuan Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Lianshui Xinyuan Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Lianshui Xinyuan Group assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Lianshui Xinyuan Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Lianshui Xinyuan Group has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Lianshui Xinyuan Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Lianshui Xinyuan Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Lianshui Xinyuan Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Lianshui Xinyuan Group assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Lianshui Xinyuan Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Lianshui Xinyuan Group recognised additional lease liabilities of RMB7,869,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Lianshui Xinyuan Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment at whether leases are onerous by applying IAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for lease previously classified as operating lease, Lianshui Xinyuan Group has applied incremental borrowing rates of Lianshui Xinyuan Group at the date of initial application. The incremental borrowing rate applied is 5.4%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 27)*	13,524
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rate upon application of IFRS 16	7,869
Analysed as:	
Current	410
Non-current	7,459
	7,869

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	7,869
Reclassified from prepaid rent *(note)*	1,785
	9,654
By class:	
Leasehold land	9,654

Note: Prepaid rent for parcels of land in the PRC in which Lianshui Xinyuan Group lease from third parties under operating leases were classified as prepayment at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB630,000 and RMB1,155,000, respectively, were reclassified to right-of-use assets.

Sales and lease back transaction

Lianshui Xinyuan Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, Lianshui Xinyuan Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year ended 31 December 2019, and the nine months ended 30 September 2020 there is no sales and leaseback transactions entered by Lianshui Xinyuan Group. Hence, there is no impact from sale and leaseback transaction to Lianshui Xinyuan Group upon the implementation of IFRS 16.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Trade and other receivables	1,575	(1,155)	420
Right-of-use assets	–	9,654	9,654
Current assets			
Trade and other receivables	1,934	(630)	1,304
Current liabilities			
Lease liabilities	–	(410)	(410)
Non-current liabilities			
Lease liabilities	–	(7,459)	(7,459)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]

Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Lianshui Xinyuan anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Lianshui Xinyuan Group's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Lianshui Xinyuan Group's right to defer settlement for other borrowing of Nil beyond 12 months from the end of the reporting period is subject to compliance with covenants at the end at the reporting period. Such other borrowing was classified as non-current as Lianshui Xinyuan Group met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Lianshui Xinyuan Group will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as describe in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of Lianshui Xiayuan and entities controlled by Lianshui Xinyuan. Control is achieved when Lianshui Xinyuan:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Lianshui Xinyuan Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Lianshui Xinyuan Group obtains control over the subsidiary and ceases when Lianshui Xinyuan Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Lianshui Xinyuan Group gains control until the date when Lianshui Xinyuan Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income ("**OCI**") are attributed to the owners of Lianshui Xinyuan and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Lianshui Xinyuan and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Lianshui Xinyuan Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Lianshui Xinyuan Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Lianshui Xinyuan Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in Lianshui Xinyuan Group's interests in existing subsidiaries

Changes in Lianshui Xinyuan Group's interests in subsidiaries that do not result in Lianshui Xinyuan Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Lianshui Xinyuan Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Lianshui Xinyuan Group and the non-controlling interests according to Lianshui Xinyuan and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Lianshui Xinyuan.

When Lianshui Xinyuan Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Lianshui Xinyuan. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if Lianshui Xinyuan Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("**IFRS 9**") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Lianshui Xinyuan Group, liabilities incurred by Lianshui Xinyuan Group to the former owners of the acquiree and the equity interests issued by Lianshui Xinyuan Group in exchange for control of the acquiree. Acquisition Related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes ("**IAS 12**") and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of Lianshui Xinyuan Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms, except for right-of-use assets relating to leasehold lands in which the relevant acquirees are the registered owners with full upfront lease payments, which are measured at fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or fair value.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, Lianshui Xinyuan Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when Lianshui Xinyuan Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amount arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Lianshui Xinyuan Group had disposed directly of the previously held equity interest.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Lianshui Xinyuan Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Lianshui Xinyuan Group's performance as Lianshui Xinyuan Group performs;

- Lianshui Xinyuan Group's performance creates or enhances an asset that the customer controls as Lianshui Xinyuan Group performs; or

- Lianshui Xinyuan Group's performance does not create an asset with an alternative use to Lianshui Xinyuan Group and Lianshui Xinyuan Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Lianshui Xinyuan Group's right to consideration in exchange for goods or services that Lianshui Xinyuan Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Lianshui Xinyuan Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Lianshui Xinyuan Group's obligation to transfer goods or services to a customer for which Lianshui Xinyuan Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Lianshui Xinyuan Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Lianshui Xinyuan Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Lianshui Xinyuan Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Lianshui Xinyuan Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Lianshui Xinyuan Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Lianshui Xinyuan Group and when specific criteria have been met for each of Lianshui Xinyuan Group's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Lianshui Xinyuan Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Lianshui Xinyuan Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Lianshui Xinyuan Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Lianshui Xinyuan Group applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Lianshui Xinyuan Group; and
- an estimate of costs to be incurred by Lianshui Xinyuan Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lianshui Xinyuan Group presents right-of-use assets as a separate line item on the statement of financial position.

Lianshui Xinyuan Group as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Lianshui Xinyuan Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Lianshui Xinyuan Group.

Lianshui Xinyuan Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Lianshui Xinyuan Group as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Lianshui Xinyuan Group as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Lianshui Xinyuan Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Lianshui Xinyuan Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Lianshui Xinyuan expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Lianshui Xinyuan Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Lianshui Xinyuan Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Lianshui Xinyuan Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Lianshui Xinyuan Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Lianshui Xinyuan Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Lianshui Xinyuan Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Lianshui Xinyuan Group's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Lianshui Xinyuan Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Lianshui Xinyuan Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Lianshui Xinyuan Group always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Lianshui Xinyuan Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Lianshui Xinyuan Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Lianshui Xinyuan Group compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Lianshui Xinyuan Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Lianshui Xinyuan Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Lianshui Xinyuan Group has reasonable and supportable information that demonstrate otherwise.

Lianshui Xinyuan Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Lianshui Xinyuan Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Lianshui Xinyuan Group, in full without taking into account any collaterals held by Lianshui Xinyuan Group.

Irrespective of the above, Lianshui Xinyuan Group considers that default has occurred when a financial asset is more than 90 days past due unless Lianshui Xinyuan Group has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Lianshui Xinyuan Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Lianshui Xinyuan Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Lianshui Xinyuan Group in accordance with the contract and the cash flows that Lianshui Xinyuan Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Lianshui Xinyuan Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Lianshui Xinyuan Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Lianshui Xinyuan are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Lianshui Xinyuan Group transferred the legal title of certain equipment of Lianshui Xinyuan Group to the relevant financial institutions, and Lianshui Xinyuan Group is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Lianshui Xinyuan Group during the lease period.

Derecognition of financial liabilities

Lianshui Xinyuan Group derecognises financial liabilities when, and only when, Lianshui Xinyuan Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Lianshui Xinyuan Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Lianshui Xinyuan Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Lianshui Xinyuan Group's accounting policies, which are described in Note 4, the sole director of Lianshui Xinyuan is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Lianshui Xinyuan has made in the process of applying Lianshui Xinyuan Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Lianshui Xinyuan Group has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Lianshui Xinyuan Group to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Lianshui Xinyuan Group's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Lianshui Xinyuan Group.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Lianshui Xinyuan Group operates one solar power plant in the PRC which was not yet registered and pending to admitted to the Catalogue/List during the Relevant Periods.

For the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB10,246,000 was included in the sales of electricity as disclosed in Note 6, and the on-grid solar power plant of Lianshui Xinyuan Group was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Lianshui Xinyuan Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. In making his judgement, the sole director of Lianshui Xinyuan, taking into account the legal opinion of the Company's legal advisor, considered that the Lianshui Xinyuan Group' operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Lianshui Xinyuan is confident that the Lianshui Xinyuan Group's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, which is upon the application of IFRS 15, tariff adjustments of RMB10,551,000, RMB12,044,000, RMB9,631,000 (unaudited) and RMB9,559,000, respectively, were included in the sales of electricity as disclosed in Note 6, and on-grid solar power plant of Lianshui Xinyuan Group was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Lianshui Xinyuan Group which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Lianshui Xinyuan Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Lianshui Xinyuan Group had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivery on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures. Hence, the solar power plant of Lianshui Xinyuan Group is able to be enlisted on the List subsequent to the period ended 30 September 2020 and the accrued revenue on tariff are fully recoverable.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019 and 2020, Lianshui Xinyuan Group recognised revenue of RMB10,246,000, RMB10,551,000, RMB12,044,000, RMB9,631,000 (unaudited) and RMB9,559,000, respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Lianshui Xinyuan Group generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB10,246,000, RMB10,551,000, RMB12,044,000, RMB9,631,000 (unaudited) and RMB9,559,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Lianshui Xinyuan Group generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Lianshui Xinyuan Group and the local grid company. Lianshui Xinyuan Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Lianshui Xinyuan Group operates one solar power plant which was yet to admit to the Catalogue/List throughout the Relevant Periods.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivery on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Management assessed that the solar power plant operated has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract assets will be transferred to trade receivables when it is enlisted in the List in accordance with the 2020 Measures. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Lianshui Xinyuan Group regularly reviews the results of the solar power plant operates by Lianshui Xinyuan Group when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Lianshui Xinyuan Group is solely located in the PRC. All revenue of Lianshui Xinyuan Group are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	3	2	3	3	2
Others	239	284	–	–	–
Total other income	242	286	3	3	2

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Other borrowing	2,746	4,513	4,110	3,115	3,240
Amounts due to intermediate holding companies	405	667	448	369	–
Lease liabilities	–	–	410	305	323
Total finance costs	3,151	5,180	4,968	3,789	3,563

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	65	80	80	1,006

The basic tax rate of Lianshui Xinyuan and its subsidiary is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Lianshui Xinyuan engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2017 to 2019 followed by 3-year 50% exemption from 2020 to 2022. Besides, Lianshui Xinyuan is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2017.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	9,671	6,134	8,460	7,362	7,676
Tax at domestic income tax rate of 25%	2,418	1,534	2,115	1,841	1,919
Effect of tax exemptions and concessions granted	(2,418)	(1,469)	(2,035)	(1,761)	(913)
Income tax expense for the year/period	–	65	80	80	1,006

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Depreciation of:					
– Property, plant and equipment	2,760	3,776	4,031	3,009	3,126
– Right-of-use assets	–	–	540	403	406
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	270	736	430	314	409
– Retirement benefit scheme contributions	15	25	15	9	20

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director's emoluments

The emoluments of the sole director of Lianshui Xinyuan during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming 向昌明	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming 向昌明	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming 向昌明	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming 向昌明	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Xiang Changming 向昌明	–	–	–	–	–

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Lianshui Xinyuan during the Relevant Periods were borne by a related company for his service as the sole director of Lianshui Xinyuan.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Lianshui Xinyuan waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Lianshui Xinyuan Group during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	270	494	375	259	371
Performance-related bonus	–	242	55	55	38
Retirement benefits scheme contribution	15	25	15	9	20
	285	761	445	323	429

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately Nil, RMB11,254,000, RMB10,352,000, Nil (unaudited) and Nil were proposed and paid to ordinary shareholder of Lianshui Xinyuan during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountant's report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	–	–	–	–	85,353	85,353
Additions	–	36	45	7	18,927	19,015
Transfer	2,979	–	100,104	–	(103,083)	–
At 31 December 2017 and 1 January 2018	2,979	36	100,149	7	1,197	104,368
Additions	–	254	9	–	965	1,228
Transfer	–	–	1,538	–	(1,538)	–
At 31 December 2018 and 1 January 2019	2,979	290	101,696	7	624	105,596
Additions	–	147	–	–	1,532	1,679
Transfer	64	–	1,929	–	(1,993)	–
At 31 December 2019, 1 January 2020 and 30 September 2020	3,043	437	103,625	7	163	107,275
Accumulated depreciation						
At 1 January 2017	–	–	–	–	–	–
Charge for the year	11	2	2,746	1	–	2,760
At 31 December 2017 and 1 January 2018	11	2	2,746	1	–	2,760
Charge for the year	139	25	3,611	1	–	3,776
At 31 December 2018 and 1 January 2019	150	27	6,357	2	–	6,536
Charge for the year	173	57	3,800	1	–	4,031
At 31 December 2019 and 1 January 2020	323	84	10,157	3	–	10,567
Charge for the period	105	57	2,963	1	–	3,126
At 30 September 2020	428	141	13,120	4	–	13,693
Carrying values						
At 31 December 2017	2,968	34	97,403	6	1,197	101,608
At 31 December 2018	2,829	263	95,339	5	624	99,060
At 31 December 2019	2,720	353	93,468	4	163	96,708
At 30 September 2020	2,615	296	90,505	3	163	93,582

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	9,654
Depreciation charge	(540)
At 31 December 2019 and 1 January 2020	9,114
Depreciation charge	(406)
At 30 September 2020	8,708

	Office premise
	RMB'000
Expense for short term leases	
– for the year ended 31 December 2019	18
– for the nine months ended 30 September 2020	14
– for the nine months ended 30 September 2019 (unaudited)	13

Lianshui Xinyuan Group regularly entered into short-term lease for office premise. At 31 December 2019 and 30 September 2020, the short-term lease expense disclosed above.

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Year ended 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	121	144	–	–
Amounts due to related companies				
– immediate holding company	10,848	13,671	12,112	68
– intermediate holding companies	3,629	17,413	38,761	50,684
– fellow subsidiaries	104	354	–	–
	14,581	31,438	50,873	50,752

Except for amounts due to related companies of approximately RMB10,848,000, RMB10,848,000, Nil and Nil at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at Nil per annum, 6% per annum, 6% per annum, Nil per annum, and Nil per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	12,583	402	508	848
Prepayments and deposits	3,272	2,687	900	906
Refundable value-added tax	45	294	529	–
Others	2,710	126	–	–
	18,610	3,509	1,937	1,754

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	4,197	1,934	1,937	1,754
Non-current				
Trade receivables	12,583	–	–	–
Prepayments	1,785	1,281	–	–
Refundable value-added tax *(Note)*	45	294	–	–
	14,413	1,575	–	–
	18,610	3,509	1,937	1,754

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Lianshui Xinyuan Group.

At 1 January 2018, trade receivables from contract with customers amounted to Nil.

For sales of electricity in the PRC, Lianshui Xinyuan Group generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Lianshui Xinyuan Group and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Lianshui Xinyuan Group for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	12,583	402	508	848

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plant operated by Lianshui Xinyuan Group as well as the unbilled tariff adjustment receivables of the solar power plant which was not yet registered in the Catalogue at 31 December 2017. At 31 December 2018, 2019 and 30 September 2020, the amount represented unbilled basic tariff receivables for the solar power plant operating by Lianshui Xinyuan Group. The sole director of Lianshui Xinyuan expects the unbilled trade receivables would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	12,583	402	508	848

At 31 December 2017, 2018, 2019 and 30 September 2020, no trade receivables are past due as at the end of each reporting period.

18. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Current	–	37,994	48,746
– Non-current	24,262	–	–
	24,262	37,994	48,746

At 1 January 2018, contract assets amounted to RMB12,583,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the on-grid solar power plant is still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated and transmitted as disclosed in Note 6.

Pursuant to the 2020 Measures, for those on-grid solar power plants yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List. The contract assets are transferred to trade receivables when Lianshui Xinyuan Group's on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Details of impairment assessment are set out in Note 24b.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

20. LEASE LIABILITIES

	At 31 December 2019 *RMB'000*	At 30 September 2020 *RMB'000*
Lease liabilities payable:		
Within one year	–	3,335
Within a period of more than one years but not more than two years	3,210	–
Within a period of more than five years	5,069	5,267
	8,279	8,602
Less: Amount due for settlement with 12 months shown under current liabilities	–	(3,335)
Amount due for settlement after 12 months shown under non-current liabilities	8,279	5,267

All lease liabilities are denominated in RMB.

21. OTHER BORROWING

	At 31 December 2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	At 30 September 2020 *RMB'000*
The carrying amounts of the other borrowing are repayable:				
Within one year	7,034	6,117	7,116	60,659
More than one year, but not exceeding two years	6,117	7,116	6,838	–
More than two years, but not exceeding five years	27,604	32,485	35,189	–
More than five years	31,053	19,821	11,342	–
	71,808	65,539	60,485	60,659
Less: Accounts due within one year shown under current liabilities	(7,034)	(6,117)	(7,116)	(60,659)
Amounts due after one year	64,774	59,422	53,369	–

The variable-rate other borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 110% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

Prior to the Relevant Periods, Lianshui Xinyuan Group has a financing arrangement with a financial institution with lease terms of 8 years, and the legal title of the respective equipments transferred to the financial institution. Lianshui Xinyuan Group continued to operate and manage the relevant equipments during the lease term without any involvement from the financial institution, and Lianshui Xinyuan Group is entitled to purchase back the equipments at a minimal consideration upon maturity of the lease. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, Lianshui Xinyuan Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method under IFRS9/IAS39 in prior years before application of IFRS 16, in accordance with the substance of the arrangement.

During the nine months period ended 30 September 2020, Lianshui Xinyuan Group breached certain covenant clauses in a bank borrowing agreement under which Lianshui Xinyuan Group failed to make repayment to a bank. As a result, as at 30 September 2020, bank borrowing of RMB60,659,000 is subject to an early repayment option by the bank. Such bank borrowing is classified as a current liability as at 30 September 2020. As of the date on this Historical Financial Information, the bank has not requested for the early repayment of the bank borrowing.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	23,400	23,400	23,400	23,400

On 19 December 2016, the registered capital of Lianshui Xinyuan was increased to RMB23,400,000 and was paid-up by the shareholder during the year ended 31 December 2017.

23. CAPITAL MANAGEMENT

Lianshui Xinyuan Group manages its capital to ensure that entities in Lianshui Xinyuan Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Lianshui Xinyuan Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Lianshui Xinyuan Group consists of net debt, which mainly includes amounts due to related companies, lease liabilities other borrowing, net of cash and cash equivalents, and equity attributable to owner of Lianshui Xinyuan, comprising paid-up capital and reserves.

The sole director of Lianshui Xinyuan reviews the capital structure on a periodical basis. As part of this review, the sole director of Lianshui Xinyuan considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Lianshui Xinyuan, Lianshui Xinyuan Group will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	19,550	–	–	–
Amortised cost	–	4,318	2,357	2,792
Financial liabilities				
Amortised cost	88,098	99,765	120,220	120,887

24b. Financial risk management objectives and policies

Lianshui Xinyuan Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, lease liabilities and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Lianshui Xinyuan Group is exposed to fair value interest rate risk in relation to amounts due to related companies and lease liabilities. Lianshui Xinyuan Group is also exposed to cash flow interest rate risk in relation to variable-rate other borrowing and bank balances, and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the other borrowing of Lianshui Xinyuan Group is issued at variable rates which expose Lianshui Xinyuan Group to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Lianshui Xinyuan Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Lianshui Xinyuan Group's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB359,000, RMB328,000, RMB302,000 and RMB303,000, respectively. This is mainly attributable to Lianshui Xinyuan Group's exposure to interest rates on its variable-rate borrowings.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Lianshui Xinyuan Group reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Lianshui Xinyuan Group has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Lianshui Xinyuan Group's counterparties default on their contractual obligations resulting in financial losses to Lianshui Xinyuan Group. Lianshui Xinyuan Group's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Lianshui Xinyuan Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Lianshui Xinyuan Group's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that Lianshui Xinyuan Group's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Lianshui Xinyuan Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Lianshui Xinyuan Group assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Lianshui Xinyuan Group's current liabilities exceeded its current assets by RMB18,187,000, RMB37,600,000, RMB18,271,000 and RMB64,450,000, respectively. Lianshui Xinyuan Group is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Lianshui Xinyuan Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Lianshui Xinyuan Group's operations and mitigate the effects of fluctuation in cash flows.

Lianshui Xinyuan Group relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Lianshui Xinyuan is of the opinion that the Group will be able to meet its commitment to provide funds to Lianshui Xinyuan Group, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Lianshui Xinyuan Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Lianshui Xinyuan Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	1,709	–	–	–	–	1,709	1,709
Other borrowing	6.2%	2,677	7,892	10,631	36,501	33,684	91,385	71,808
Amounts due to related companies	6.0%	14,581	–	–	–	–	14,581	14,581
Total		18,967	7,892	10,631	36,501	33,684	107,675	88,098

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	2,788	–	–	–	–	2,788	2,788
Other borrowing	6.2%	2,588	8,047	10,263	39,798	20,125	80,821	65,539
Amounts due to related companies	6.0%	31,438	–	–	–	–	31,438	31,438
Total		36,814	8,047	10,263	39,798	20,125	115,047	99,765

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	583	–	–	–	–	583	583
Other borrowing	6.2%	2,493	7,770	12,678	40,680	6,565	70,186	60,485
Lease liabilities	5.4%	–	–	3,465	–	8,004	11,469	8,279
Amounts due to related companies	–	50,873	–	–	–	–	50,873	50,873
Total		53,949	7,770	16,143	40,680	14,569	133,111	120,220

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	874	–	–	–	–	874	874
Other borrowing *(note)*	6.2%	10,626	9,728	14,040	38,276	–	72,670	60,659
Lease liabilities	5.4%	–	3,465	–	–	8,004	11,469	8,602
Amounts due to related companies	–	50,752	–	–	–	–	50,752	50,752
Total		62,252	13,193	14,040	38,276	8,004	135,765	121,329

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

Note: Save for disclosed in note 21 to the Historical Financial Information, during the nine months period ended 30 September 2020, Lianshui Xinyuan Group breached certain covenant clauses in a bank borrowing agreement. As a result, as at 30 September 2020, bank borrowing of RMB60,659,000 is subject to an early repayment option by the bank. Such bank borrowing is classified as a current liability as at 30 September 2020. As of the date on this Historical Financial Information, the bank has not requested for the early repayment of the bank borrowings. Given no history of default, the sole director of Lianshui Xinyuan believes that such other borrowing will be repaid in accordance with the scheduled repayment dates set out in the borrowing agreements.

24c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Lianshui Xinyuan considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Lianshui Xinyuan Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Lianshui Xinyuan Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	**Lease liabilities**	**Other borrowing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	5,026	–	–	5,026
Financing cash flows	9,150	–	69,062	78,212
Finance costs	405	–	2,746	3,151
At 31 December 2017 and 1 January 2018	14,581	–	71,808	86,389
Financing cash flows	4,936	–	(10,782)	(5,846)
Finance costs	667	–	4,513	5,180
Dividend declared	11,254	–	–	11,254
At 31 December 2018	31,438	–	65,539	96,977
Adjustment upon application of IPRS 16	–	7,869	–	7,869
At 1 January 2019	31,438	7,869	65,539	104,846
Financing cash flows	8,635	–	(9,164)	(529)
Finance costs	448	410	4,110	4,968
Dividend declared	10,352	–	–	10,352
At 31 December 2019 and 1 January 2020	50,873	8,279	60,485	119,637
Financing cash flows	(121)	–	(3,066)	(3,187)
Finance costs	–	323	3,240	3,563
At 30 September 2020	50,752	8,602	60,659	120,013

26. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Lianshui Xinyuan Group has no capital commitments.

27. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
Lianshui Xinyuan Group as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Office premise	105	630

Lianshui Xinyuan Group's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	630	630
In the second to fifth year inclusive	13,524	12,894
	14,154	13,524

Lease is negotiated and rental is fixed for term of 20 year for the office premise for the years ended 31 December 2017 and 2018.

28. PLEDGE OF ASSETS

Lianshui Xinyuan Group's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	97,403	95,339	93,468	90,505
Trade and other receivables and contract assets	13,423	25,504	39,342	50,434
	110,826	120,843	132,810	140,939

Lianshui Xinyuan Group's secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Lianshui Xinyuan Group and (ii) trade and other receivables, contract assets and fee collection rights in relation to the sales of electricity.

29. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Lianshui Xinyuan Group also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expense to intermediate holding companies	405	667	448	369	–
Consultancy fee to immediate holding company	650	650	960	43	–

Details of the remuneration for the key management personnel, which represents the sole director of Lianshui Xinyuan, are set out in Note 11.

30. INVESTMENT IN A SUBSIDIARY

	At 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	–	–	–	–

The following is a list of a subsidiary at 31 December 2017, 2018 and 2019 and 30 September 2020:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital/paid in capital	Effective interest held as at			
				31 December			30 September
				2017	2018	2019	2020
Directly held by Lianshui Xinyuan:							
漣水鑫眾新農業科技有限公司 *(Note)*	PRC, limited liability company	Dormant	RMB1,000,000/ Nil	N/A	N/A	100%	100%

Note: The company is incorporated on 16 June 2016.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, the application for admission to the List for the solar power plant is approved by the PRC government.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Lianshui Xinyuan or Lianshui Xinyuan Group have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II J-1 to II J-54, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LIAOCHENG XIECHANG PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Liaocheng Xiechang Photovoltaic Power Co., Ltd. (聊城協昌光伏電力有限公司) ("**Liaocheng Xiechang**") and its subsidiary (together, the "**Liaocheng Xiechang Group**") set out on pages II J-5 to II J-54, which comprises the consolidated statements of financial position of Liaocheng Xiechang Group and the statement of financial position of Liaocheng Xiechang at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Liaocheng Xiechang Group for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II J-5 to II J-54 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Liaocheng Xiechang is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Liaocheng Xiechang determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Liaocheng Xiechang, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Liaocheng Xiechang Group's and Liaocheng Xiechang's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Liaocheng Xiechang Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Liaocheng Xiechang Group exceeded its current assets by approximately RMB281,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Liaocheng Xiechang Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Liaocheng Xiechang Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Liaocheng Xiechang is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of the Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II J-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Liaocheng Xiechang in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF LIAOCHENG XIECHANG GROUP

The consolidated financial statements of Liaocheng Xiechang Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	20,277	22,631	21,475	17,816	16,495
Cost of sales		(7,594)	(8,898)	(8,183)	(5,709)	(5,590)
Gross profit		12,683	13,733	13,292	12,107	10,905
Other income	*7*	29	3,055	18	15	4
Loss on disposal of property, plant and equipment		–	–	–		
Administrative expenses		(421)	(285)	(214)	(105)	(153)
Finance costs	*8*	(7,102)	(7,878)	(7,325)	(5,604)	(2,219)
Profit before taxation		5,189	8,625	5,771	6,413	8,537
Income tax expenses	*9*	–	–	(768)	(719)	(1,077)
Profit and total comprehensive income for the year/period	*10*	5,189	8,625	5,003	5,694	7,460

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	146,572	145,542	140,318	135,288
Right-of-use assets	15	–	–	11,991	11,560
Trade and other receivables	17	25,821	10,202	7,505	5,401
Contract assets	18	–	35,614	–	–
		172,393	191,358	159,814	152,249
CURRENT ASSETS					
Trade and other receivables	17	5,794	2,310	2,132	63,926
Contract assets	18	–	–	49,342	–
Amounts due from related companies	16	91,948	19,911	–	2,900
Bank balances	19	2,306	7,840	5,189	729
		100,048	30,061	56,663	67,555
CURRENT LIABILITIES					
Other payables		57,576	68,407	1,448	1,295
Amounts due to related companies	16	63,226	5,443	65,158	64,978
Lease liabilities	21	–	–	248	282
Tax payable		–	–	67	664
Other borrowing	20	–	8,987	9,547	617
		120,802	82,837	76,468	67,836
NET CURRENT LIABILITIES		(20,754)	(52,776)	(19,805)	(281)
TOTAL ASSETS LESS CURRENT LIABILITIES		151,639	138,582	140,009	151,968
NON-CURRENT LIABILITY					
Lease liabilities	21	–	–	12,073	11,641
Other borrowing	20	106,252	97,154	87,542	92,473
		106,252	97,154	99,615	104,114
NET ASSETS		45,387	41,428	40,394	47,854
CAPITAL AND RESERVES					
Paid-up capital	22	36,000	36,000	36,000	36,000
Reserves		9,387	5,428	4,394	11,854
TOTAL EQUITY		45,387	41,428	40,394	47,854

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Investment in a subsidiary	30	–	–	–	–
Property, plant and equipment		146,572	145,542	140,318	135,288
Right-of-use assets		–	–	11,991	11,560
Trade and other receivables		25,821	10,202	7,505	5,401
Contract assets		–	35,614	–	–
		172,393	191,358	159,814	152,249
CURRENT ASSETS					
Trade and other receivables		5,794	2,310	2,132	63,926
Contract assets		–	–	49,342	–
Amounts due from related companies		91,948	19,911	–	2,900
Bank balances		2,306	7,840	5,189	729
		100,048	30,061	56,663	67,555
CURRENT LIABILITIES					
Other payables		57,576	68,407	1,448	1,295
Amounts due to related companies		63,226	5,443	65,158	64,978
Lease liabilities		–	–	248	282
Tax payable		–	–	67	664
Other borrowing		–	8,987	9,547	617
		120,802	82,837	76,468	67,836
NET CURRENT LIABILITIES		(20,754)	(52,776)	(19,805)	(281)
TOTAL ASSETS LESS CURRENT LIABILITIES		151,639	138,582	140,009	151,968
NON-CURRENT LIABILITY					
Lease liabilities		–	–	12,073	11,641
Other borrowing		106,252	97,154	87,542	92,473
		106,252	97,154	99,615	104,114
NET ASSETS		45,387	41,428	40,394	47,854
CAPITAL AND RESERVES					
Paid-up capital	22	36,000	36,000	36,000	36,000
Reserves		9,387	5,428	4,394	11,854
TOTAL EQUITY		45,387	41,428	40,394	47,854

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	**Legal reserve**	**Retained earnings**	**Total**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	5,000	157	4,041	9,198
Profit and total comprehensive income for the year	–	–	5,189	5,189
Capital injection *(Note 23)*	31,000	–	–	31,000
Transfer to legal reserve	–	519	(519)	–
At 31 December 2017 and 1 January 2018	36,000	676	8,711	45,387
Profit and total comprehensive income for the year	–	–	8,625	8,625
Transfer to legal reserve	–	863	(863)	–
Dividend declared *(Note 12)*	–	–	(12,584)	(12,584)
At 31 December 2018 and 1 January 2019	36,000	1,539	3,889	41,428
Profit and total comprehensive income for the year	–	–	5,003	5,003
Transfer to legal reserve	–	500	(500)	–
Dividend declared *(Note 12)*	–	–	(6,037)	(6,037)
At 31 December 2019 and 1 January 2020	36,000	2,039	2,355	40,394
Profit and total comprehensive income for the period	–	–	7,460	7,460
At 30 September 2020	36,000	2,039	9,815	47,854
At 1 January 2019 (audited)	36,000	1,539	3,889	41,428
Profit and total comprehensive income for the period	–	–	5,694	5,694
Transfer to legal reserve	–	569	(569)	–
Dividend declared *(Note 12)*	–	–	(2,038)	(2,038)
At 30 September 2019 (unaudited)	36,000	2,108	6,976	45,084

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Liaocheng Xiechang, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	5,189	8,625	5,771	6,413	8,537
Adjustments for:					
Depreciation of property, plant and equipment	5,582	5,800	6,056	4,542	4,608
Depreciation of right-of-use assets	–	–	572	428	431
Finance costs	7,102	7,878	7,325	5,604	2,219
Interest income	(29)	(3,055)	(18)	(15)	(4)
Loss on written off of property, plant and equipment	–	–	–	–	640
Operating cash flows before movements in working capital	17,844	19,248	19,706	16,972	16,431
(Increase) decrease in trade and other receivables	(10,280)	2,142	2,875	(3,828)	296
Increase (decrease) in contract assets	–	(18,653)	(13,728)	(9,851)	(10,644)
(Decrease) increase in other payables	(11,505)	10,830	(66,958)	(54,050)	(153)
Cash (used in) generated from operations	(3,941)	13,567	(58,105)	(50,757)	5,930
Income tax paid	–	–	(701)	(701)	(480)
Net cash (used in) from operating activities	(3,941)	13,567	(58,806)	(51,458)	5,450

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	29	12	9	6	4
Payments for construction and purchase of property, plant and equipment	(482)	(4,770)	(832)	(477)	(218)
(Advance to) repayment from related companies	(91,948)	75,081	19,920	19,920	(2,900)
Net cash (used in) generated from investing activities	(92,401)	70,323	19,097	19,449	(3,114)
Financing activities					
Interest paid	(3,332)	(6,657)	(6,423)	(4,847)	(1,779)
Capital injection	31,000	–	–	–	–
Inception (repayment) of other borrowing	106,252	(111)	(9,052)	(10,627)	(3,999)
Repayment of lease liabilities	–	–	(834)	(834)	(838)
Advance from (repayment to) related companies	(39,781)	(71,588)	53,367	43,783	(180)
Net cash (used in) generated from financing activities	94,139	(78,356)	37,058	27,475	(6,796)
Net (decrease) increase in cash and cash equivalents	(2,203)	5,534	(2,651)	(4,534)	(4,460)
Cash and cash equivalents at beginning of year/period	4,509	2,306	7,840	7,840	5,189
Cash and cash equivalents at end of year/period	2,306	7,840	5,189	3,306	729

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Liaocheng Xiechang Photovoltaic Power Co., Ltd. ("**Liaocheng Xiechang**") was established in the People's Republic of China (the "**PRC**") on 10 March 2015. Its immediate holding company is Shandong GCL New Energy Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Liaocheng Xiechang is The office of Government of Liulis Town, Gaotang, Liaocheng City, Shangdong Province, the PRC.

Liaocheng Xiechang is an investment holding company and is principally engaged in the sale of electricity in the PRC. The principal activity of Liaocheng Xiechang and its subsidiary (together the "**Liaocheng Xiechang Group**") is engaged in sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Liaocheng Xiechang.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory financial statements of Liaocheng Xiechang for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory financial statements of Liaocheng Xiechang for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC. No statutory financial statements of 聊城協豐農業科技有限公司 for the years ended 31 December 2017, 2018 and 2019 as 聊城協豐農業科技有限公司 has not carried on any business.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

At 30 September 2020, Liaocheng Xiechang Group's current liabilities exceeded its current assets by approximately RMB281,000. The sole director of Liaocheng Xiechang has reviewed the Liaocheng Xiechang Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from shareholder and future financial plans. In the opinion of the sole director of the Liaocheng Xiechang, Liaocheng Xiechang Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Liaocheng Xiechang Group to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Liaocheng Xiechang Group. At 30 June 2020, the Company had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Company will be able to meet its commitment to provide funds to Liaocheng Xiechang Group. The directors of the Company are satisfied that the Company would have sufficient working capital to meet its financial obligations and to support Liaocheng Xiechang Group to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the sole director of Liaocheng Xiechang is of the opinion that the Group will be able to meet its commitment to provide funds to Liaocheng Xiechang Group.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Liaocheng Xiechang Group. The sufficiency of the Company's working capital is dependent on the Company's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Company be unable to provide financial support to Liaocheng Xiechang Group as committed and, in turn, Liaocheng Xiechang Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Liaocheng Xiechang Group to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Liaocheng Xiechang Group and became effective during the Relevant Periods. In preparing the Historical Financial Information, Liaocheng Xiechang Group has applied all these new and revised IFRS Standards which are effective for Liaocheng Xiechang Group's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Liaocheng Xiechang Group adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Liaocheng Xiechang Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Liaocheng Xiechang Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Liaocheng Xiechang Group recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Liaocheng Xiechang Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	25,821	(16,961)	8,860
Contract assets	*(a)*	–	16,961	16,961

Note:

(a) At 1 January 2018, tariff adjustments related to solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Liaocheng Xiechang Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Liaocheng Xiechang Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the Liaocheng Xiechang Group's accounting policies above, Liaocheng Xiechang Group assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening consolidated statement of financial position.

Impairment under ECL model

Liaocheng Xiechang Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Liaocheng Xiechang Group has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Liaocheng Xiechang Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Liaocheng Xiechang Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Liaocheng Xiechang Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Liaocheng Xiechang Group assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Liaocheng Xiechang Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Liaocheng Xiechang Group recognised additional lease liabilities of approximately RMB12,563,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Liaocheng Xiechang Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment at whether leases are onerous by applying IAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for lease previously classified as operating lease, Liaocheng Xiechang Group has applied incremental borrowing rates at the date of initial application. The incremental borrowing rate applied is 4.9%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 27)*	20,892
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rate upon application of IFRS 16	12,563
Analysed as:	
Current	240
Non-current	12,323
	12,563

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	12,563
By class:	
Leasehold land	12,563

Sales and lease back transaction

Liaocheng Xiechang Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, Liaocheng Xiechang Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

During the year ended 31 December 2019, and the nine months ended 30 September 2020 there is no sales and leaseback transactions entered by Liaocheng Xiechang Group. Hence, there is no impact from sale and leaseback transaction to Liaocheng Xiechang Group upon the implementation of IFRS 16.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	12,563	12,563
Current liabilities			
Lease liabilities	–	(240)	(240)
Non-current liabilities			
Lease liabilities	–	(12,323)	(12,323)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Liaocheng Xiechang anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Liaocheng Xiechang Group's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Liaocheng Xiechang Group's right to defer settlement for other borrowing of RMB92,473,000 beyond 12 months from the end at the reporting period is subject to compliance with covenants within 12 months from the end of the reporting period. Such other borrowing was classified as non-current as Liaocheng Xiechang Group met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Liaocheng Xiechang Group will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of Liaocheng Xiechang and entities controlled by Liaocheng Xiechang. Control is achieved when Liaocheng Xiechang:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Liaocheng Xiechang Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Liaocheng Xiechang Group obtains control over the subsidiary and ceases when Liaocheng Xiechang Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Liaocheng Xiechang Group gains control until the date when Liaocheng Xiechang Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income ("OCI") are attributed to the owners of Liaocheng Xiechang and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Liaocheng Xiechang and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Liaocheng Xiechang Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Liaocheng Xiechang Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Liaocheng Xiechang Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in Liaocheng Xiechang Group's interests in existing subsidiaries

Changes in Liaocheng Xiechang Group's interests in subsidiaries that do not result in Liaocheng Xiechang Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Liaocheng Xiechang Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Liaocheng Xiechang Group and the non-controlling interests according to Liaocheng Xiechang's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Liaocheng Xiechang.

When Liaocheng Xiechang Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Liaocheng Xiechang. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if Liaocheng Xiechang Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Liaocheng Xiechang Group, liabilities incurred by Liaocheng Xiechang Group to the former owners of the acquiree and the equity interests issued by Liaocheng Xiechang Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes ("**IAS 12**") and IAS 19 Employee Benefits ("**IAS 19**") respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of Liaocheng Xiechang Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms, except for right-of-use assets relating to leasehold lands in which the relevant acquirees are the registered owners with full upfront lease payments, which are measured at fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or fair value.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, Liaocheng Xiechang Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when Liaocheng Xiechang Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amount arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Liaocheng Xiechang Group had disposed directly of the previously held equity interest.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Liaocheng Xiechang Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Liaocheng Xiechang Group's performance as Liaocheng Xiechang Group performs;
- Liaocheng Xiechang Group's performance creates or enhances an asset that the customer controls as Liaocheng Xiechang Group performs; or
- Liaocheng Xiechang Group's performance does not create an asset with an alternative use to Liaocheng Xiechang Group and Liaocheng Xiechang Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Liaocheng Xiechang Group's right to consideration in exchange for goods or services that Liaocheng Xiechang Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Liaocheng Xiechang Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Liaocheng Xiechang Group's obligation to transfer goods or services to a customer for which Liaocheng Xiechang Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plant yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Liaocheng Xiechang Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Liaocheng Xiechang Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Liaocheng Xiechang Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Liaocheng Xiechang Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Liaocheng Xiechang Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Liaocheng Xiechang Group and when specific criteria have been met for each of Liaocheng Xiechang Group's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Liaocheng Xiechang Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Liaocheng Xiechang Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Liaocheng Xiechang Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Liaocheng Xiechang Group applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Liaocheng Xiechang Group; and
- an estimate of costs to be incurred by Liaocheng Xiechang Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Liaocheng Xiechang Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Liaocheng Xiechang Group as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Liaocheng Xiechang Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Liaocheng Xiechang Group.

Liaocheng Xiechang Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Liaocheng Xiechang Group as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Liaocheng Xiechang Group as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Liaocheng Xiechang Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Liaocheng Xiechang Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Liaocheng Xiechang Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Liaocheng Xiechang Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Liaocheng Xiechang Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Liaocheng Xiechang Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Liaocheng Xiechang Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Liaocheng Xiechang Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Liaocheng Xiechang Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Liaocheng Xiechang Group's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Liaocheng Xiechang Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Liaocheng Xiechang Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Liaocheng Xiechang Group always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Liaocheng Xiechang Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Liaocheng Xiechang Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Liaocheng Xiechang Group compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Liaocheng Xiechang Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Liaocheng Xiechang Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Liaocheng Xiechang Group has reasonable and supportable information that demonstrate otherwise.

Liaocheng Xiechang Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Liaocheng Xiechang Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Liaocheng Xiechang Group, in full without taking into account any collaterals held by Liaocheng Xiechang Group.

Irrespective of the above, Liaocheng Xiechang Group considers that default has occurred when a financial asset is more than 90 days past due unless Liaocheng Xiechang Group has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Liaocheng Xiechang Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Liaocheng Xiechang Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Liaocheng Xiechang Group in accordance with the contract and the cash flows that Liaocheng Xiechang Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Liaocheng Xiechang Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Liaocheng Xiechang Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Liaocheng Xiechang are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Liaocheng Xiechang Group transferred the legal title of certain equipment of Liaocheng Xiechang Group to the relevant financial institutions, and Liaocheng Xiechang Group is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Liaocheng Xiechang Group during the lease period.

Derecognition of financial liabilities

Liaocheng Xiechang Group derecognises financial liabilities when, and only when, Liaocheng Xiechang Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Liaocheng Xiechang Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Liaocheng Xiechang Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Liaocheng Xiechang Group's accounting policies, which are described in Note 4, the sole director of Liaocheng Xiechang is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Liaocheng Xiechang has made in the process of applying Liaocheng Xiechang Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Liaocheng Xiechang Group has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Liaocheng Xiechang Group to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Liaocheng Xiechang Group's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Liaocheng Xiechang Group.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Liaocheng Xiechang Group operates one solar power plant in the PRC and was admitted to the List in September 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB10,069,000 was included in the sales of electricity as disclosed in Note 6, of which solar power plant of Liaocheng Xiechang Group was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Liaocheng Xiechang Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. In making his judgement, the sole director of Liaocheng Xiechang, taking into account the legal opinion of the Company's legal advisor, considered that Liaocheng Xiechang Group's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Liaocheng Xiechang is confident that Liaocheng Xiechang Group's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to 1 January 2020); or the List (for the period after 1 January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal will not occur and are included in contract assets. Liaocheng Xiechang Group operates one solar power plant and it was admitted to the Catalogue in September 2020, accordingly, the management assessed that Liaocheng Xiechang Group's operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset has been transferred to trade receivables upon the solar power plant being enlisted on the List in September 2020. The management considered financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019, Liaocheng Xiechang Group recognised revenue of RMB10,069,000, RMB12,258,000, RMB12,338,000 and RMB10,002,000 (unaudited) respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Liaocheng Xiechang Group generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB10,069,000, RMB12,258,000, RMB12,338,000, RMB10,002,000 (unaudited) and RMB9,419,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Liaocheng Xiechang Group generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Liaocheng Xiechang Group and the local grid company. Liaocheng Xiechang Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Liaocheng Xiechang Group operates one solar power plant and admitted to List in September 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Management assessed that the solar power plant operated has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract assets have been transferred to trade receivables upon the solar power plant being enlisted on the List in September 2020. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Liaocheng Xiechang Group regularly reviews the results of the solar power plant operates by Liaocheng Xiechang Group when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Liaocheng Xiechang Group is solely located in the PRC. All revenue of Liaocheng Xiechang Group are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	29	12	9	6	4
Interest income on amounts due from related companies	–	3,043	9	9	–
Total other income	29	3,055	18	15	4

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Other borrowing	3,332	6,657	6,423	4,847	1,779
Lease liabilities	–	–	591	446	440
Amounts due to related companies	3,770	1,221	311	311	–
Total finance costs	7,102	7,878	7,325	5,604	2,219

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	–	768	719	1,077

The basic tax rate of Liaocheng Xiechang and its subsidiary is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Liaocheng Xiechang engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2016 to 2018 followed by 3-year 50% exemption from 2019 to 2021. Besides, Liaocheng Xiechang Group is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2016.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	5,189	8,625	5,771	6,413	8,537
Tax at domestic income tax rate of 25%	1,297	2,156	1,442	1,603	2,134
Effect of tax exemptions and concessions granted	(1,297)	(2,156)	(674)	(884)	(1,057)
Income tax expense for the year/period	–	–	768	719	1,077

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Depreciation of:					
– Property, plant and equipment	5,582	5,800	6,056	4,542	4,608
– Right-of-use assets	–	–	572	429	431
Loss on written-off of property, plant and equipment	–	–	–	–	640
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	438	464	487	263	336
– Retirement benefit scheme contributions	39	47	65	49	13

11. SOLE DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole Director's emoluments

The emoluments of the sole director of Liaocheng Xiechang during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ding Jiangsu (丁江蘇) *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ding Jiangsu (丁江蘇) *(Note i)*	–	–	–	–	–
Ren Xiaoliang (任孝良) *(Note ii)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ren Xiaoliang (任孝良) *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ren Xiaoliang (任孝良) *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Ren Xiaoliang (任孝良) *(Note ii)*	–	–	–	–	–

Notes:

(i) Ding Jiangsu resigned as the sole director of Liaocheng Xiechang with effect from 3 May 2018.

(ii) Ren Xiaoliang has been appointed as the sole director of Liaocheng Xiechang with effect from 3 May 2018.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Liaocheng Xiechang during the Relevant Periods were borne by a related company for his service as the sole director of Liaocheng Xiechang.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Liaocheng Xiechang waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The four highest paid employees of Liaocheng Xiechang Group during the Relevant Periods included 4 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	364	367	348	263	310
Performance-related bonus	74	97	139	–	26
Retirement benefits scheme contribution	39	47	65	49	13
	477	511	552	312	349

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	4	4	4	4	4

12. DIVIDENDS

Dividends of approximately Nil, RMB12,584,000, RMB6,037,000, RMB2,038,000 (unaudited) and Nil were proposed and paid to ordinary shareholder of Liaocheng Xiechang during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2017	12	153,870	85	–	153,967
Additions	27	455	–	–	482
At 31 December 2017 and 1 January 2018	39	154,325	85	–	154,449
Additions	–	1,130	–	3,640	4,770
Transfer	–	3,640	–	(3,640)	–
At 31 December 2018 and 1 January 2019	39	159,095	85	–	159,219
Additions	–	–	–	832	832
Transfer	16	816	–	(832)	–
At 31 December 2019 and 1 January 2020	55	159,911	85	–	160,051
Additions	–	130	–	88	218
Written off	–	(640)	–	–	(640)
At 30 September 2020	55	159,401	85	88	159,629
Accumulated depreciation					
At 1 January 2017	–	2,295	–	–	2,295
Charge for the year	4	5,563	15	–	5,582
At 31 December 2017 and 1 January 2018	4	7,858	15	–	7,877
Charge for the year	7	5,778	15	–	5,800
At 31 December 2018 and 1 January 2019	11	13,636	30	–	13,677
Charge for the year	8	6,033	15	–	6,056
At 31 December 2019 and 1 January 2020	19	19,669	45	–	19,733
Charge for the period	7	4,589	12	–	4,608
At 30 September 2020	26	24,258	57	–	24,341
Carrying values					
At 31 December 2017	35	146,467	70	–	146,572
At 31 December 2018	28	145,459	55	–	145,542
At 31 December 2019	36	140,242	40	–	140,318
At 30 September 2020	29	135,143	28	88	135,288

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Leasehold improvements, furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	12,563
Depreciation charge	(572)
At 31 December 2019 and 1 Juanary 2020	11,991
Depreciation charge	(431)
At 30 September 2020	11,560

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

		At 31 December		**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	14,000	14,849	–	2,900
– immediate holding company	77,948	5,062	–	–
	91,948	19,911	–	2,900
Amounts due to related companies				
– immediate holding company	63,226	5,243	14,018	–
– intermediate holding companies	–	200	–	63,938
– fellow subsidiaries	–	–	51,140	1,040
	63,226	5,443	65,158	64,978

Except for amounts due to related companies of approximately RMB63,226,000, RMB5,443,000, RMB65,158,000 and Nil at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at 6% per annum, 6% per annum, 6% per annum, and Nil% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	22,335	1,916	1,677	62,451
Prepayments and deposits	39	3	18	1,012
Other receivables				
– Refundable value-added tax	8,860	10,202	7,505	5,401
– Others	381	391	437	463
	31,615	12,512	9,637	69,327

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	5,794	2,310	2,132	63,926
Non-current				
– trade receivables	16,961	–	–	–
– Refundable value-added tax *(Note)*	8,860	10,202	7,505	5,401
	25,821	10,202	7,505	5,401
	31,615	12,512	9,637	69,327

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Liaocheng Xiechang Group.

At 1 January 2018, trade receivables from contract with customers amounted to RMB5,374,000.

For sales of electricity in the PRC, Liaocheng Xiechang Group generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Liaocheng Xiechang Group and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Liaocheng Xiechang Group for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	18,798	1,892	1,188	61,659
0 – 90 days	3,537	24	489	792
91 – 180 days	–	–	–	–
Over 180 days	–	–	–	–
	22,335	1,916	1,677	62,451

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plants operated by Liaocheng Xiechang Group as well as the unbilled tariff adjustment receivables of the solar power plant which was not yet registered in the catalogue at 31 December 2017. At 31 December 2018 and 2019, the amount represents unbilled basic tariff receivables for the solar power plant. At 30 September 2020, the amount represents unbilled basic tariff receivables and tariff adjustment receivables for the solar power plant. The sole director of Liaocheng Xiechang expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	2,177	1,368	183	5,507
91 – 180 days	3,393	349	304	2,708
181 – 365 days	5,005	175	701	5,190
Over 365 days	8,223	–	–	48,254
	18,798	1,892	1,188	61,659

At 31 December 2017, 2018, 2019 and 30 September 2020, included in these trade receivables are debtors with aggregate carrying amount of RMB3,537,000 Nil, Nil and Nil, respectively, which are past due as at the end of the reporting date. These trade receivables relate to a customer represented a local grid company in the PRC, for whom there is no recent history of default. Liaocheng Xiechang Group does not hold any collaterals over these balances.

18. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	35,614	–	–
– Current	–	49,342	–
	35,614	49,342	–

At 1 January 2018, contract assets amounted to RMB16,961,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the relevant on-grid solar power plant is still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated as disclosed in Note 6.

Pursuant to the 2020 Measures, for those on-grid solar power plants yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List. The contract assets are transferred to trade receivables when Liaocheng Xiechang Group's respective on-grid solar power plant is enlisted in the List. The management of Liaocheng Xiechang Group considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Since the solar power plant operated by Liaocheng Xiechang Group is admitted to the List in September 2020, which represented Liaocheng Xiechang Group's right to consideration in exchange for services in connection with sales of electricity to its customer became unconditional, accordingly, the contract assets are reclassified as unbilled trade receivables in September 2020 and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 24b.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

20. OTHER BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the other borrowing are repayable:				
Within one year	–	8,987	9,547	5,766
More than one year, but not exceeding two years	8,927	10,741	11,531	10,028
More than two years, but not exceeding five years	30,615	34,946	37,336	28,186
More than five years	66,710	51,467	38,675	49,110
	106,252	106,141	97,089	93,090
Less: Accounts due within one year shown under current liabilities	–	(8,987)	(9,547)	(617)
Amounts due after one year	106,252	97,154	87,542	92,473

The variable-rate other borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 127% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

Prior to the Relevant Periods, Liaocheng Xiechang Group has a financing arrangement with a financial institution with lease terms of 10 years, and the legal title of the respective equipments transferred to the financial institution. Liaocheng Xiechang Group continued to operate and manage the relevant equipments during the lease term without any involvement from the financial institution, and Liaocheng Xiechang Group is entitled to purchase back the equipments at a minimal consideration upon maturity of the lease. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, Liaocheng Xiechang Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method under IFRS9/IAS39 in prior years before application of IFRS 16, in accordance with the substance of the arrangement.

21. LEASE LIABILITIES

	At 31 December 2019	At 30 September 2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	248	282
Within a period of more than one years but not more than two years	285	315
Within a period of more than two years but not more than five years	1,002	1,039
Within a period of more than five years	10,786	10,287
	12,321	11,923
Less: Amount due for settlement with 12 months shown under current liabilities	(248)	(282)
Amount due for settlement after 12 months shown under non-current liabilities	12,073	11,641

All lease liabilities are denominated in RMB.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	36,000	36,000	36,000	36,000

On 29 September 2016, the registered capital of Liaocheng Xiechang was increased to RMB36,000,000 and was paid-up by the shareholder during the year ended 31 December 2017.

23. CAPITAL MANAGEMENT

Liaocheng Xiechang Group manages its capital to ensure that entities in Liaocheng Xiechang Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Liaocheng Xiechang Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Liaocheng Xiechang Group consists of net debt, which mainly includes amounts due to related companies, lease liabilities, other borrowing, net of cash and cash equivalents, and equity attributable to owner of Liaocheng Xiechang, comprising paid-up capital and reserves.

The sole director of Liaocheng Xiechang reviews the capital structure on a periodical basis. As part of this review, the sole director of Liaocheng Xiechang considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Liaocheng Xiechang, Liaocheng Xiechang Group will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	125,869	–	–	–
Amortised cost	–	40,263	14,826	72,956
Financial liabilities				
Amortised cost	227,054	179,991	176,016	171,286

24b. Financial risk management objectives and policies

Liaocheng Xiechang Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, other payables, amounts due to related companies, lease liabilities and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Liaocheng Xiechang Group is exposed to fair value interest rate risk in relation to amounts due to related companies and lease liabilities. Liaocheng Xiechang Group is also exposed to cash flow interest rate risk in relation to variable-rate other borrowing and bank balances, and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the other borrowing of Liaocheng Xiechang Group is issued at variable rates which expose Liaocheng Xiechang Group to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Liaocheng Xiechang Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Liaocheng Xiechang Group's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB531,000, RMB531,000, RMB485,000 and RMB465,000, respectively. This is mainly attributable to Liaocheng Xiechang Group's exposure to interest rates on its variable-rate borrowings.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Liaocheng Xiechang Group reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Liaocheng Xiechang Group has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Liaocheng Xiechang Group's counterparties default on their contractual obligations resulting in financial losses to Liaocheng Xiechang Group. Liaocheng Xiechang Group's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Liaocheng Xiechang Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Liaocheng Xiechang Group's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that Liaocheng Xiechang Group's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Liaocheng Xiechang Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Liaocheng Xiechang Group assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Liaocheng Xiechang Group's current liabilities exceeded its current assets by RMB20,754,000, RMB52,776,000, RMB19,805,000 and RMB281,000, respectively. Liaocheng Xiechang Group is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Liaocheng Xiechang Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Liaocheng Xiechang Group's operations and mitigate the effects of fluctuation in cash flows.

Liaocheng Xiechang Group relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Liaocheng Xiechang is of the opinion that the Group will be able to meet its commitment to provide funds to Liaocheng Xiechang Group, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Liaocheng Xiechang Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Liaocheng Xiechang Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	57,576	–	–	–	–	57,576	57,576
Other borrowing	6.2%	3,358	3,285	15,474	46,422	77,370	145,909	106,252
Amounts due to related companies	1.26	63,226	–	–	–	–	63,226	63,226
Total		124,160	3,285	15,474	46,422	77,370	266,711	227,054

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	68,407	–	–	–	–	68,407	68,407
Other borrowing	6.2%	7,737	7,737	15,474	46,422	61,896	139,266	106,141
Amounts due to related companies	1.26	5,443	–	–	–	–	5,443	5,443
Total		81,587	7,737	15,474	46,422	61,896	213,116	179,991

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	1,448	–	–	–	–	1,448	1,448
Other borrowing	6.2%	7,737	7,737	15,474	46,422	46,422	123,792	97,089
Lease liabilities	6.2%	–	833	855	2,625	15,745	20,058	12,321
Amounts due to related companies	1.26	65,158	–	–	–	–	65,158	65,158
Total		74,343	8,570	16,329	49,047	62,167	210,456	176,016

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	1,295	–	–	–	–	1,295	1,295
Other borrowing	6.2%	–	7,737	15,474	46,422	38,685	108,318	93,090
Lease liabilities	6.2%	–	856	875	2,625	14,870	19,226	11,923
Amounts due to related companies	1.26	64,978	–	–	–	–	64,978	64,978
Total		66,237	8,593	16,349	49,047	53,555	193,817	171,286

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Liaocheng Xiechang considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Liaocheng Xiechang Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Liaocheng Xiechang Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	Other borrowing	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	99,237	–	–	99,237
Financing cash flows	(39,781)	102,920	–	63,139
Finance costs	3,770	3,332	–	7,102
At 31 December 2017 and 1 January 2018	63,226	106,252	–	169,478
Financing cash flows	(71,588)	(6,668)	–	(78,256)
Finance costs	1,221	6,557	–	7,778
Dividend declared	12,584	–	–	12,584
At 31 December 2018	5,443	106,141	–	111,584
Adjustment upon application of IFRS 16	–	–	12,563	12,563
At 1 January 2019	5,443	106,141	12,563	124,147
Financing cash flows	53,367	(15,475)	(833)	37,059
Finance costs	311	6,423	591	7,325
Dividend declared	6,037	–	–	6,037
At 31 December 2019 and 1 January 2020	65,158	97,089	12,321	174,568
Financing cash flows	(180)	(5,778)	(838)	(6,796)
Finance costs	–	1,779	440	2,219
At 30 September 2020	64,978	93,090	11,923	169,991

26. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Liaocheng Xiechang Group has no capital commitments.

27. OPERATING LEASES

	For the year ended 31 December	
	2017	2018
Liaocheng Xiechang Group as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
The land	823	869

Liaocheng Xiechang Group's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	2018
	RMB'000	*RMB'000*
Within one year	869	833
In the second to fifth year inclusive	2,500	2,564
Over fifth year	18,370	17,495
	21,739	20,892

Lease is negotiated and rental is fixed for term of 25 year for the office premise for the years ended 31 December 2017 and 2018.

28. PLEDGE OF ASSETS

Liaocheng Xiechang Group's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	146,467	145,459	140,242	135,143
Trade receivables and contract assets	17,921	36,683	51,019	62,451
	164,388	182,142	191,261	197,594

Liaocheng Xiechang Group's secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Liaocheng Xiechang Group and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity.

29. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Liaocheng Xiechang Group also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expense to an intermediate holding company	3,770	1,221	311	311	–
Interest income from a fellow subsidiaries	–	861	–	–	–
Interest income from an intermediate holding company	–	2,182	9	9	–
Consultancy fee to immediate holding company	–	849	283	189	–

Details of the remuneration for the key management personnel, which represents the sole director of Liaocheng Xiechang, are set out in Note 11.

30. INVESTMENT IN A SUBSIDIARY

	At 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	–	–	–	–

The following is a list of a subsidiary at 31 December 2017, 2018 and 2019 and 30 September 2020:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital/paid in capital	Effective interest held as at			
				31 December			30 September
				2017	2018	2019	2020
Directly held by the Liaocheng Xiechang:							
聊城協豐農業科技有限公司 *(Note)*	PRC, limited liability company	Provision of technical promotion and application services	RMB5,000,000/ Nil	N/A	N/A	100%	100%

Note: The company is incorporated on 19 December 2019.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Liaocheng Xiechang Group has no significant event occurred.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Liaocheng Xiechang or Liaocheng Xiechang Group have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II K-1 to II K-52, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YANBIAN XINNENG PHOTOVOLTAIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Yanbian Xinneng Photovoltaic Power Co., Ltd. (鹽邊鑫能光伏電力有限公司) ("**Yanbian Xinneng**") set out on pages II K-5 to II K-52, which comprises the statements of financial position of Yanbian Xinneng at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Yanbian Xinneng for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II K-5 to II K-52 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Yanbian Xinneng is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Yanbian Xinneng determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Yanbian Xinneng, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Yanbian Xinneng's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Yanbian Xinneng's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Yanbian Xinneng exceeded its current assets by approximately RMB71,652,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Yanbian Xinneng's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Yanbian Xinneng which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Yanbian Xinneng is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to

obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II K-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Yanbian Xinneng in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF YANBIAN XINNENG

The financial statements of Yanbian Xinneng for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	15,835	37,263	40,963	30,502	31,248
Cost of sales		(5,677)	(12,756)	(11,943)	(9,006)	(8,127)
Gross profit		10,158	24,507	29,020	21,496	23,121
Other income	*7*	481	63	30	30	1,675
Administrative expenses		(1,868)	(2,639)	(657)	(665)	(389)
Finance costs	*8*	(5,549)	(13,742)	(10,562)	(7,942)	(7,970)
Profit before taxation		3,222	8,189	17,831	12,919	16,437
Income tax expenses	*9*	(2)	(98)	(1)	(1)	(1,833)
Profit and total comprehensive income for the year/period	*10*	3,220	8,091	17,830	12,918	14,604

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
	NOTES	2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	261,928	258,942	255,717	249,668
Right-of-use assets	*15*	–	–	6,166	5,956
Trade and other receivables	*17*	19,824	4,417	3,126	–
Contract assets	*18*	–	37,545	–	–
		281,752	300,904	265,009	255,624
CURRENT ASSETS					
Trade and other receivables	*17*	13,515	14,134	12,679	95,166
Contract assets	*18*	–	–	64,661	–
Amounts due from related companies	*16*	6,428	1,157	1	–
Bank balances	*19*	9	7	622	5,462
		19,952	15,298	77,963	100,628
CURRENT LIABILITIES					
Other payables		24,754	24,862	16,375	17,488
Amounts due to related companies	*16*	56,725	83,873	135,285	132,179
Lease liabilities	*20*	–	–	73	76
Tax payable		3	1	1	556
Other borrowing	*21*	23,047	19,952	21,981	21,981
		104,529	128,688	173,715	172,280
NET CURRENT LIABILITIES		(84,577)	(113,390)	(95,752)	(71,652)
TOTAL ASSETS LESS CURRENT LIABILITIES		197,175	187,514	169,257	183,972
NON-CURRENT LIABILITY					
Lease liabilities	*20*	–	–	2,827	2,938
Other borrowing	*21*	137,956	123,103	105,029	105,029
		137,956	123,103	107,856	107,967
NET ASSETS		59,219	64,411	61,401	76,005
CAPITAL AND RESERVES					
Paid-up capital	*22*	56,000	56,000	56,000	56,000
Reserves		3,219	8,411	5,401	20,005
TOTAL EQUITY		59,219	64,411	61,401	76,005

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	(Accumulated loss)/retained earnings	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	14,000	–	(1)	13,999
Profit and total comprehensive income for the year	–	–	3,220	3,220
Capital injection *(Note 22)*	42,000	–	–	42,000
Transfer to legal reserve	–	322	(322)	–
At 31 December 2017 and 1 January 2018	56,000	322	2,897	59,219
Profit and total comprehensive income for the year	–	–	8,091	8,091
Transfer to legal reserve	–	809	(809)	–
Dividend declared *(Note 12)*	–	–	(2,899)	(2,899)
At 31 December 2018 and 1 January 2019	56,000	1,131	7,280	64,411
Profit and total comprehensive income for the year	–	–	17,830	17,830
Transfer to legal reserve	–	1,783	(1,783)	–
Dividend declared *(Note 12)*	–	–	(20,840)	(20,840)
At 31 December 2019 and 1 January 2020	56,000	2,914	2,487	61,401
Profit and total comprehensive income for the period	–	–	14,604	14,604
At 30 September 2020	56,000	2,914	17,091	76,005
At 1 January 2019 (audited)	56,000	1,131	7,280	64,411
Profit and total comprehensive income for the period (unaudited)	–	–	12,918	12,918
Dividend declared *(Note 12)* (unaudited)	–	–	(7,280)	(7,280)
At 30 September 2019 (unaudited)	56,000	1,131	12,918	70,049

Note: Legal reserve represents the amount sets aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Yanbian Xinneng, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	3,222	8,189	17,831	12,919	16,437
Adjustments for:					
Depreciation of property, plant and equipment	4,812	9,726	9,954	7,442	7,560
Depreciation of right-of-use assets	–	–	281	210	210
Finance costs	5,549	13,742	10,562	7,942	7,970
Interest income	(79)	(58)	–	–	(1)
Loss on written off of property, plant and equipment	4	–	–	–	164
Operating cash flows before movements in working capital	13,508	31,599	38,628	28,513	32,340
(Increase) decrease in trade and other receivables	(17,212)	14,788	1,022	2,964	(79,361)
(Increase) decrease in contract assets	–	(37,545)	(27,116)	(20,404)	64,661
(Decrease) increase in other payables	(2,848)	108	(8,487)	17,585	1,113
Cash (used in) generated from operations	(6,552)	8,950	4,047	28,658	18,753
Income tax received (paid)	1	(100)	(1)	(1)	(1,278)
Net cash (used in) from operating activities	(6,551)	8,850	4,046	28,657	17,475

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Investing activities					
Interest received	79	58	–	–	1
Payments for construction and purchase of property, plant and equipment	(36,233)	(6,740)	(6,729)	(5,126)	(1,675)
(Repayment to) advance from related companies	(6,213)	5,271	1,156	1,156	1
Net cash used in investing activities	(42,367)	(1,411)	(5,573)	(3,970)	(1,673)
Financing activities					
Interest paid	(5,037)	(11,088)	(9,316)	(7,069)	(6,034)
Capital injection	42,000	–	–	–	–
Repayment of other borrowing	(14)	(17,948)	(16,045)	(9,592)	–
Repayment of lease liabilities	–	–	(2,040)	(37)	–
Advance from (repayment to) related companies	11,978	21,595	29,543	(7,990)	(4,928)
Net cash from (used in) financing activities	48,927	(7,441)	2,142	(24,688)	(10,962)
Net increase (decrease) in cash and cash equivalents	9	(2)	615	(1)	4,840
Cash and cash equivalents at beginning of year/period	–	9	7	7	622
Cash and cash equivalents at end of year/period	9	7	622	6	5,462

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Yanbian Xinneng Photovoltaic Power Co., Ltd. ("**Yanbian Xinneng**") was established in the People's Republic of China (the "**PRC**") on 14 October 2015. Its immediate holding company is Suzhou GCL New Energy Investment Company Limited, a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Yanbian Xinneng is No.178 Dalongtang Group, Xigeda Village, Hongge Twon, Yanbian District, Sichuan Province, the PRC.

Yanbian Xinneng is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Yanbian Xinneng.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory audited financial statements of Yanbian Xinneng for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Yanbian Xinneng for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

At 30 September 2020, Yanbian Xinneng's current liabilities exceeded its current assets by approximately RMB71,652,000. The sole director of Yanbian Xinneng has reviewed the Yanbian Xinneng's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from shareholder and future financial plans. In the opinion of the sole director of the Yanbian Xinneng, Yanbian Xinneng will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Yanbian Xinneng to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Yanbian Xinneng. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Yanbian Xinneng. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Yanbian Xinneng to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the sole director of Yanbian Xinneng is of the opinion that the Group will be able to meet its commitment to provide funds to Yanbian Xinneng.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Yanbian Xinneng. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal if its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Yanbian Xinneng as committed and, in turn, Yanbian Xinneng be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Yanbian Xinneng to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Yanbian Xinneng and became effective during the Relevant Periods. In preparing the Historical Financial Information, Yanbian Xinneng has applied all these new and revised IFRS Standards which are effective for Yanbian Xinneng's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Yanbian Xinneng adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Yanbian Xinneng has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Yanbian Xinneng has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Yanbian Xinneng recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Yanbian Xinneng's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	19,824	(12,022)	7,802
Contract assets	*(a)*	–	12,022	12,022

Note:

(a) At 1 January 2018, tariff adjustments related to solar power plants yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to the solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Yanbian Xinneng has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Yanbian Xinneng has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Yanbian Xinneng assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Yanbian Xinneng applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Yanbian Xinneng has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Yanbian Xinneng has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Yanbian Xinneng has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Yanbian Xinneng applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Yanbian Xinneng assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Yanbian Xinneng has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Yanbian Xinneng recognised additional lease liabilities of RMB4,151,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued lease payments by applying IFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Yanbian Xinneng applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for lease previously classified as operating lease, Yanbian Xinneng has applied incremental borrowing rates of Yanbian Xinneng at the date of initial application. The incremental borrowing rate applied is 5.23%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 27)*	5,397
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rate upon application of IFRS 16	4,151
Analysed as:	
Current	1,251
Non-current	2,900
	4,151

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	4,151
Reclassified from prepaid rent *(Note)*	2,296
	6,447
By class:	
Leasehold land	6,447

Note: Prepaid rent for parcels of land in the PRC in which Yanbian Xinneng leased from third parties under operating leases were classified as prepayment at 31 December 2018. Upon application of IFRS 16, the prepaid rent for parcels of lands under current assets and non-current assets amounting to RMB375,000 and RMB1,921,000 respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Yanbian Xinneng's retained earnings at 1 January 2019.

Sales and lease back transaction

Yanbian Xinneng acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, Yanbian Xinneng applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year ended 31 December 2019, and the nine months ended 30 September 2020 there is no sales and leaseback transactions entered by Yanbian Xinneng. Hence, there is no impact from sale and leaseback transaction to Yanbian Xinneng upon the implementation of IFRS 16.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Trade and other receivable	4,417	(1,921)	2,496
Right-of-use assets	–	6,447	6,447
Current assets			
Trade and other receivable	14,134	(375)	13,759
Current liabilities			
Lease liabilities	–	(1,251)	(1,251)
Non-current liabilities			
Lease liabilities	–	(2,900)	(2,900)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Yanbian Xinneng anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Yanbian Xinneng's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

(ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Yanbian Xinneng's right to defer settlement for other borrowing of RMB105,029,000 beyond 12 months from the end of the reporting period subject to compliance with covenants at the end of the reporting period. Such other borrowing was classified as non-current as Yanbian Xinneng met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Yanbian Xinneng will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Yanbian Xinneng recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Yanbian Xinneng's performance as Yanbian Xinneng performs;

- Yanbian Xinneng's performance creates or enhances an asset that the customer controls as Yanbian Xinneng performs; or

- Yanbian Xinneng's performance does not create an asset with an alternative use to Yanbian Xinneng and Yanbian Xinneng has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Yanbian Xinneng's right to consideration in exchange for goods or services that Yanbian Xinneng has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Yanbian Xinneng's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Yanbian Xinneng's obligation to transfer goods or services to a customer for which Yanbian Xinneng has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Yanbian Xinneng estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Yanbian Xinneng updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Yanbian Xinneng adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Yanbian Xinneng with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Yanbian Xinneng applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Yanbian Xinneng and when specific criteria have been met for each of Yanbian Xinneng's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Yanbian Xinneng assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Yanbian Xinneng as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Yanbian Xinneng reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Yanbian Xinneng applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Yanbian Xinneng; and
- an estimate of costs to be incurred by Yanbian Xinneng in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Yanbian Xinneng presents right-of-use assets as a separate line item on the statement of financial position.

Yanbian Xinneng as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Yanbian Xinneng applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Yanbian Xinneng.

Yanbian Xinneng as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Yanbian Xinneng as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Yanbian Xinneng as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Yanbian Xinneng. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Yanbian Xinneng's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yanbian Xinneng expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Yanbian Xinneng's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Yanbian Xinneng makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Yanbian Xinneng in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Yanbian Xinneng reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Yanbian Xinneng estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Yanbian Xinneng becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Yanbian Xinneng's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Yanbian Xinneng performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Yanbian Xinneng's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Yanbian Xinneng always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Yanbian Xinneng measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Yanbian Xinneng recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Yanbian Xinneng compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Yanbian Xinneng considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Yanbian Xinneng presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Yanbian Xinneng has reasonable and supportable information that demonstrate otherwise.

Yanbian Xinneng regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Yanbian Xinneng considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Yanbian Xinneng, in full without taking into account any collaterals held by Yanbian Xinneng.

Irrespective of the above, Yanbian Xinneng considers that default has occurred when a financial asset is more than 90 days past due unless Yanbian Xinneng has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Yanbian Xinneng writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Yanbian Xinneng's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Yanbian Xinneng in accordance with the contract and the cash flows that Yanbian Xinneng expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Yanbian Xinneng recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Yanbian Xinneng derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Yanbian Xinneng are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Yanbian Xinneng transferred the legal title of certain equipment of Yanbian Xinneng to the relevant financial institutions, and Yanbian Xinneng is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Yanbian Xinneng during the lease period.

Derecognition of financial liabilities

Yanbian Xinneng derecognises financial liabilities when, and only when, Yanbian Xinneng's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Yanbian Xinneng assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Yanbian Xinneng considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Yanbian Xinneng's accounting policies, which are described in Note 4, the sole director of Yanbian Xinneng is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Yanbian Xinneng has made in the process of applying Yanbian Xinneng's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Yanbian Xinneng has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Yanbian Xinneng to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Yanbian Xinneng's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Yanbian Xinneng.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Yanbian Xinneng operates one solar power plant in the PRC and was admitted to the List in September 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB10,271,000 was included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Yanbian Xinneng was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that all of the operating power plants of Yanbian Xinneng had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. In making the judgement, the sole director of Yanbian Xinneng, taking into account the legal opinion of the Company's legal advisor, considered that all of Yanbian Xinneng' operating solar power plants had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Yanbian Xinneng is confident that all of Yanbian Xinneng's operating solar power plants were able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, which is upon the application of IFRS 15, tariff adjustments of RMB21,772,000, RMB23,957,000 and RMB17,907,000 (unaudited), respectively, were included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plants of Yanbian Xinneng were still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Yanbian Xinneng which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that all of the solar power plants operated by Yanbian Xinneng had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Yanbian Xinneng had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019, Yanbian Xinneng recognised revenue of RMB10,271,000, RMB21,772,000, RMB23,957,000 and RMB17,907,000 (unaudited), respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity has generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Yanbian Xinneng generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB10,271,000, RMB21,772,000, RMB23,957,000, RMB17,907,000 (unaudited) and RMB16,847,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Yanbian Xinneng generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Yanbian Xinneng and the local grid company. Yanbian Xinneng will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Yanbian Xinneng operates one solar power plants and was admitted to List in September 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Yanbian Xinneng operates one solar power plant and it was admitted to the List in September 2020, accordingly, the management assessed that Yanbian Xinneng's operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset has been transferred to trade receivables upon the solar power plant being enlisted on the List in September 2020. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Yanbian Xinneng regularly reviews the results of the solar power plants operate by Yanbian Xinneng when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Yanbian Xinneng is solely located in the PRC. All revenue of Yanbian Xinneng are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	–	–	–	–	1
Interest income on amount due from an intermediate holding company	79	58	–	–	–
Others	402	5	30	30	1,674
Total other income	481	63	30	30	1,675

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Other borrowing	5,037	11,088	9,316	7,069	6,034
Amount due to an intermediate holding company	–	204	1,029	710	508
Amount due to an immediate holding company	512	2,450	–	–	1,314
Lease liabilities	–	–	217	163	114
Total finance costs	5,549	13,742	10,562	7,942	7,970

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	2	98	1	1	1,833

The basic tax rate of Yanbian Xinneng is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Yanbian Xinneng engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2017 to 2019 followed by 3-year 50% exemption from 2020 to 2022. Besides, Yanbian Xinneng is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2017.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	3,222	8,189	17,831	12,919	16,437
Tax at domestic income tax rate of 25%	806	2,047	4,458	3,230	4,109
Effect of tax exemptions and concessions granted	(804)	(1,949)	(4,457)	(3,229)	(2,276)
Income tax expenses for the year/period	2	98	1	1	1,833

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Loss on written off of property, plant and equipment	4	–	–	–	164
Depreciation of:					
– Property, plant and equipment	4,812	9,726	9,954	7,442	7,560
– Right-of-use assets	–	–	281	210	210
Staff costs (including directors' remuneration)					
– Salaries, wages and other benefits	807	641	607	445	544
– Retirement benefit scheme contributions	83	66	49	38	18

11. DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Directors' emoluments

The emoluments of the directors of Yanbian Xinneng during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Fang Qi 方琦 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Fang Qi 方琦 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Fang Qi 方琦 *(Note i)*	–	–	–	–	–
Liu Zanheng 劉贊衡 *(Note ii)*	–	–	–	–	–
Hong Lingguang 孔令廣 *(Note iii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Fang Qi 方琦 *(Note i)*	–	–	–	–	–
Liu Zanheng 劉贊衡 *(Note ii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Hong Lingguang 孔令廣 *(Note iii)*	–	–	–	–	–

Notes:

(i) Fang Qi resigned as the sole director of Yanbian Xinneng with effect from 8 April 2019.

(ii) Liu Zanheng has been appointed and resigned as the sole director of Yanbian Xinneng with effect from 8 April 2019 and 9 August 2019 respectively.

(iii) Hong Lingguang has been appointed as the sole director of Yanbian Xinneng with effect from 9 August 2019.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefits scheme contribution, for the sole director of Yanbian Xinneng during the Relevant Periods were borne by a related company for his service as the sole director of Yanbian Xinneng.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Yanbian Xinneng waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Yanbian Xinneng during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	674	602	559	332	459
Retirement benefits scheme contribution	65	55	46	38	17
	739	657	605	370	476

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately Nil, RMB2,899,000, RMB20,840,000, RMB7,280,000 (unaudited) and Nil were proposed and paid to ordinary shareholder of Yanbian Xinneng during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020 respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building *RMB'000*	Furniture fixtures & equipment *RMB'000*	Power generators and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2017	–	249	–	–	230,286	230,535
Additions	–	252	38	–	35,943	36,233
Written off	–	(5)	–	–	–	(5)
Transfer	7,166	–	259,063	–	(266,229)	–
At 31 December 2017 and 1 January 2018	7,166	496	259,101	–	–	266,763
Additions	–	19	4,501	82	2,138	6,740
Transfer	51	–	2,087	–	(2,138)	–
At 31 December 2018 and 1 January 2019	7,217	515	265,689	82	–	273,503
Additions	–	–	6,166	–	563	6,729
Transfer	3	–	560	–	(563)	–
At 31 December 2019 and 1 January 2020	7,220	515	272,415	82	–	280,232
Additions	–	–	–	–	1,675	1,675
Written off	–	(19)	(158)	–	–	(177)
Transfer	–	–	958	–	(958)	–
At 30 September 2020	7,220	496	273,215	82	717	281,730
Accumulated depreciation						
At 1 January 2017	–	24	–	–	–	24
Charge for the year	156	63	4,593	–	–	4,812
Written off	–	(1)	–	–	–	(1)
At 31 December 2017 and 1 January 2018	156	86	4,593	–	–	4,835
Charge for the year	315	92	9,309	10	–	9,726
At 31 December 2018 and 1 January 2019	471	178	13,902	10	–	14,561
Charge for the year	318	95	9,526	15	–	9,954
At 31 December 2019 and 1 January 2020	789	273	23,428	25	–	24,515
Charge for the period	239	71	7,239	11	–	7,560
Written off	–	(5)	(8)	–	–	(13)
At 30 September 2020	1,028	339	30,659	36	–	32,062
Carrying values						
At 31 December 2017	7,010	410	254,508	–	–	261,928
At 31 December 2018	6,746	337	251,787	72	–	258,942
At 31 December 2019	6,431	242	248,987	57	–	255,717
At 30 September 2020	6,192	157	242,556	46	717	249,668

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	6,447
Depreciation charge	(281)
At 31 December 2019 and 1 January 2020	6,166
Depreciation charge	(210)
At 30 September 2020	5,956

	Office premise
	RMB'000
Expense for short term leases	
– for the year ended 31 December 2019	12
– for the nine months ended 30 September 2020	12
– for the nine months ended 30 September 2019 (unaudited)	12

Yanbian Xinneng regularly entered into short-term lease for office premise. At 31 December 2019 and 30 September 2020, the short-term lease expense disclosed above.

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Year ended 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	1,157	1,157	1	–
– intermediate holding companies	5,271	–	–	–
	6,428	1,157	1	–
Amounts due to related companies				
– immediate holding company	43,870	–	56,343	53,186
– intermediate holding companies	–	71,052	78,942	78,942
– fellow subsidiaries	12,855	12,821	–	51
	56,725	83,873	135,285	132,179

Except for amounts due to related companies of approximately RMB43,870,000, RMB67,249,000, RMB78,942,000 and RMB96,210,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at 10% per annum, 1.26% per annum, 1.26% per annum, and ranging from 1.26% to 10% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	15,344	2,145	2,258	84,732
Prepayments and deposits	6,042	2,187	772	121
Refundable value-added tax	2,131	2,801	2,492	–
Others	9,822	11,418	10,283	10,313
	33,339	18,551	15,805	95,166

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	13,515	14,134	12,679	95,166
Non-current				
Trade receivables	12,022	–	–	–
Prepayments	5,671	1,616	634	–
Refundable value-added tax *(Note)*	2,131	2,801	2,492	–
	19,824	4,417	3,126	–
	33,339	18,551	15,805	95,166

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Yanbian Xinneng.

At 1 January 2018, trade receivables from contract with customers amounted to RMB3,322,000.

For sales of electricity in the PRC, Yanbian Xinneng generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Yanbian Xinneng and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Yanbian Xinneng for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	12,742	194	521	83,958
0 – 90 days	2,602	1,935	1,737	774
91 – 180 days	–	16	–	–
	15,344	2,145	2,258	84,732

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plant operated by Yanbian Xinneng, as well as the unbilled tariff adjustment receivables of the solar power plant which was not yet registered in the Catalogue at 31 December 2017. At 31 December 2018 and 2019, the amount represented unbilled basic tariff receivables and the unbilled tariff adjustment receivables of the solar power plant. At 30 September 2020, the amount represents unbilled basic tariff receivables and tariff adjustments for the solar power plant which is enlisted in the List. The sole director of Yanbian Xinneng expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	6,861	194	521	7,601
91 – 180 days	5,881	–	–	7,326
181 – 365 days	–	–	–	–
Over 365 days	–	–	–	69,031
	12,742	194	521	83,958

At 31 December 2017, 2018, 2019 and 30 September 2020, included in these trade receivables are debtors with aggregate carrying amount of RMB1,145,000, RMB16,000, Nil and Nil, respectively, which are past due as at the end of the reporting date. These trade receivables relate to a customer represented a local grid company in the PRC, for whom there is no recent history of default. Yanbian Xinneng does not hold any collaterals over these balances.

18. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	37,545	–	–
– Current	–	64,661	–
	37,545	64,661	–

At 1 January 2018, contract assets amounted to RMB12,022,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the relevant on-grid solar power plant is still pending for registration to the Catalogue at 31 December 2018 and 2019, and tariff adjustment is recognised as revenue upon electricity is generated as and transmitted disclosed in Note 6.

Pursuant to the 2020 Measures, for those on-grid solar power plants yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List. The contract assets are transferred to trade receivables when Yanbian Xinneng's on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Since the solar power plant operated by Yanbian Xinneng is admitted to the List in September 2020, which represented Yanbian Xinneng's right to consideration in exchange for services in connection with sales of electricity to its customer became unconditional, accordingly, the contract assets are reclassified as unbilled trade receivables in September 2020 since its solar power plant was admitted to the List and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 24b.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

20. LEASE LIABILITIES

	At 31 December 2019	At 30 September 2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	73	76
Within a period of more than one years but not more than two years	77	80
Within a period of more than two years but not more than five years	257	267
Within a period of more than five years	2,493	2,591
	2,900	3,014
Less: Amount due for settlement with 12 months shown under current liabilities	(73)	(76)
Amount due for settlement after 12 months shown under non-current liabilities	2,827	2,938

All lease liabilities are denominated in RMB.

21. OTHER BORROWING

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the other borrowing are repayable:				
Within one year	23,047	19,952	21,981	21,981
More than one year, but not exceeding two years	19,952	21,981	23,034	23,034
More than two years, but not exceeding five years	69,205	73,976	81,995	81,995
More than five years	48,799	27,146	–	–
	161,003	143,055	127,010	127,010
Less: Accounts due within one year shown under current liabilities	(23,047)	(19,952)	(21,981)	(21,981)
Amounts due after one year	137,956	123,103	105,029	105,029

The variable-rate other borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 6.8% per annum throughout the Relevant Periods.

Prior to the Relevant Periods, Yanbian Xinneng has a financing arrangement with a financial institution with lease terms of 8 years, and the legal title of the respective equipments transferred to the financial institution. Yanbian Xinneng continued to operate and manage the relevant equipments during the lease term without any involvement from the financial institution, and Yanbian Xinneng is entitled to purchase back the equipments at a minimal consideration upon maturity of the lease. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, Yanbian Xinneng accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method under IFRS9/IAS39 in prior years before application of IFRS 16, in accordance with the substance of the arrangement.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	56,000	56,000	56,000	56,000

On 25 April 2016, the registered capital of Yanbian Xinneng was increased to RMB56,000,000 and was paid-up by the shareholder during the year ended 31 December 2017.

23. CAPITAL MANAGEMENT

Yanbian Xinneng manages its capital to ensure that Yanbian Xinneng will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Yanbian Xinneng's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Yanbian Xinneng consists of net debt, which mainly includes amounts due to related companies, lease liabilities, other borrowing, net of cash and cash equivalents, and equity attributable to owner of Yanbian Xinneng, comprising paid-up capital and reserves.

The sole director of Yanbian Xinneng reviews the capital structure on a periodical basis. As part of this review, the sole director of Yanbian Xinneng considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Yanbian Xinneng, Yanbian Xinneng will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	39,776	–	–	–
Amortised cost	–	19,715	16,428	100,628
Financial liabilities				
Amortised cost	242,482	251,790	281,570	279,691

24b. Financial risk management objectives and policies

Yanbian Xinneng's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, other payables, amounts due to related companies, lease liabilities and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Yanbian Xinneng is exposed to fair value interest rate risk in relation to amounts due to related companies and lease liabilities. Yanbian Xinneng is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, and other borrowing and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the other borrowing of Yanbian Xinneng is issued at variable rates which expose Yanbian Xinneng to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Yanbian Xinneng's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Yanbian Xinneng's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB805,000, RMB715,000, RMB635,000 and RMB635,000, respectively. This is mainly attributable to Yanbian Xinneng's exposure to interest rates on its variable-rate borrowings.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Yanbian Xinneng reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Yanbian Xinneng has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Yanbian Xinneng's counterparties default on their contractual obligations resulting in financial losses to Yanbian Xinneng. Yanbian Xinneng's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Yanbian Xinneng does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Yanbian Xinneng's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that all of

Yanbian Xinneng's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Yanbian Xinneng always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Yanbian Xinneng assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Yanbian Xinneng's current liabilities exceeded its current assets by RMB84,577,000, RMB113,390,000, RMB95,752,000 and RMB71,652,000, respectively. Yanbian Xinneng is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Yanbian Xinneng monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Yanbian Xinneng's operations and mitigate the effects of fluctuation in cash flows.

Yanbian Xinneng relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the sole director of Yanbian Xinneng is of the opinion that the Group will be able to meet its commitment to provide funds to Yanbian Xinneng, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Yanbian Xinneng's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Yanbian Xinneng can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	24,754	–	–	–	–	24,754	24,754
Other borrowing	6.8%	2,743	26,774	29,517	88,552	58,226	205,812	161,003
Amounts due to related companies	10%	56,725	–	–	–	–	56,725	56,725
Total		84,222	26,774	29,517	88,552	58,226	287,291	242,482

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	24,862	–	–	–	–	24,862	24,862
Other borrowing	6.8%	2,424	27,093	29,517	88,552	28,708	176,294	143,055
Amounts due to related companies	1.3%	83,873	–	–	–	–	83,873	83,873
Total		111,159	27,093	29,517	88,552	28,708	285,029	251,790

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	16,375	–	–	–	–	16,375	16,375
Other borrowing	6.8%	2,156	28,407	30,562	90,849	–	151,974	127,010
Amounts due to related companies	1.3%	135,285	–	–	–	–	135,285	135,285
Lease liabilities	5.2%	–	225	252	675	3,822	4,947	2,900
Total		153,816	28,632	30,814	91,524	3,822	308,581	281,570

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	17,488	–	–	–	–	17,488	17,488
Other borrowing	6.8%	24,543	16,884	30,139	74,389	–	145,955	127,010
Amounts due to related companies	5.6%	132,179	–	–	–	–	132,179	132,179
Lease liabilities	5.2%	225	–	225	675	3,822	4,947	3,014
Total		174,435	16,884	30,364	75,064	3,822	300,569	279,691

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Yanbian Xinneng considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Yanbian Xinneng's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Yanbian Xinneng's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	Other borrowing	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	44,235	161,017	–	205,252
Financing cash flows	11,978	(5,051)	–	6,927
Finance costs	512	5,037	–	5,549
At 31 December 2017 and 1 January 2018	56,725	161,003	–	217,728
Financing cash flows	21,595	(29,036)	–	(7,441)
Finance costs	2,654	11,088	–	13,742
Dividend declared	2,899	–	–	2,899
At 31 December 2018	83,873	143,055	–	226,928
Adjustment upon application of IFRS16	–	–	4,151	4,151
At 1 January 2019	83,873	143,055	4,151	231,079
Financing cash flows	29,543	(25,361)	(1,468)	2,714
Finance costs	1,029	9,316	217	10,562
Dividend declared	20,840	–	–	20,840
At 31 December 2019 and 1 January 2020	135,285	127,010	2,900	265,195
Financing cash flows	(4,928)	(6,034)	–	(10,962)
Finance costs	1,822	6,034	114	7,970
At 30 September 2020	132,179	127,010	3,014	262,203

26. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Yanbian Xinneng has no capital commitments.

27. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
Yanbian Xinneng as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Land	225	225

Yanbian Xinneng's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	225	225
In the second to fifth year inclusive	900	900
Over fifth year	4,497	4,272
	5,622	5,397

Lease is negotiated and rental is fixed for term of 26 years for the land for the years ended 31 December 2017 and 2018.

28. PLEDGE OF ASSETS

Yanbian Xinneng's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	254,508	251,787	248,987	242,556
Trade receivables and contract assets	15,344	39,690	66,919	84,732
	269,852	291,477	315,906	327,288

Yanbian Xinneng's secured other borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Yanbian Xinneng and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity.

29. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Yanbian Xinneng also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense to an intermediate holding company	–	204	1,029	710	508
Interest expense to immediate holding company	512	2,450	–	–	1,314
Interest income from an intermediate holding company	79	58	–	–	–
Consultancy fee to fellow subsidiaries	365	–	–	–	–

Details of the remuneration for the key management personnel, which represents the sole director of Yanbian Xinneng, are set out in Note 11.

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020. Yanbian Xinneng has no significant event occurred.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Yanbian Xinneng have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II L-1 to II L-46, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YILI GCL ENERGY LIMITED TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Yili GCL Energy Limited (伊犁協鑫能源有限公司) ("**Yili GCL**") set out on pages II L-5 to II L-46, which comprises the statements of financial position of Yili GCL at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Yili GCL for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II L-5 to II L-46 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Directors' responsibility for the Historical Financial Information

The directors of Yili GCL are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Yili GCL determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Yili GCL, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Yili GCL's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Yili GCL's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Yili GCL exceeded its current assets by approximately RMB88,048,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Yili GCL's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Yili GCL which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of Yili GCL are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II L-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Yili GCL in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF YILI GCL

The financial statements of Yili GCL for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by directors, in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	18,278	23,944	25,826	21,094	23,040
Cost of sales		(9,898)	(8,225)	(8,949)	(6,623)	(6,142)
Gross profit		8,380	15,719	16,877	14,471	16,898
Other income	*7*	5	7	5	4	4
Administrative expenses		(658)	(348)	(213)	(139)	(163)
Finance costs	*8*	(9,104)	(8,958)	(3,301)	(2,786)	(1,878)
(Loss) profit before taxation		(1,377)	6,420	13,368	11,550	14,861
Income tax expenses	*9*	–	–	–	–	(1,852)
(Loss) profit and total comprehensive expenses/ income for the year/period	*10*	(1,377)	6,420	13,368	11,550	13,009

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	162,015	163,307	155,981	150,414
Right-of-use assets	15	–	–	4,539	4,379
Trade and other receivables	17	46,988	14,296	11,395	8,760
		209,003	177,603	171,915	163,553
CURRENT ASSETS					
Trade and other receivables	17	1,769	39,910	47,260	58,552
Amounts due from related companies	16	–	–	–	12,171
Bank balances	18	3,392	3,816	81	130
		5,161	43,726	47,341	70,853
CURRENT LIABILITIES					
Other payables		819	2,563	1,094	1,410
Amounts due to related companies	16	172,629	164,261	151,203	151,256
Dividend payable to non-controlling shareholder		–	–	4,280	4,280
Tax payable		–	–	–	1,852
Lease liabilities	19	–	–	104	103
		173,448	166,824	156,681	158,901
NET CURRENT LIABILITIES		(168,287)	(123,098)	(109,340)	(88,048)
TOTAL ASSETS LESS CURRENT LIABILITIES		40,716	54,505	62,575	75,505
NON-CURRENT LIABILITY					
Lease liabilities	19	–	–	4,544	4,465
NET ASSETS		40,716	54,505	58,031	71,040
CAPITAL AND RESERVES					
Paid-up capital	20	49,200	56,569	56,569	56,569
Reserves		(8,484)	(2,064)	1,462	14,471
TOTAL EQUITY		40,716	54,505	58,031	71,040

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Legal reserve *RMB'000* *(Note)*	(Accumulated losses) retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	49,200	95	(7,202)	42,093
Profit and total comprehensive income for the year	–	–	(1,377)	(1,377)
At 31 December 2017 and 1 January 2018	49,200	95	(8,579)	40,716
Capital injection	7,369	–	–	7,369
Profit and total comprehensive income for the year	–	–	6,420	6,420
At 31 December 2018 and 1 January 2019	56,569	95	(2,159)	54,505
Profit and total comprehensive income for the year	–	–	13,368	13,368
Transfer to legal reserve	–	1,132	(1,132)	–
Dividend declared *(Note 12)*	–	–	(9,842)	(9,842)
At 31 December 2019 and 1 January 2020	56,569	1,227	235	58,031
Profit and total comprehensive income for the period	–	–	13,009	13,009
At 30 September 2020	56,569	1,227	13,244	71,040
At 1 January 2019 (audited)	56,569	95	(2,159)	54,505
Profit and total comprehensive income for the period (unaudited)	–	–	11,550	11,550
At 30 September 2019 (unaudited)	56,569	95	9,391	66,055

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Yili GCL, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
(Loss) profit before taxation	(1,377)	6,420	13,368	11,550	14,861
Adjustments for:					
Depreciation of property, plant and equipment	6,452	6,630	6,888	5,165	5,170
Depreciation of right-of-use assets	–	–	214	160	160
Finance costs	9,104	8,958	3,301	2,786	1,878
Interest income	(5)	(7)	(5)	(4)	(1)
Operating cash flows before movements in working capital	14,174	22,001	23,766	19,657	22,068
(Increase) decrease in trade and other receivables	(13,591)	(5,449)	(4,449)	117	(8,657)
(Decrease) increase in other payables	(4,307)	1,796	(205)	(1,028)	816
Cash generated (used in) from operations	(3,724)	18,348	19,112	18,746	14,227
Income tax paid	–	–	–	–	–
Net cash (used in) from operating activities	(3,724)	18,348	19,112	18,746	14,227

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Interest received	5	7	5	4	1
Payments for construction and purchase of property, plant and equipment	(23)	(7,974)	(826)	–	(103)
Advance to related companies	–	–	–	–	(12,171)
Net cash (used in) from investing activities	(18)	(7,967)	(821)	4	(12,273)
Financing activities					
Interest paid	(9,104)	(8,958)	(3,081)	(2,621)	(1,713)
Capital injection	–	7,369	–	–	–
Advance from (repayment to) related companies	16,109	(8,368)	(18,620)	(19,612)	53
Repayment to lease liabilities	–	–	(325)	(245)	(245)
Net cash from (used in) financing activities	7,005	(9,957)	(22,026)	(22,478)	(1,905)
Net increase (decrease) in cash and cash equivalents	3,263	424	(3,735)	(3,728)	49
Cash and cash equivalents at beginning of year/period	129	3,392	3,816	3,816	81
Cash and cash equivalents at end of year/period	3,392	3,816	81	88	130

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Yili GCL Energy Limited ("**Yili GCL**") was established in the People's Republic of China (the "**PRC**") on 19 June 2014. Its immediate holding company is Suzhou GCL New Energy Investment Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Yili GCL is Yili Prefecture, Horgos Economic and Technological Development Zone, Bingtuan Division.

Yili GCL is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Yili GCL.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

At 30 September 2020, Yili GCL's current liabilities exceeded its current assets by approximately RMB88,048,000. The directors of Yili GCL has reviewed the Yili GCL's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from the sole shareholder and future financial plans. In the opinion of the directors of the Yili GCL, Yili GCL will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Yili GCL to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Yili GCL. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Yili GCL. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Yili GCL to meet its financial obligations as and when they fall due for the coming twelve months from the end of each reporting period. Accordingly, the directors of Yili GCL are of the opinion that the Group will be able to meet its commitment to provide funds to Yili GCL.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Yili GCL. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows. Should the Group be unable to provide financial support to Yili GCL as committed and, in turn, Yili GCL be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Yili GCL to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

The statutory audited financial statements of Yili GCL for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Yili GCL for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Yili GCL and became effective during the Relevant Periods. In preparing the Historical Financial Information, Yili GCL has applied all these new and revised IFRS Standards which are effective for Yili GCL's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Yili GCL adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Yili GCL has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Yili GCL has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Yili GCL recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Yili GCL's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	46,988	(29,178)	17,810
Contract assets	*(a)*	–	29,178	29,178

Note:

(a) At 1 January 2018, unbilled tariff adjustments receivables related to a solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

Since the solar power plant operated by Yili GCL was admitted to the Catalogue in June 2018, which represented Yili GCL's right to consideration in exchange for services in connection with sales of electricity to its customer became unconditional, accordingly, there is no impact on the application of IFRS 15 in connection with the reclassification of the tariff adjustments from unbilled trade receivables to contract assets for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, and does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Yili GCL has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Yili GCL has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Yili GCL assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Yili GCL applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Yili GCL has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Yili GCL has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Yili GCL has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Yili GCL applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Yili GCL assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Yili GCL has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Yili GCL recognised additional lease liabilities of RMB4,753,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued lease payments by applying IFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Yili GCL applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, Yili GCL has applied incremental borrowing rates of the entity at the date of initial application. The average incremental borrowing rate applied is 4.9%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed at 31 December 2018 *(Note 24)*	7,555
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rates upon application of IFRS 16	4,753
Analysed as:	
Current	105
Non-current	4,648
	4,753

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	4,753
By class:	
Leasehold lands	4,753

The transition to IFRS 16 has no impact to Yili GCL's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	4,753	4,753
Current liabilities			
Lease liabilities	–	105	105
Non-current liabilities			
Lease liabilities	–	4,648	4,648

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]

Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of Yili GCL anticipate that the application of all these new and amendments to IFRS Standards will have no material impact on Yili GCL's financial position and performance when they become effective.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Yili GCL recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Yili GCL's performance as Yili GCL performs;
- Yili GCL's performance creates or enhances an asset that the customer controls as Yili GCL performs; or
- Yili GCL's performance does not create an asset with an alternative use to Yili GCL and Yili GCL has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Yili GCL's right to consideration in exchange for goods or services that Yili GCL has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Yili GCL's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Yili GCL's obligation to transfer goods or services to a customer for which Yili GCL has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Yili GCL estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Yili GCL updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Yili GCL adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Yili GCL with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Yili GCL applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Yili GCL and when specific criteria have been met for each of Yili GCL's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Yili GCL assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Yili GCL as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Yili GCL reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Yili GCL; and
- an estimate of costs to be incurred by Yili GCL in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Yili GCL presents right-of-use assets as a separate line item on the statement of financial position.

Lease liabilities

At the commencement date of a lease, Yili GCL recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Yili GCL uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by Yili GCL under residual value guarantees;
- the exercise price of a purchase option if Yili GCL is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects Yili GCL exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Yili GCL remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Yili GCL presents lease liabilities as a separate line item on statement of financial position.

Lease modifications

Yili GCL accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, Yili GCL remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Yili GCL accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, Yili GCL allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Yili GCL as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Yili GCL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yili GCL expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Yili GCL's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Yili GCL makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Yili GCL reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Yili GCL estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Yili GCL becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Yili GCL's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Yili GCL performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Yili GCL's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Yili GCL always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Yili GCL measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Yili GCL recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Yili GCL compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Yili GCL considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Yili GCL presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Yili GCL has reasonable and supportable information that demonstrate otherwise.

Yili GCL regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Yili GCL considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Yili GCL, in full without taking into account any collaterals held by Yili GCL.

Irrespective of the above, Yili GCL considers that default has occurred when a financial asset is more than 90 days past due unless Yili GCL has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Yili GCL writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Yili GCL's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Yili GCL in accordance with the contract and the cash flows that Yili GCL expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Yili GCL recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Yili GCL derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Yili GCL are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables and amounts due to related companies are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Yili GCL derecognises financial liabilities when, and only when, Yili GCL's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Yili GCL's accounting policies, which are described in Note 4, the directors of Yili GCL are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of Yili GCL have made in the process of applying Yili GCL's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Yili GCL has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Yili GCL to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Yili GCL's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Yili GCL.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Yili GCL operates one solar power plant in the PRC and was admitted to the Catalogue in June 2018.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB15,427,000 was included in the sales of electricity as disclosed in Note 6, of which solar power plant of Yili GCL was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Yili GCL had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. In making the judgement, the directors of Yili GCL, taking into account the legal opinion of the Company's legal advisor, considered that Yili GCL's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The directors of Yili GCL are confident that Yili GCL's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

During the years ended 31 December 2017, Yili GCL recognised revenue of RMB15,427,000, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Yili GCL generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB15,427,000, RMB20,448,000, RMB22,208,000, RMB17,700,000 (unaudited) and RMB19,546,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Yili GCL generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Yili GCL and the local grid company. Yili GCL will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Yili GCL operates one solar power plant and was admitted to the Catalogue in June 2018.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect on tariff adjustment receivables was insignificant.

For the years ended 31 December 2018, for those tariff adjustments that are subject to approval for registration in the Catalogue by the PRC government, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. The management assessed that Yili GCL's operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset has been transferred to trade receivables upon the solar power plant being enlisted on the Catalogue in June 2018. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Yili GCL regularly reviews the results of the solar power plant operated by Yili GCL when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Yili GCL is solely located in the PRC. All revenue of Yili GCL are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	5	7	5	–	1
Others	–	–	–	4	3
Total other income	5	7	5	4	4

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Amount due to intermediate holding company	9,104	8,958	3,081	2,621	1,713
Lease liabilities	–	–	220	165	165
Total finance costs	9,104	8,958	3,301	2,786	1,878

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	–	–	–	1,852

The basic tax rate of Yili GCL is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Yili GCL engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2017 to 2019 followed by 3-year 50% exemption from 2020 to 2022.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss) profit before taxation	(1,377)	6,420	13,368	11,550	14,861
Tax at domestic income tax rate of 25%	(344)	1,605	3,342	2,888	3,715
Effect of tax exemptions and concessions granted	344	(1,605)	(3,342)	(2,888)	(1,858)
Others	–	–	–	–	(5)
Income tax expenses for the year/period	–	–	–	–	1,852

10. LOSS/PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loss/profit for the year/period has been arrived at after charging:					
Depreciation of:					
– Property, plant and equipment	6,452	6,630	6,888	5,165	5,170
– Right-of-use assets	–	–	214	160	160
Operating lease rental in respect of properties	325	325	–	–	–
Staff costs (including directors' remuneration)					
– Salaries, wages and other benefits	913	733	764	601	445
– Retirement benefit scheme contributions	48	59	103	77	8

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Director emoluments

The emoluments of the directors of Yili GCL during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors					
Jiang Lianxin 江連新	–	–	–	–	–
Shi Wenzhong 時文忠	–	–	–	–	–
Han Zhilong 韓志龍	–	–	–	–	–
Fang Qi 方琦	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors					
Jiang Lianxin 江連新	–	–	–	–	–
Shi Wenzhong 時文忠	–	–	–	–	–
Han Zhilong 韓志龍	–	–	–	–	–
Fang Qi 方琦	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors					
Jiang Lianxin 江連新	–	–	–	–	–
Shi Wenzhong 時文忠	–	–	–	–	–
Han Zhilong 韓志龍	–	–	–	–	–
Fang Qi 方琦	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors					
Jiang Lianxin 江連新	–	–	–	–	–
Shi Wenzhong 時文忠	–	–	–	–	–
Han Zhilong 韓志龍	–	–	–	–	–
Fang Qi 方琦	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors					
Jiang Lianxin 江連新	–	–	–	–	–
Shi Wenzhong 時文忠	–	–	–	–	–
Han Zhilong 韓志龍	–	–	–	–	–
Fang Qi 方琦	–	–	–	–	–

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the directors of Yili GCL during the Relevant Periods were borne by a related company for the service as the directors of Yili GCL.

The directors did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the directors of Yili GCL waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Yili GCL during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	317	565	622	494	345
Performance-related bonus	95	312	109	109	19
Retirement benefits scheme contribution	13	25	47	34	30
	425	902	778	637	394

The number of highest paid employees who are not the directors whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately nil, nil, RMB9,842,000, nil (unaudited) and nil were proposed and paid to ordinary shareholder of Yili GCL during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	2,010	172	169,464	116	4,469	176,231
Additions	–	23	–	–	–	23
Transfer	–	–	933	–	(933)	–
At 31 December 2017 and 1 January 2018	2,010	195	170,397	116	3,536	176,254
Additions	7,974	–	–	–	–	7,974
Disposals	–	–	–	–	(52)	(52)
At 31 December 2018 and 1 January 2019	9,984	195	170,397	116	3,484	184,176
Additions	136	–	690	–	–	826
Disposals	–	–	–	–	(1,264)	(1,264)
At 31 December 2019 and 1 January 2020	10,120	195	171,087	116	2,220	183,738
Additions	–	–	103	–	–	103
Disposals	–	–	(159)	–	(368)	(527)
At 30 September 2020	10,120	195	171,031	116	1,852	183,314
Accumulated depreciation						
At 1 January 2017	71	36	7,637	43	–	7,787
Charge for the year	60	33	6,338	21	–	6,452
At 31 December 2017 and 1 January 2018	131	69	13,975	64	–	14,239
Charge for the year	1,033	35	5,541	21	–	6,630
At 31 December 2018 and 1 January 2019	1,164	104	19,516	85	–	20,869
Charge for the year	424	35	6,410	19	–	6,888
At 31 December 2019 and 1 January 2020	1,588	139	25,926	104	–	27,757
Charge for the period	323	23	4,824	–	–	5,170
Disposals	–	–	(27)	–	–	(27)
At 30 September 2020	1,911	162	30,723	104	–	32,900
Carrying values						
At 31 December 2017	1,879	126	156,422	52	3,536	162,015
At 31 December 2018	8,820	91	150,881	31	3,484	163,307
At 31 December 2019	8,532	56	145,161	12	2,220	155,981
At 30 September 2020	8,209	33	140,308	12	1,852	150,414

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Yili GCL was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately RMB1,879,000, RMB8,820,000, RMB8,532,000 and RMB8,209,000, respectively. In the opinion of the directors of Yili GCL, the absence of the property ownership certificates to these property interests does not impair their carrying value to Yili GCL as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

15. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*
Carrying amount	
At 1 January 2019	4,753
Depreciation charge	(214)
At 31 December 2019	4,539
Depreciation charge	(160)
At 30 September 2020	4,379
Total cash outflow for leases *(Note)*	
– for the year ended 31 December 2019	105
– for the nine months ended 30 September 2019 (unaudited)	79
– for the nine months ended 30 September 2020	79

Note: Amount includes payments of principal and interest portion of lease liabilities.

For the year ended 31 December 2019 and for the nine months ended 30 September 2020, Yili GCL leases lands for its operations. Lease contract is entered into for fixed term of 25 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, Yili GCL applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the lease maturity analysis of lease liabilities are set out in note 19.

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	–	–	–	571
– an intermediate holding company	–	–	–	11,600
	–	–	–	12,171
Amounts due to related companies				
– immediate holding company	–	3,501	6,853	5,453
– intermediate holding companies	172,629	160,760	144,088	145,803
– fellow subsidiaries	–	–	262	–
	172,629	164,261	151,203	151,256

Except for amounts due to related companies of approximately RMB151,700,000, RMB130,881,000, RMB144,088,000 and RMB144,090,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at 1.26% per annum, 1.26% per annum, 1.26% per annum, and 1.26% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the directors, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	30,930	39,898	47,253	58,518
Prepaid rent of parcels of land	–	–	–	–
Refundable value-added tax	17,810	14,296	11,395	8,760
Other receivables	17	12	7	34
	48,757	54,206	58,655	67,312

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	1,769	39,910	47,260	58,552
Non-current				
– Trade receivables	29,178	–	–	–
– Refundable value-added tax *(Note)*	17,810	14,296	11,395	8,760
	46,988	14,296	11,395	8,760
	48,757	54,206	58,655	67,312

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Yili GCL.

At 1 January 2018, trade receivables from contract with customers amounted to RMB1,752,000.

For sales of electricity in the PRC, Yili GCL generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Yili GCL and the grid company.

At 31 December 2017, 2018 and 2019, and 30 September 2020, trade receivables include bills received amounting to RMB1,560,000, RMB200,000, RMB1,000,000 and nil, respectively held by Yili GCL for future settlement of trade receivables. All bills received by Yili GCL are with a maturity period of less than 1 year.

The following is an aging analysis of trade receivables (excluded bills held by Yili GCL for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	29,370	39,469	46,109	55,965
0 – 90 days	–	229	144	2,553
	29,370	39,698	46,253	58,518

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for solar power plant operated by Yili GCL, as well as the unbilled tariff adjustments for the solar power plant which is not yet registered in the Catalogue. At 31 December 2018 and 2019 and 30 September 2020, the amount represents unbilled basic tariff receivables for solar power plant operated by Yili GCL and the unbilled tariff adjustments for the solar power plant which is enlisted in the Catalogue. The directors of Yili GCL expect the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	5,074	5,291	5,056	11,412
91 – 180 days	4,928	6,860	8,124	5,418
181 – 365 days	7,024	12,049	12,167	39,135
Over 365 days	12,344	15,269	20,762	–
	29,370	39,469	46,109	55,965

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Yili GCL does not hold any collaterals over these balances.

18. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 22b.

19. LEASE LIABILITIES

	At 31 December 2019	At 30 September 2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	104	103
Within a period of more than one years but not more than two years	105	108
Within a period of more than two years but not more than five years	347	380
Within a period of more than five years	4,092	3,977
	4,648	4,568
Less: Amount due settlement with 12 months shown under current liabilities	(104)	(103)
Amount due for settlement after 12 months shown under non-current liabilities	4,544	4,465

All lease liabilities are denominated in RMB.

Yili GCL has financial risk management policies in place to ensure settlement of payables within the credit time frame.

20. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	49,200	56,569	56,569	56,569

In August 2018, the registered capital of Yili GCL was increased to RMB56,569,000 and was paid-up by the shareholder.

21. CAPITAL MANAGEMENT

Yili GCL manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Yili GCL's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Yili GCL consists of net debt, which mainly includes amounts due to related companies, net of cash and cash equivalents, and equity attributable to owner of Yili GCL, comprising paid-up capital and reserves.

The directors of Yili GCL reviews the capital structure on a periodical basis. As part of this review, the directors of Yili GCL considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of Yili GCL, Yili GCL will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

22. FINANCIAL INSTRUMENTS

22a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	52,149	–	–	–
Amortised cost	–	58,022	58,736	79,613
Financial liabilities				
Amortised cost	173,448	166,824	156,577	156,946
Lease liabilities	–	–	4,648	4,568

22b. Financial risk management objectives and policies

Yili GCL's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Yili GCL is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 16) and bank balances (see Note 18), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Yili GCL reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Yili GCL has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Yili GCL's counterparties default on their contractual obligations resulting in financial losses to Yili GCL. Yili GCL's credit risk exposures are primarily attributable to trade receivables, bank balances, amounts due from related companies and other receivables. Yili GCL does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables arising from contracts with customers

The credit risk on trade receivables is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Yili GCL's trade receivables is contributed by a single customer located in the PRC.

Yili GCL always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables are assessed to be low. Based on the loss rates, the ECL on trade receivables is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Yili GCL assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Yili GCL's current liabilities exceeded its current assets by approximately RMB168,287,000, RMB123,098,000, RMB109,340,000 and RMB88,048,000, respectively. Yili GCL is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Yili GCL monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Yili GCL's operations and mitigate the effects of fluctuation in cash flows.

Yili GCL relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the directors of Yili GCL are of the opinion that the Group will be able to meet its commitment to provide funds to Yili GCL, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Yili GCL's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Yili GCL can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	819	–	–	–	–	819	819
Amounts due to related companies	1.26	172,629	–	–	–	–	172,629	172,629
Total		173,448	–	–	–	–	173,448	173,448

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	2,563	–	–	–	–	2,563	2,563
Amounts due to related companies	1.26	164,261	–	–	–	–	164,261	164,261
Total		166,824	–	–	–	–	166,824	166,824

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	1,094	–	–	–	–	1,094	1,094
Amounts due to related companies	1.26	151,203	–	–	–	–	151,203	151,203
Dividend payable to non-controlling shareholder	–	4,280	–	–	–	–	4,280	4,280
Sub-total		156,577	–	–	–	–	156,577	156,577
Lease liabilities	4.9	138	407	545	1,603	7,782	10,475	4,648
Total		156,715	407	545	1,603	7,782	167,052	161,225

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	1,410	–	–	–	–	1,410	1,410
Amounts due to related companies	1.26	151,256	–	–	–	–	151,256	151,256
Dividend payable to non-controlling shareholder	–	4,280	–	–	–	–	4,280	4,280
Sub-total		156,946	–	–	–	–	156,946	156,946
Lease liabilities	4.9	137	409	541	1,610	7,370	10,067	4,568
Total		157,083	409	541	1,610	7,370	167,013	161,514

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

22c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Yili GCL consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Yili GCL's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Yili GCL's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	188,738	–	188,738
Financing cash flows	(25,213)	–	(25,213)
Finance costs	9,104	–	9,104
At 31 December 2017 and 1 January 2018	172,629	–	172,629
Financing cash flows	(17,326)	–	(17,326)
Finance costs	8,958	–	8,958
At 31 December 2018	164,261	–	164,261
Adjustment upon application of IFRS 16	–	4,753	4,753
At 1 January 2019	164,261	4,753	169,014
Financing cash flows	(25,981)	(325)	(26,306)
Finance costs	3,081	220	3,301
Dividend declared	9,842	–	9,842
At 31 December 2019 and 1 January 2020	151,203	4,648	155,851
Financing cash flows	(1,660)	(245)	(1,905)
Finance costs	1,713	165	1,878
At 30 September 2020	151,256	4,568	155,824

24. OPERATING LEASES

	For the year ended 31 December	
	2017	**2018**
Yili GCL as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Land	325	325

Yili GCL's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Within one year	325	325
In the second to fifth year inclusive	1,300	1,300
After five years	6,255	5,930
	7,880	7,555

Lease is negotiated and rental is fixed for term of 25 year for the parcel of land for the years ended 31 December 2017 and 2018.

25. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Yili GCL also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses to intermediate holding company	9,104	8,958	3,081	2,621	1,713
Consultancy fee expenses to immediate holding company	1,042	4	–	–	–

Details of the remuneration for the key management personnel, which represents the directors of Yili GCL, are set out in Note 11.

26. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Yili GCL has no significant event occurred.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Yili GCL have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II M-1 to II M-52, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YUNCHENG XINHUA ENERGY DEVELOPMENT CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Yuncheng Xinhua Energy Development Co., Ltd. (鄆城鑫華能源開發有限公司) ("**Yuncheng Xinhua**") and its subsidiary (collectively referred to as the "**Yuncheng Xinhua Group**") set out on pages II M-5 to II M-52, which comprises the consolidated statements of financial position of Yuncheng Xinhua Group and statements of financial position of Yuncheng Xinhua at 31 December 2017, 2018 and 2019 and 30 September 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Yuncheng Xinhua Group for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II M-5 to II M-52 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Directors' responsibility for the Historical Financial Information

The directors of Yuncheng Xinhua are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Yuncheng Xinhua determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Yuncheng Xinhua, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Yuncheng Xinhua Group's and Yuncheng Xiuhua's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Yuncheng Xinhua Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information which indicates that at 30 September 2020, the current liabilities of Yuncheng Xinhua Group exceeded its current assets by approximately RMB165,938,000. This condition along with other matters set forth in note 2 to the Historical Financial Information indicate a material uncertainty exists that may cast significant doubt on Yuncheng Xinhua Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Yuncheng Xinhua Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of Yuncheng Xinhua are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period

Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II M-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Yuncheng Xinhua in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Lo Ka Ki
Audit Engagement Director
Practising Certificate Number: P06633
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF YUNCHENG XINHUA

The consolidated financial statements of Yuncheng Xinhua Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the directors in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	36,230	47,739	45,877	37,828	37,944
Cost of sales		(11,793)	(22,468)	(23,845)	(18,964)	(14,208)
Gross profit		24,437	25,271	22,032	18,864	23,736
Other income	*7*	133	1,234	581	181	96
Administrative expenses		(937)	(332)	(462)	(339)	(780)
Finance costs	*8*	(11,756)	(13,219)	(10,582)	(8,079)	(7,122)
Profit before taxation		11,877	12,954	11,569	10,627	15,930
Income tax expenses	*9*	–	–	–	–	(2,078)
Profit and total comprehensive income for the year/period	*10*	11,877	12,954	11,569	10,627	13,852

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	250,560	241,449	232,040	224,280
Right-of-use assets	15	–	–	21,519	23,443
Trade and other receivables	17	52,049	23,400	17,378	11,843
Contract assets	18	–	615	–	–
		302,609	265,464	270,937	259,566
CURRENT ASSETS					
Trade and other receivables	17	2,702	3,031	2,005	43,757
Contract assets	18	–	–	24,511	–
Amounts due from related companies	16	100	26,397	9	2,542
Bank balances	19	97,202	39,542	18,366	6,219
		100,004	68,970	44,891	52,518
CURRENT LIABILITIES					
Other payables		34,951	37,169	19,207	24,332
Amounts due to related companies	16	354,885	233,991	216,866	192,973
Tax payables		–	–	–	559
Lease liabilities	20	–	–	568	592
		389,836	271,160	236,641	218,456
NET CURRENT LIABILITIES		(289,832)	(202,190)	(191,750)	(165,938)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,777	63,274	79,187	93,628
NON-CURRENT LIABILITY					
Lease liabilities	20	–	–	20,836	21,425
NET ASSETS		12,777	63,274	58,351	72,203
CAPITAL AND RESERVES					
Paid-up capital	21	900	58,598	58,598	58,598
Reserves		11,877	4,676	(247)	13,605
TOTAL EQUITY		12,777	63,274	58,351	72,203

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	At 30 September 2020 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment		250,560	241,449	232,040	224,280
Investment in a subsidiary	28	–	–	–	–
Right-of-use assets		–	–	21,519	23,443
Trade and other receivables		52,049	23,400	17,378	11,843
Contract assets		–	615	–	–
		302,609	265,464	270,937	259,566
CURRENT ASSETS					
Trade and other receivables		2,702	3,031	2,005	43,757
Contract assets		–	–	24,511	–
Amounts due from related companies		100	26,397	9	2,542
Bank balances		97,202	39,542	18,366	6,219
		100,004	68,970	44,891	52,518
CURRENT LIABILITIES					
Other payables		34,951	37,169	19,207	24,891
Amounts due to related companies		354,885	233,991	216,866	192,973
Lease liabilities		–	–	568	592
		389,836	271,160	236,641	218,456
NET CURRENT LIABILITIES		(289,832)	(202,190)	(191,750)	(165,938)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,777	63,274	79,187	93,628
NON-CURRENT LIABILITY					
Lease liabilities		–	–	20,836	21,425
NET ASSETS		12,777	63,274	58,351	72,203
CAPITAL AND RESERVES					
Paid-up capital	21	900	58,598	58,598	58,598
Reserves		11,877	4,676	(247)	13,605
TOTAL EQUITY		12,777	63,274	58,351	72,203

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Legal reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2017	900	–	–	900
Profit and total comprehensive income for the year	–	–	11,877	11,877
Transfer to legal reserve	–	1,188	(1,188)	–
At 31 December 2017 and 1 January 2018	900	1,188	10,689	12,777
Profit and total comprehensive income for the year	–	–	12,954	12,954
Capital injection *(Note 21)*	57,698	–	–	57,698
Transfer to legal reserve	–	1,295	(1,295)	–
Dividend declared *(Note 12)*	–	–	(20,155)	(20,155)
At 31 December 2018 and 1 January 2019	58,598	2,483	2,193	63,274
Profit and total comprehensive income for the year	–	–	11,569	11,569
Transfer to legal reserve	–	1,157	(1,157)	–
Dividend declared *(Note 12)*	–	–	(16,492)	(16,492)
At 31 December 2019 and 1 January 2020	58,598	3,640	(3,887)	58,351
Profit and total comprehensive income for the period	–	–	13,852	13,852
At 30 September 2020	58,598	3,640	9,965	72,203
At 1 January 2019 (audited)	58,598	2,483	2,193	63,274
Profit and total comprehensive income for the period (unaudited)	–	–	10,627	10,627
Dividend declared *(Note 12)* (unaudited)	–	–	(14,520)	(14,520)
At 30 September 2019 (unaudited)	58,598	2,483	(1,700)	59,381

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Yuncheng Xinhua, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	11,877	12,954	11,569	10,627	15,930
Adjustments for:					
Depreciation of property, plant and equipment	5,957	9,427	10,331	7,732	7,737
Depreciation of right-of-use assets	–	–	1,296	968	967
Finance costs	11,756	13,219	10,582	8,079	7,122
Interest income	(128)	(1,166)	(464)	(181)	(96)
Written-off of property, plant and equipment	95	–	128	–	57
Operating cash flows before movements in working capital	29,557	34,434	33,442	27,225	31,717
(Increase) decrease in trade and other receivables	(53,192)	28,320	7,048	(10,189)	(36,217)
(Increase) decrease in contract assets	–	(615)	(23,896)	(20,833)	24,511
(Decrease) increase in other payables	(209,994)	2,218	(18,923)	246,353	3,665
Cash generated from (used in) operations	(233,629)	64,357	(2,329)	242,556	23,676
Income tax paid	–	–	–	–	(1,519)
Net cash (used in) from operating activities	(233,629)	64,357	(2,329)	242,556	22,157

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	128	1,166	464	181	96
Payments for construction and purchase of property, plant and equipment	(16,237)	(316)	(1,050)	(1,050)	(34)
Repayment from (advance to) related companies	354,885	(26,297)	26,388	23,517	(2,533)
Net cash (used in) generated from in investing activities	338,776	(25,447)	25,802	22,648	(2,471)
Financing activities					
Interest paid	(11,756)	(13,219)	(9,544)	(7,298)	(6,355)
Capital injection	–	57,698	–	–	–
Repayment of lease liabilities	–	–	(1,488)	(1,127)	(1,585)
Repayment to related companies	(100)	(141,049)	(33,617)	(248,511)	(23,893)
Net cash used in financing activities	(11,856)	(96,570)	(44,649)	(256,936)	(31,833)
Net increase (decrease) in cash and cash equivalents	93,291	(57,660)	(21,176)	8,268	(12,147)
Cash and cash equivalents at beginning of year/period	3,911	97,202	39,542	39,542	18,366
Cash and cash equivalents at end of year/period	97,202	39,542	18,366	47,810	6,219

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Yuncheng Xinhua Energy Development Co., Ltd. ("**Yuncheng Xinhua**") was established in the People's Republic of China (the "**PRC**") on 6 March 2015. Its immediate holding company is Shandong GCL New Energy Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Yuncheng Xinhua is The government resident of Houyangi town, Yuncheng County, Heze, Shandeng Provinee, the PRC.

Yuncheng Xinhua is an investment holding company and is principally engaged in the sale of electricity in the PRC. The principal activity of Yuncheng Xinhua and its subsidiary (together referred to as the "**Yuncheng Xinhua Group**") is engaged in sale of electricity in the RRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Yuncheng Xinhua.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The statutory financial statements of Yuncheng Xinhua for the years ended 31 December 2017 and 2018 were have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory financial statements of Yuncheng Xinhua for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

No statutory financial statements of 鄆城鑫源農業開發有限公司 for the years ended 31 December 2017, 2018 and 2019 have been prepared as 鄆城鑫源農業開發有限公司 did not carried on any business.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

At 30 September 2020, Yuncheng Xinhua Group's current liabilities exceeded its current assets by approximately RMB165,938,000. The directors of Yuncheng Xinhua has reviewed the Yuncheng Xinhua Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2020 which have taken into account the continuous financial support from shareholder and future financial plans. In the opinion of the directors of the Yuncheng Xinhua, Yuncheng Xinhua Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. The ability of Yuncheng Xinhua Group to continue as a going concern is also highly dependent upon the financial support from the Company, until the completion of the disposal of Yuncheng Xinhua Group. At 30 June 2020, the Company and its subsidiaries (collectively referred to as the "**Group**") had current liabilities which exceeded its current assets by approximately RMB6,510,001,000. The directors of the Company have performed an assessment of the Group's future liquidity and cash flows which included a review of assumptions about the likelihood of successful implementation of financial plans and other measures to ensure that the Group will generate adequate financing and operating cash flows and are of the opinion that the Group will be able to meet its commitment to provide funds to Yuncheng Xinhua Group. The directors of the Company are satisfied that the Group would have sufficient working capital to meet its financial obligations and to support Yuncheng Xinhua Group to meet its financial obligations as and when they fall due for the coming twelve months from 30 September 2020. Accordingly, the directors of Yuncheng Xinhua are of the opinion that the Group will be able to meet its commitment to provide funds to Yuncheng Xinhua Group.

Notwithstanding the above, a significant uncertainty exists as to the Group's commitment to provide funds to Yuncheng Xinhua Group. The sufficiency of the Group's working capital is dependent on the Group's ability to generate sufficient financing and operating cash flows through successful renewal if its bank borrowings upon expiry, compliance with the covenants under borrowing agreements. Should the Group be unable to provide financial support to Yuncheng Xinhua Group as committed and, in turn, Yuncheng Xinhua Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the assets of Yuncheng Xinhua Group to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Yuncheng Xinhua Group and became effective during the Relevant Periods. In preparing the Historical Financial Information, Yuncheng Xinhua Group has applied all these new and revised IFRS Standards which are effective for Yuncheng Xinhua Group's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Yuncheng Xinhua Group adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Yuncheng Xinhua Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Yuncheng Xinhua Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Yuncheng Xinhua Group recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Yuncheng Xinhua Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under IFRS 15 at 1 January 2018**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	52,049	(24,439)	27,610
Contract assets	*(a)*	–	24,439	24,439

Note:

(a) At 1 January 2018, tariff adjustments related to solar power plants yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Yuncheng Xinhua Group has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Yuncheng Xinhua Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in Yuncheng Xinhua Group's accounting policies above, Yuncheng Xinhua Group assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Yuncheng Xinhua Group applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar Credit Standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Yuncheng Xinhua Group has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Yuncheng Xinhua Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Yuncheng Xinhua Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Yuncheng Xinhua Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Yuncheng Xinhua Group assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Yuncheng Xinhua Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, Yuncheng Xinhua Group recognised additional lease liabilities of approximately RMB21,952,000 and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid and accrued payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, Yuncheng Xinhua Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment at whether leases are onerous by applying IAS 37 *Provision, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct cost from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for lease previously classified as operating lease, Yuncheng Xinhua has applied incremental borrowing rates at the date of initial application. The incremental borrowing rate applied is 5.4%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed at 31 December 2018 *(Note 28)*	33,631
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rate upon application of IFRS 16	21,952
Analysed as:	
Current	548
Non-current	21,404
	21,952

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	21,952
Reclassified from prepaid rent *(note)*	863
	22,815
By class:	
Leasehold land	22,815

Note: Prepaid rent for parcels of land in the PRC in which Yuncheng Xinhua Group obtained relevant land use right were classified as prepayment at 31 December 2018. Upon application of IFRS 16, the current portion of prepayment amounting to RMB863,000, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Yuncheng Xiuhua Group's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	22,815	22,815
Current assets			
Trade and other receivables	3,031	(863)	2,168
Current liabilities			
Lease liabilities	–	(548)	(548)
Non-current liabilities			
Lease liabilities	–	(21,404)	(21,404)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 June 2020

[5] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of Yuncheng Xinhua anticipate that the application of all these new and amendments to IFRS Standards will have no material impact on Yuncheng Xinhua Group's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Statements incorporate the financial statements of Yuncheng Xinhua and entities controlled by Yuncheng Xinhua and its subsidiaries. Control is achieved when Yuncheng Xinhua:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Yuncheng Xinhua Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Yuncheng Xinhua Group obtains control over the subsidiary and ceases when Yuncheng Xinhua Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Yuncheng Xinhua Group gains control until the date when Yuncheng Xinhua Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income ("**OCI**") are attributed to the owners of Yuncheng Xinhua and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Yuncheng Xinhua and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Yuncheng Xinhua Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Yuncheng Xinhua Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from Yuncheng Xinhua Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Yuncheng Xinhua Group's interests in existing subsidiaries

Changes in the Yuncheng Xinhua Group's interests in subsidiaries that do not result in the Yuncheng Xinhua Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Yuncheng Xinhua Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between Yuncheng Xinhua Group and the non-controlling interests according to the Yuncheng Xinhua Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Yuncheng Xinhua.

When Yuncheng Xinhua Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Yuncheng Xinhua. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Yuncheng Xinhua Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("**IFRS 9**") or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Yuncheng Xinhua Group, liabilities incurred by Yuncheng Xinhua Group to the former owners of the acquiree and the equity interests issued by Yuncheng Xinhua Group in exchange for control of the acquiree. Acquisition Related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* ("**IAS 12**") and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of the Yuncheng Xinhua Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current *Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms, except for right-of-use assets relating to leasehold lands in which the relevant acquirees are the registered owners with full upfront lease payments, which are measured at fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Yuncheng Xinhua Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when Yuncheng Xinhua Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amount arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if Yuncheng Xinhua Group had disposed directly of the previously held equity interest.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Yuncheng Xinhua Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Yuncheng Xinhua Group's performance as Yuncheng Xinhua Group performs;

- Yuncheng Xinhua Group's performance creates or enhances an asset that the customer controls as Yuncheng Xinhua Group performs; or

- Yuncheng Xinhua Group's performance does not create an asset with an alternative use to Yuncheng Xinhua Group and Yuncheng Xinhua Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Yuncheng Xinhua Group's right to consideration in exchange for goods or services that Yuncheng Xinhua Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Yuncheng Xinhua Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Yuncheng Xinhua Group's obligation to transfer goods or services to a customer for which Yuncheng Xinhua Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Yuncheng Xinhua Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Yuncheng Xinhua Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Yuncheng Xinhua Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Yuncheng Xinhua Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Yuncheng Xinhua Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Yuncheng Xinhua Group and when specific criteria have been met for each of Yuncheng Xinhua Group's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Yuncheng Xinhua Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Yuncheng Xinhua Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Yuncheng Xinhua Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Yuncheng Xinhua Group applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Yuncheng Xinhua Group; and
- an estimate of costs to be incurred by Yuncheng Xinhua Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Yuncheng Xinhua Group presents right-of-use assets as a separate line item on the statement of financial position.

Yuncheng Xinhua as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 since 1 January 2019)

Yuncheng Xinhua Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Yuncheng Xinhua Group.

Yuncheng Xinhua Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Yuncheng Xinhua Group as a seller-lessee accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

Sale and leaseback resulting in a finance lease (prior to 1 January 2019)

Yuncheng Xinhua Group as a seller-lessee

If a sale and leaseback transaction results in a financial lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by Yuncheng Xinhua Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Yuncheng Xinhua Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yuncheng Xinhua Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Yuncheng Xinhua's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Yuncheng Xinhua Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Yuncheng Xinhua Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Yuncheng Xinhua Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Yuncheng Xinhua Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Yuncheng Xinhua Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Yuncheng Xinhua Group's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Yuncheng Xinhua Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on

Yuncheng Xinhua Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Yuncheng Xinhua Group always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Yuncheng Xinhua Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Yuncheng Xinhua Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Yuncheng Xinhua Group compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Yuncheng Xinhua Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Yuncheng Xinhua Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Yuncheng Xinhua Group has reasonable and supportable information that demonstrate otherwise.

Yuncheng Xinhua Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Yuncheng Xinhua Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Yuncheng Xinhua Group, in full without taking into account any collaterals held by Yuncheng Xinhua Group.

Irrespective of the above, Yuncheng Xinhua Group considers that default has occurred when a financial asset is more than 90 days past due unless Yuncheng Xinhua Group has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Yuncheng Xinhua Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Yuncheng Xinhua Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Yuncheng Xinhua Group in accordance with the contract and the cash flows that Yuncheng Xinhua Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Yuncheng Xinhua Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Yuncheng Xinhua Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Yuncheng Xinhua are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and other borrowing are subsequently measured at amortised cost using the effective interest method.

The financing arrangements entered into with financial institutions, where Yuncheng Xinhua Group transferred the legal title of certain equipment of Yuncheng Xinhua Group to the relevant financial institutions, and Yuncheng Xinhua Group is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by Yuncheng Xinhua Group during the lease period.

Derecognition of financial liabilities

Yuncheng Xinhua Group derecognises financial liabilities when, and only when, Yuncheng Xinhua Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, Yuncheng Xinhua Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Yuncheng Xinhua Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Yuncheng Xinhua Group's accounting policies, which are described in Note 4, the directors of Yuncheng Xinhua are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of Yuncheng Xinhua have made in the process of applying Yuncheng Xinhua Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

The Historical Financial Information of Yuncheng Xinhua Group has been prepared on a going concern basis, the validity of which is dependent upon the Group's ability to generate sufficient financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under borrowing agreements so as to finance the working capital requirements of Yuncheng Xinhua Group to meet its financial obligations as and when they fall due. Details are explained in note 2 to the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Yuncheng Xinhua Group's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Yuncheng Xinhua Group.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Yuncheng Xinhua Group operates one solar power plant in the PRC and was admitted to the List in September 2020.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB23,242,000 was included in the sales of electricity as disclosed in Note 6, is recognised as revenue based on the management judgement that the operating power plant of Yuncheng Xinhua Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. In making their judgement, the directors of Yuncheng Xinhua, taking into account the legal opinion of the Company's legal advisor, considered that Yuncheng Xinhua Group's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The directors of Yuncheng Xinhua are confident that all of Yuncheng Xinhua Group's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019, which is upon the application of IFRS 15, tariff adjustments of RMB28,391,000, RMB27,302,000 and RMB22,495,000 (unaudited), respectively, were included in the sales of electricity as disclosed in Note 6. Accordingly, for the solar power plant that is operated by Yuncheng Xinhua Group which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Yuncheng Xinhua Group had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Yuncheng Xinhua Group had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures. Hence, the solar power plant of Yuncheng Xinhua Group are able to be enlisted on the List subsequent to the period ended 30 September 2020 and the accrued revenue on tariff are fully recoverable.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019, Yuncheng Xinhua Group recognised revenue of RMB23,242,000, RMB28,391,000, RMB27,302,000 and RMB22,496,000 (unaudited), respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Yuncheng Xinhua Group generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB23,242,000, RMB28,391,000, RMB27,302,000, RMB22,496,000 (unaudited) and RMB24,040,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September

2019 and 2020, respectively. Yuncheng Xinhua Group generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Yuncheng Xinhua Group and the local grid company. Yuncheng Xinhua Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Yuncheng Xinhua Group operates one solar power plant and admitted to List in September 2020.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect of tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to January 2020); or the List (for the period after January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the application of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal not occur and are included in contract assets. Management assessed that the solar power plant operated has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract assets have been transferred to trade receivables upon such solar power plant obtained the approval for registration in the List in September 2020. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Yuncheng Xinhua Group regularly reviews the results of the solar power plant operate by Yuncheng Xinhua Group when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Yuncheng Xinhua Group is solely located in the PRC. All revenue of Yuncheng Xinhua Group are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	128	1,166	464	67	96
Interest income on amount due from an intermediate holding company	–	68	117	114	–
Others	5	–	–	–	–
Total other income	133	1,234	581	181	96

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Amounts due to intermediate holding companies	11,756	13,219	9,544	7,298	6,355
Lease liabilities	–	–	1,038	781	767
	11,756	13,219	10,582	8,079	7,122

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	–	–	–	2,078

The basic tax rate of Yuncheng Xinhua and its subsidiary is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Yuncheng Xinhua engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2017 to 2019 followed by 3-year 50% exemption from 2020 to 2022. Besides, Yuncheng Xinhua is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China since 2017.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	11,877	12,954	11,569	10,627	15,930
Tax at domestic income tax rate of 25%	2,969	3,239	2,892	2,657	3,983
Effect of tax exemptions and concessions granted	(2,969)	(3,239)	(2,892)	(2,657)	(1,905)
Income tax expense for the year/period	–	–	–	–	2,078

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging:					
Loss on written off of property, plant and equipment	95	–	128	–	57
Depreciation of:					
– Property, plant and equipment	5,957	9,427	10,331	7,732	7,737
– Right-of-use assets	–	–	1,296	908	967
Staff costs (including directors' remuneration)					
– Salaries, wages and other benefits	524	670	686	406	348
– Retirement benefit scheme contributions	44	64	81	61	13

11. DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Directors emoluments

The emoluments of the directors of Yuncheng Xinhua during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ding Jiang Su 丁江蘇 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ding Jiang Su 丁江蘇 *(Note i)*	–	–	–	–	–
Ren Xiao Liang 任孝良 *(Note ii)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ren Xiao Liang 任孝良 *(Note ii)*	–	–	–	–	–
Cheng Chong 陳沖 *(Note iii)*	–	–	–	–	–
Wang Liang Qing 王良慶 *(Note iii)*	–	–	–	–	–
Hong Yang Sheng 洪揚生 *(Note iii)*	–	–	–	–	–
Yan Kang Sheng 燕康生 *(Note iii)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ren Xiao Liang 任孝良 *(Note ii)*	–	–	–	–	–
Cheng Chong 陳沖 *(Note iii)*	–	–	–	–	–
Wang Liang Qing 王良慶 *(Note iii)*	–	–	–	–	–
Hong Yang Sheng 洪揚生 *(Note iii)*	–	–	–	–	–
Yan Kang Sheng 燕康生 *(Note iii)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Ren Xiao Liang 任孝良 *(Note ii)*	–	–	–	–	–
Cheng Chong 陳沖 *(Note iii)*	–	–	–	–	–
Wang Liang Qing 王良慶 *(Note iii)*	–	–	–	–	–
Hong Yang Sheng 洪揚生 *(Note iii)*	–	–	–	–	–
Yan Kang Sheng 燕康生 *(Note iii)*	–	–	–	–	–

Notes:

(i) Ding Jiang Su resigned as a director of Yuncheng Xinhua with effect from 7 May 2018.

(ii) Ren Xian Liang has been appointed as a director of Yuncheng Xinhua with effect from 7 May 2018.

(iii) Cheng Chong, Wang Liang Qing, Hong Yang Sheng and Yan Kang Sheng have been appointed as directors of Yuncheng Xinhua with effect from 27 August 2019.

The emoluments, including directors' fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the directors of Yuncheng Xinhua during the Relevant Periods were borne by a related company for their service as the directors of Yuncheng Xinhua.

The directors did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the directors of Yuncheng Xinhua waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five (Nine months ended 30 September 2020: four) highest paid employees of Yuncheng Xinhua Group during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	446	469	471	356	332
Performance-related bonus	78	117	119	–	16
Retirement benefits scheme contribution	44	57	71	53	13
	568	643	661	409	361

The number of highest paid employees who are not the directors whose emoluments fell within the following band is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	4

12. DIVIDENDS

Dividends of approximately Nil, RMB20,155,000, RMB16,492,000, RMB14,520,000 (unaudited) and Nil were proposed and paid to ordinary shareholder of Yuncheng Xinhua during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	–	3	–	–	240,372	240,375
Additions	–	171	215	3	15,848	16,237
Transfer	21,403	–	234,817	–	(256,220)	–
Written off	–	–	(95)	–	–	(95)
At 31 December 2017 and 1 January 2018	21,403	174	234,937	3	–	256,517
Additions	–	–	188	–	128	316
At 31 December 2018 and 1 January 2019	21,403	174	235,125	3	128	256,833
Additions	150	22	766	112	–	1,050
Written off	–	–	–	–	(128)	(128)
At 31 December 2019 and 1 January 2020	21,553	196	235,891	115	–	257,755
Additions	–	–	34	–	–	34
Written off	(64)	–	–	–	–	(64)
At 30 September 2020	21,489	196	235,925	115	–	257,725
Accumulated depreciation						
At 1 January 2017	–	–	–	–	–	–
Charge for the year	540	18	5,399	–	–	5,957
At 31 December 2017 and 1 January 2018	540	18	5,399	–	–	5,957
Charge for the year	743	27	8,657	–	–	9,427
At 31 December 2018 and 1 January 2019	1,283	45	14,056	–	–	15,384
Charge for the year	985	46	9,291	9	–	10,331
At 31 December 2019 and 1 January 2020	2,268	91	23,347	9	–	25,715
Charge for the period	738	25	6,958	16	–	7,737
Written off	(7)	–	–	–	–	(7)
At 30 September 2020	2,999	116	30,305	25	–	33,445
Carrying values						
At 31 December 2017	20,863	156	229,538	3	–	250,560
At 31 December 2018	20,120	129	221,069	3	128	241,449
At 31 December 2019	19,285	105	212,544	106	–	232,040
At 30 September 2020	18,490	80	205,620	90	–	224,280

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Power generators and equipment	4% per annum
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

15. RIGHT-OF-USE ASSETS

	Leasehold lands
	RMB'000
Carrying amount	
At 1 January 2019	22,815
Depreciation charge	(1,296)
At 31 December 2019 and 1 January 2020	21,519
Additions	2,891
Depreciation charge	(967)
At 30 September 2020	23,443

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Year ended 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	100	232	9	1,779
– immediate holding company	–	50	–	–
– intermediate holding company	–	26,115	–	763
	100	26,397	9	2,542
Amounts due to related companies				
– intermediate holding companies	12,092	12,902	967	1,108
– fellow subsidiaries	342,793	221,089	215,899	191,865
	354,885	233,991	216,866	192,973

Except for amounts due to related companies of approximately Nil, Nil, RMB200,000,000 and RMB191,865,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at Nil per annum, Nil per annum, 4.41% per annum, and 4.41% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the directors, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	26,486	1,525	1,405	43,500
Refundable value-added tax	27,610	23,400	17,377	11,843
Others	655	1,506	601	257
	54,751	26,431	19,383	55,600

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	2,702	3,031	2,005	43,757
Non-current				
– Trade receivables	24,439	–	–	–
– Refundable value-added tax *(Note)*	27,610	23,400	17,378	11,843
	52,049	23,400	17,378	11,843
	54,751	26,431	19,383	55,600

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Yuncheng Xinhua Group.

At 1 January 2018, trade receivables from contract with customers amounted to RMB2,047,000.

For sales of electricity in the PRC, Yuncheng Xinhua Group generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Yuncheng Xinhua and the grid company.

The following is an aging analysis of trade receivables (excluded bills held by Yuncheng Xinhua Group for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	24,874	415	377	41,134
0 – 90 days	1,612	1,110	1,028	2,366
91 – 180 days	–	–	–	–
Over 180 days	–	–	–	–
	26,486	1,525	1,405	43,500

Note: At 31 December 2017, 2018, 2019 and 30 September 2020, the amount represented unbilled basic tariff receivables and the unbilled tariff receivables of the solar plant which was already registered in the Catalogue/ List. The directors of Yuncheng Xinhua expect the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aging analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	7,947	415	377	6,897
91 – 180 days	9,082	–	–	6,745
181 – 365 days	7,845	–	–	8,637
Over 365 days	–	–	–	18,855
	24,874	415	377	41,134

No trade receivables is past due at 31 December 2017, 2018, 2019 and 30 September 2020.

18. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	615	–	–
– Current	–	24,511	–
	615	24,511	–

At 1 January 2018, contract assets amounted to RMB24,439,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the relevant on-grid solar power plant is still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated as disclosed in Note 6.

Pursuant to the 2020 Measures, for those on-grid solar power plants yet to be registered on the Catalogue, they are required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List. The contract assets are transferred to trade receivables when Yuncheng Xinhua Group's respective on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment is insignificant.

Since the solar power plant plant operated by Yuncheng Xinhua Group is admitted to the List in September 2020, which represented Yuncheng Xinhua Group's right to consideration in exchange for service in connection with sales to electricity to its customer become unconditional, accordingly, the contract assets are reclassified as unbilled trade receivables in September 2020 since its solar power plant was admitted to the List and there is no contract assets at 30 September 2020.

Details of impairment assessment are set out in Note 23b.

19. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 23b.

20. LEASE LIABILITIES

	At 31 December 2019 *RMB'000*	At 30 September 2020 *RMB'000*
Lease liabilities payable:		
Within one year	568	592
Within a period of more than one years but not more than two years	599	781
Within a period of more than two years but not more than five years	2,490	2,578
Within a period of more than five years	17,747	18,066
	21,404	22,017
Less: Amount due for settlement with 12 months shown under current liabilities	(568)	(592)
Amount due for settlement after 12 months shown under non-current liabilities	20,836	21,425

All lease liabilities are denominated in RMB.

21. PAID-UP CAPITAL

	At 31 December 2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	At 30 September 2020 *RMB'000*
Registered and paid-up capital	900	58,598	58,598	58,598

On 30 October 2018, the registered capital of Yuncheng Xinhua was increased to RMB58,598,000 and was paid-up by the shareholder.

22. CAPITAL MANAGEMENT

Yuncheng Xinhua Group manages its capital to ensure that entities in Yuncheng Xinhua Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Yuncheng Xinhua Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Yuncheng Xinhua Group consists of net debt, which mainly includes amounts due to related companies, lease liabilities, other borrowing, net of cash and cash equivalents, and equity attributable to owner of Yuncheng Xinhua, comprising paid-up capital and reserves.

The directors of Yuncheng Xinhua review the capital structure on a periodical basis. As part of this review, the directors of Yuncheng Xinhua consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of Yuncheng Xinhua, Yuncheng Xinhua Group will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

23. FINANCIAL INSTRUMENTS

23a. Categories of financial instruments

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	152,053	–	–	–
Amortised cost	–	92,370	37,758	64,361
Financial liabilities				
Amortised cost	389,836	271,160	257,477	239,881

23b. Financial risk management objectives and policies

Yuncheng Xinhua Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash, other payables, amounts due to related companies, lease liabilities and other borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Yuncheng Xinhua Group is exposed to fair value interest rate risk in relation to amounts due to related companies and lease liabilities. Yuncheng Xinhua Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances, and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Sensitivity analysis

In the opinion of the directors of Yuncheng Xinhua, the sensitivity analysis is not representative of Yuncheng Xinhua Group's exposure to interest rate risk for the Relevant Periods.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Yuncheng Xinhua Group reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Yuncheng Xinhua Group has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history. The management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Yuncheng Xinhua Group's counterparties default on their contractual obligations resulting in financial losses to Yuncheng Xinhua Group. Yuncheng Xinhua Group's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Yuncheng Xinhua Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, which is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Yuncheng Xinhua Group's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that all of Yuncheng Xinhua Group's operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Yuncheng Xinhua Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivable and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Yuncheng Xinhua Group assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Other receivables and amounts due from related companies

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related companies, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related companies, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related companies and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Yuncheng Xinhua Group's current liabilities exceeded its current assets by RMB289,832,000, RMB202,190,000, RMB191,750,000 and RMB165,938,000, respectively. Yuncheng Xinhua Group is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Yuncheng Xinhua Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Yuncheng Xinhua Group's operations and mitigate the effects of fluctuation in cash flows.

Yuncheng Xinhua Group relies on the financial support from the Company. Despite uncertainties and measures mentioned in Note 2, the directors of Yuncheng Xinhua are of the opinion that the Group will be able to meet its commitment to provide funds to Yuncheng Xinhua Group, and will have sufficient working capital to meet its cash flow requirements in the next twelve months from the end of each reporting date.

The following tables detail Yuncheng Xinhua Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Yuncheng Xinhua Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes *both* interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	34,951	–	–	–	–	34,951	34,951
Amounts due to related companies	–	354,885	–	–	–	–	354,885	354,885
Total		389,836	–	–	–	–	389,836	389,836

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	37,169	–	–	–	–	37,169	37,169
Amounts due to related companies	–	233,991	–	–	–	–	233,991	233,991
Total		271,160	–	–	–	–	271,160	271,160

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	19,207	–	–	–	–	19,207	19,207
Amounts due to related companies	4.4%	216,866	–	–	–	–	216,866	216,866
Lease liabilities	5.4%	–	1,586	1,586	5,234	23,639	32,045	21,404
Total		236,073	1,586	1,586	5,234	23,639	268,118	257,477

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	24,891	–	–	–	–	24,891	24,891
Amounts due to related companies	4.4%	192,973	–	–	–	–	192,973	192,973
Lease liabilities	5.4%	–	1,586	1,745	5,233	21,895	30,459	22,017
Total		217,864	1,586	1,745	5,233	21,895	248,323	239,881

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

23c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Yuncheng Xinhua consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Yuncheng Xinhua Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Yuncheng Xinhua's Group consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities	Amounts due to related companies	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	–	343,229	343,229
Financing cash flows	–	(100)	(100)
Finance costs	–	11,756	11,756
At 31 December 2017 and 1 January 2018	–	354,885	354,885
Financing cash flows	–	(154,268)	(154,268)
Finance costs	–	13,219	13,219
Dividend declared	–	20,155	20,155
At 31 December 2018	–	233,991	233,991
Adjustment upon application of IFRS 16	21,952	–	21,952
At 1 January 2019	21,952	233,991	255,943
Financing cash flows	(1,586)	(43,161)	(44,747)
Finance costs	1,038	9,544	10,582
Dividend declared	–	16,492	16,492
At 31 December 2019 and 1 January 2020	21,404	216,866	238,270
Financing cash flows	(1,585)	(30,248)	(31,833)
Finance costs	767	6,355	7,122
Addition to lease liabilities	1,431	–	1,431
At 30 September 2020	22,017	192,973	214,990

25. CAPITAL COMMITMENTS

At 31 December 2017, 2018 and 2019 and 30 September 2020, Yuncheng Xinhua Group has no capital commitments.

26. OPERATING LEASES

	For the year ended 31 December	
	2017	2018
Yuncheng Xinhua Group as lessee	*RMB'000*	*RMB'000*
Minimum lease payments paid under operating leases during the year:		
Office premise	35,218	33,630

Yuncheng Xinhua Group's commitments for future minimum lease payments under non-cancellable operating lease including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	At 31 December	
	2017	2018
	RMB'000	*RMB'000*
Within one year	1,586	1,586
In the second to fifth year inclusive	6,503	6,661
Over fifth year	27,129	25,384
	35,218	33,631

Lease is negotiated and rental is fixed for term of 20 year for parcel of land for the years ended 31 December 2017 and 2018.

27. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Yuncheng Xinhua Group also entered into the following material transactions or arrangements with related parties:

	At 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expense to an intermediate holding company	11,756	13,219	9,544	7,298	6,355
Interest income from an intermediate holding Company	–	69	117	114	–
Sales to a fellow subsidiary	–	306	128	–	–
Consultancy fee to immediate holding company	–	1,858	1,132	962	–

Details of the remuneration for the key management personnel, which represents the directors of Yuncheng Xinhua, are set out in Note 11.

28. INVESTMENT IN A SUBSIDIARY

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	–	–	–	–

The following is a list of a subsidiary at 31 December 2017, 2018 and 2019 and 30 September 2020:

Name	**Place of incorporation and type of legal entity**	**Principal activities and place of operation**	**Registered capital/ paid in capital**	**Effective interest held as at**			
				31 December			**30 September**
				2017	**2018**	**2019**	**2020**
Directly held by the Yuncheng Xinhua:							
鄆城鑫源農業開發有限公司 *(Note)*	PRC, limited liability company	Dormant, PRC	RMB1,000,000/Nil	N/A	100%	100%	100%

Note: The company is incorporated on 27 March 2015.

29. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, Yunchang Xinhua Group has no significant event occurred.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Yuncheng Xinhua or Yuncheng Xinhua Group have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The following is the text of a report set out on pages II N-1 to II N-45, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZHONGLI TENGHUI HAINAN ELECTRIC POWER CO., LTD. TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Zhongli Tenghui Hainan Electric Power Co., Ltd. (中利騰暉海南電力有限公司) ("**Zhongli Tenghui**") set out on pages II N-5 to II N-45, which comprises the statements of financial position of Zhongli Tenghui at 31 December 2017, 2018 and 2019 and 30 September 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Zhongli Tenghui for each of the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II N-5 to II N-45 forms an integral part of this report, which has been prepared for inclusion in the circular of GCL New Energy Holdings Limited (the "**Company**") dated 22 January 2021 (the "**Circular**") in connection with the very substantial disposal of subsidiaries of the Company and possible very substantial acquisition via the grant of put options of the Company.

Sole director's responsibility for the Historical Financial Information

The sole director of Zhongli Tenghui is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of Zhongli Tenghui determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Zhongli Tenghui, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Zhongli Tenghui's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of Zhongli Tenghui's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Zhongli Tenghui which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Zhongli Tenghui is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II N-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividend declared and paid by Zhongli Tenghui in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

HISTORICAL FINANCIAL INFORMATION OF ZHONGLI TENGHUI

The financial statements of Zhongli Tenghui for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	NOTES	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	56,796	65,522	58,505	44,759	40,982
Cost of sales		(21,270)	(20,808)	(18,897)	(13,463)	(13,768)
Gross profit		35,526	44,714	39,608	31,296	27,214
Other income	*7*	1,881	14	3	2	3
Administrative expenses		(5,354)	(684)	(629)	(446)	(536)
Finance costs	*8*	(22,241)	(21,966)	(20,177)	(15,177)	(14,781)
Profit before taxation		9,812	22,078	18,805	15,675	11,900
Income tax expenses	*9*	–	–	(1,369)	(1,134)	(1,008)
Profit and total comprehensive income for the year/period	*10*	9,812	22,078	17,436	14,541	10,892

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2017	2018	2019	At 30 September 2020
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	413,652	396,836	380,086	368,009
Right-of-use assets	15	–	–	8,604	8,464
Prepaid lease payments	16	8,789	8,604	–	–
Trade and other receivables	18	136,612	25,303	17,377	12,205
Contract assets	19	–	164,706	–	–
		559,053	595,449	406,067	388,678
CURRENT ASSETS					
Trade and other receivables	18	8,679	6,678	2,955	3,990
Contract assets	19	–	–	218,013	255,628
Prepaid lease payments	16	187	187	–	–
Amounts due from related companies	17	4,754	2,000	–	2,756
Bank balances	20	588	692	4,472	1,620
		14,208	9,557	225,440	263,994
CURRENT LIABILITIES					
Other payables		32,275	31,030	31,131	28,504
Amounts due to related companies	17	48,824	108,296	163,099	175,773
Tax payable		–	–	234	460
Bank borrowing	21	25,000	26,500	28,000	28,000
		106,099	165,826	222,464	232,737
NET CURRENT (LIABILITIES) ASSETS		(91,891)	(156,269)	2,976	31,257
TOTAL ASSETS LESS CURRENT LIABILITIES		467,162	439,180	409,043	419,935
NON-CURRENT LIABILITY					
Bank borrowing	21	352,500	326,000	298,000	298,000
NET ASSETS		114,662	113,180	111,043	121,935
CAPITAL AND RESERVES					
Paid-up capital	22	105,500	105,500	105,500	105,500
Reserves		9,162	7,680	5,543	16,435
TOTAL EQUITY		114,662	113,180	111,043	121,935

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Legal reserve *RMB'000* *(Note)*	(Accumulated losses) retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	105,500	–	(650)	104,850
Profit and total comprehensive income for the year	–	–	9,812	9,812
Transfer to legal reserve	–	981	(981)	–
At 31 December 2017 and 1 January 2018	105,500	981	8,181	114,662
Profit and total comprehensive income for the year	–	–	22,078	22,078
Transfer to legal reserve	–	2,208	(2,208)	–
Dividend declared *(Note 12)*	–	–	(23,560)	(23,560)
At 31 December 2018 and 1 January 2019	105,500	3,189	4,491	113,180
Profit and total comprehensive income for the year	–	–	17,436	17,436
Transfer to legal reserve	–	1,744	(1,744)	–
Dividend declared *(Note 12)*	–	–	(19,573)	(19,573)
At 31 December 2019 and 1 January 2020	105,500	4,933	610	111,043
Profit and total comprehensive income for the period	–	–	10,892	10,892
At 30 September 2020	105,500	4,933	11,502	121,935
At 1 January 2019 (audited)	105,500	3,189	4,491	113,180
Profit and total comprehensive income for the period (unaudited)	–	–	14,541	14,541
Dividend declared *(Note 12)* (unaudited)	–	–	(4,490)	(4,490)
At 30 September 2019 (unaudited)	105,500	3,189	14,542	123,231

Note: Legal reserve represents the amount set aside from the retained earnings and is not distributable as dividend. In accordance with the relevant regulations and the articles of association of Zhongli Tenghui, it is required to allocate at least 10% of its after-tax profit according to the PRC (as defined in Note 1) accounting standards and regulations to legal reserves until such reserve has reached 50% of registered capital. The reserve can only be used for specific purposes and are not distributable or transferable to the loans, advances and cash dividends.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities					
Profit before taxation	9,812	22,078	18,805	15,675	11,900
Adjustments for:					
Release of prepaid lease payments	187	187	–	–	–
Depreciation of property, plant and equipment	17,652	17,027	16,762	12,571	12,571
Depreciation of right-of-use assets	–	–	187	140	140
Finance costs	22,241	21,966	20,177	15,177	14,781
Interest income	(26)	(14)	(3)	(2)	(3)
Operating cash flows before movements in working capital	49,866	61,244	55,928	43,561	39,389
Decrease (increase) in trade and other receivables	103,290	10,121	11,649	3,200	4,137
Increase in contract assets	–	(61,517)	(53,307)	(40,670)	(37,615)
(Decrease) increase in other payables	(377)	(1,245)	101	(795)	(2,625)
Cash generated from operations	152,779	8,603	14,371	5,296	3,286
Income tax paid	–	–	(1,135)	(730)	(782)
Net cash from operating activities	152,779	8,603	13,236	4,566	2,504

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Addition of prepaid lease payments	–	(2)	–	–	–
Interest received	26	14	3	2	3
Payments for construction and purchase of property, plant and equipment	(2,516)	(211)	(12)	(11)	(496)
(Advance to) repayment from related companies	(4,754)	2,754	2,000	2,000	(2,756)
Net cash (used in) from investing activities	(7,244)	2,555	1,991	1,991	(3,249)
Financing activities					
Interest paid	(22,241)	(21,966)	(20,177)	(15,177)	(14,781)
Repayment of bank borrowing	(12,500)	(25,000)	(26,500)	(12,500)	–
(Repayment to) advance from related companies	(112,133)	35,912	35,230	20,576	12,674
Net cash used in financing activities	(146,874)	(11,054)	(11,447)	(7,101)	(2,107)
Net (decrease) increase in cash and cash equivalents	(1,339)	104	3,780	(544)	(2,852)
Cash and cash equivalents at beginning of year/period	1,927	588	692	692	4,472
Cash and cash equivalents at end of year/period	588	692	4,472	148	1,620

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Zhongli Tenghui Hainan Electric Power Co., Ltd. ("**Zhongli Tenghui**") was established in the People's Republic of China (the "**PRC**") on 9 June 2014. Its immediate holding company is Qinghai GCL New Energy Co., Ltd., a company established in PRC. Its intermediate holding company is GCL New Energy Holdings Limited (the "**Company**"), an exempted company with limited liability incorporated in Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate holding company is GCL-Poly Energy Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange. The address of the registered office and principal place of the business of Zhongli Tenghui is Qinghai Province, Gonghe County Photovoltaic Power Park.

Zhongli Tenghui is principally engaged in the sale of electricity in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of Zhongli Tenghui.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRS Standards**") (which collective term include all applicable IFRS Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 4.

The statutory audited financial statements of Zhongli Tenghui for the years ended 31 December 2017 and 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Grant Thornton China, certified public accountants registered in the PRC. The statutory audited financial statements of Zhongli Tenghui for the year ended 31 December 2019 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by RSM China, certified public accountants registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective during the Relevant Periods

The IASB has issued a number of new and revised IFRS Standards which were relevant to Zhongli Tenghui and became effective during the Relevant Periods. In preparing the Historical Financial Information, Zhongli Tenghui has applied all these new and revised IFRS Standards which are effective for Zhongli Tenghui's accounting period beginning on 1 January 2017, 1 January 2018, 1 January 2019 and 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the IFRS Standards, except that Zhongli Tenghui adopted (i) IFRS 9 *Financial Instruments* ("**IFRS 9**") *and* IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") on 1 January 2018 based on the specific transitional provision and applied IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and IAS 18 *Revenue* ("**IAS 18**") prior to 1 January 2018; and (ii) IFRS 16 *Leases* ("**IFRS 16**") on 1 January 2019 based on the specific transitional provision and applied IAS 17 *Leases* ("**IAS 17**") prior to 1 January 2019, and amendments to IAS 23 *Borrowing Costs* (as part of the Annual Improvement to IFRS Standards 2015-2017 cycle) ("**IAS 23**") on 1 January 2019.

3.1 IFRS 15

Zhongli Tenghui has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18, IAS 11 *Construction Contracts* ("**IAS 11**") and the related interpretations.

Zhongli Tenghui has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

Zhongli Tenghui recognised revenue from the sales of electricity when electricity is generated and transmitted. Information about Zhongli Tenghui's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 6 and 4, respectively.

3.1.1 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Trade and other receivables	*(a)*	136,612	(103,189)	33,423
Contract assets	*(a)*	–	103,189	103,189

Note:

(a) At 1 January 2018, unbilled tariff adjustments receivables related to a solar power plant yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄, the "**Catalogue**"), were reclassified and presented as contract assets.

The application of IFRS 15 resulted in the reclassification of the tariff adjustments from unbilled trade receivables to contract assets since the tariff adjustments related to a solar power plant was not yet obtained approval for registration into the Catalogue for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, but does not result in material change in the amounts of total assets, profit or loss or net cash flows for the respective years/period.

3.2 IFRS 9

During the year ended 31 December 2018, Zhongli Tenghui has applied IFRS 9 and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and financial guarantee contracts and (3) general hedge accounting.

Zhongli Tenghui has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 4.

3.2.1 Summary of effects arising from initial application of IFRS 9

As a result of the changes in the entity's accounting policies above, Zhongli Tenghui assessed that the application of IFRS 9 do not have a material impact on the classification and measurement in opening statement of financial position.

Impairment under ECL model

Zhongli Tenghui applied the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. The ECL on these assets are assessed individually by reference to historical default rates of debtors with relatively similar credit standing published by an external credit rating agency and are adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including amounts due from related companies, other receivables and bank balances are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, there was no additional credit loss allowance being recognised against retained earnings as the amount involved is insignificant.

For the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020, the application of IFRS 9 has no material impact to the total assets, profit or loss or net cash flows for respective year/period.

3.3 IFRS 16

Zhongli Tenghui has applied IFRS 16 for the first time during the year ended 31 December 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

Zhongli Tenghui has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Zhongli Tenghui has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or arising from business combinations after 1 January 2019, Zhongli Tenghui applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. For contracts on sales of electricity, the management of Zhongli Tenghui assessed and concluded that the contracts in connection with the sales of electricity do not contain a lease.

As a lessee

Zhongli Tenghui has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Reclassified from prepaid lease payments *(Note)*	8,791

Note: Upfront payments for leasehold lands in the PRC in which Zhongli Tenghui obtained relevant land use right certificate were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB187,000 and RMB8,604,000, respectively, were reclassified to right-of-use assets.

The transition to IFRS 16 has no impact to Zhongli Tenghui's retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	8,604	(8,604)	–
Right-of-use assets	–	8,791	8,791
Current assets			
Prepaid lease payments	187	(187)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3.4 Amendments to IAS 23

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Effective on 1 January 2019, IAS 23 is adopted prospectively and there is no material impact on the Historical Financial Information upon the application of IAS 23.

New and amendments to IFRS Standards that have been issued but not yet effective

At the date of this report, the following new and amendments to IFRS Standards have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]

Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 June 2020

5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the sole director of Zhongli Tenghui anticipates that the application of all these new and amendments to IFRS Standards will have no material impact on Zhongli Tenghui's financial position and performance when they become effective.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

At 30 September 2020, Zhongli Tenghui's right to defer settlement for bank borrowing of RMB298,000,000 beyond 12 months from the end of the reporting period is subject to compliance with covenants at the end of the reporting period. Such bank borrowing was classified as non-current as Zhongli Tenghui met such covenants at 30 September 2020. Pending clarification on the application of relevant requirements of the amendments, Zhongli Tenghui will further assess whether application of the amendments will have an impact on the classification of this borrowing.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform with IFRS Standards issued by the IASB. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3.1)

Under IFRS 15, Zhongli Tenghui recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Zhongli Tenghui's performance as Zhongli Tenghui performs;
- Zhongli Tenghui's performance creates or enhances an asset that the customer controls as Zhongli Tenghui performs; or
- Zhongli Tenghui's performance does not create an asset with an alternative use to Zhongli Tenghui and Zhongli Tenghui has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from sales of electricity is recognised at a point in time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer.

A contract asset represents Zhongli Tenghui's right to consideration in exchange for goods or services that Zhongli Tenghui has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Zhongli Tenghui's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Zhongli Tenghui's obligation to transfer goods or services to a customer for which Zhongli Tenghui has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For the contract that contain variable consideration in relation to sale of electricity to the grid company which contain tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue (prior to January 2020) or the List (defined in Note 6) (after January 2020) by the PRC government, Zhongli Tenghui estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, Zhongli Tenghui updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

Existence of significant financing component

In determining the transaction price, Zhongli Tenghui adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or Zhongli Tenghui with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, Zhongli Tenghui applies the practical expedient of not adjusting the transaction price for any significant financing component.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Zhongli Tenghui and when specific criteria have been met for each of Zhongli Tenghui's activities, as described below.

Revenue from the sales of electricity, including portion relating to tariff adjustment, is recognised when electricity is generated and transmitted.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3.3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, Zhongli Tenghui assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Zhongli Tenghui as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when Zhongli Tenghui reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases with the portfolio.

Short-term leases and leases of low-value assets

Zhongli Tenghui applies the short-term lease recognition exemption to leases that have leases term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Zhongli Tenghui; and
- an estimate of costs to be incurred by Zhongli Tenghui in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Zhongli Tenghui presents right-of-use assets as a separate line item on the statement of financial position.

Zhongli Tenghui as a lessee (prior to 1 January 2019)

All leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including the state-managed retirement benefit schemes in the PRC, are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Zhongli Tenghui's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised of the temporary differences arises from initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Zhongli Tenghui expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Zhongli Tenghui's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Zhongli Tenghui makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments (before application of IFRS 16)

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by Zhongli Tenghui in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, Zhongli Tenghui reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, Zhongli Tenghui estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, it is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when Zhongli Tenghui becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Zhongli Tenghui's financial assets are classified into "loans and receivables", and the classification of which depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (upon application of IFRS 9 in accordance with transitions in Note 3.2)

Zhongli Tenghui performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related companies and bank balances) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Zhongli Tenghui's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Zhongli Tenghui always recognises lifetime ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, Zhongli Tenghui measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Zhongli Tenghui recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors by reference to historical default rates of debtor with relatively similar credit standing published by an external credit rating agency, adjusted for forward-looking in formation that is available without undue cost or effect.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Zhongli Tenghui compares the risk of a default occurring on the financial instrument as the date of initial recognition. In making this assessment, Zhongli Tenghui considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtors ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected significant adverse change in the regulatory, economics, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Zhongli Tenghui presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless Zhongli Tenghui has reasonable and supportable information that demonstrate otherwise.

Zhongli Tenghui regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, Zhongli Tenghui considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Zhongli Tenghui, in full without taking into account any collaterals held by Zhongli Tenghui.

Irrespective of the above, Zhongli Tenghui considers that default has occurred when a financial asset is more than 90 days past due unless Zhongli Tenghui has reasonable and supportable information that demonstrate a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Zhongli Tenghui writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Zhongli Tenghui's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Zhongli Tenghui in accordance with the contract and the cash flows that Zhongli Tenghui expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Zhongli Tenghui recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustments are recognised through allowance accounts.

Derecognition of financial assets

Zhongli Tenghui derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substances of the contractual arrangements and the definition of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Zhongli Tenghui are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payables, amounts due to related companies and bank borrowing are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Zhongli Tenghui derecognises financial liabilities when, and only when, Zhongli Tenghui's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS

In the application of Zhongli Tenghui's accounting policies, which are described in Note 4, the sole director of Zhongli Tenghui is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of Zhongli Tenghui has made in the process of applying Zhongli Tenghui's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue recognition on tariff adjustments on sales of electricity

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of Zhongli Tenghui's solar power generation business.

Pursuant to the New Tariff Notice issued in August 2013 (the "**New Tariff Notice**"), a set of standardised procedures for the settlement of the tariff subsidy have come into force and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to Zhongli Tenghui.

In January 2020, the PRC government has simplified the application and approval process to receive tariff adjustments. Pursuant to 2020 Measures (as defined in Note 6) announced by the PRC government in January 2020, the PRC government will no longer announce new additions to the existing Catalogue while the grid companies will regularly announce a List (as defined in Note 6) for solar power plant projects which are entitled to the tariff adjustments. All on-grid solar power plants already registered in the Catalogue would be enlisted in the List automatically. For those on-grid solar power plants which are not yet registered in the Catalogue, they need to meet the relevant requirements and conditions for tariff subsidy as stipulated in the 2020 Measures and to complete the submission and application on the Platform (as defined in Note 6). Grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plants that are enlisted in the List.

Zhongli Tenghui operates one solar power plant in the PRC which was yet admitted to the Catalogue/List during the Relevant Periods.

Accordingly, for the year ended 31 December 2017, which is prior to the application of IFRS 15, tariff adjustments of RMB46,325,000 was included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Zhongli Tenghui was still pending for registration in the Catalogue, and the tariff adjustments is recognised as revenue based on the management judgement that the operating power plant of Zhongli Tenghui had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. In making his judgement, the sole director of Zhongli Tenghui, taking into account the legal opinion of the Company's legal advisor, considered that Zhongli Tenghui's operating solar power plant had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity delivered on grid. The sole director of Zhongli Tenghui is confident that Zhongli Tenghui's operating solar power plant was able to be registered in the Catalogue in due course and the accrued revenue on tariff adjustment are fully recoverable but only subject to timing of allocation of funds from the government, after considering that there are no bad debts experiences with the gird company in the past and the tariff adjustment is fully funded by the PRC government.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, which is upon the application of IFRS 15, tariff adjustments of RMB52,872,000, RMB47,666,000, RMB36,086,000 (unaudited) and RMB33,466,000, respectively, were included in the sales of electricity as disclosed in Note 6, of which on-grid solar power plant of Zhongli Tenghui was still pending for registration in the Catalogue/List. Accordingly, for the solar power plant that is operated by Zhongli Tenghui which was pending for registration to the Catalogue/List, the relevant tariff adjustments were recognised only to the extent that it is highly probable that such inclusion would not result in a significant revenue reversal in the future on the basis that the solar power plant operated by Zhongli Tenghui had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant, and taking into account the legal opinion as advised by the Company's legal advisor, who considered that the solar power plant operated by Zhongli Tenghui had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivery on grid, and also the requirements and conditions for the entitlement of the tariff subsidy under the 2020 Measures. Hence, the solar power plant of Zhongli Tenghui is able to be enlisted on the List subsequent to the nine months ended 30 September 2020 and the accrued revenue on tariff are fully recoverable.

During the years ended 31 December 2017, 2018, 2019, and for the nine months ended 30 September 2019 and 2020, Zhongli Tenghui recognised revenue of RMB46,325,000, RMB52,872,000, RMB47,666,000, RMB36,086,000 (unaudited) and RMB33,466,000, respectively, in respect of tariff adjustments recognised as revenue to solar power plant not yet registered in the Catalogue/List.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time being at the point when electricity is generated and transmitted to the customer. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020.

For sales of electricity, Zhongli Tenghui generally entered into power purchase agreements with local grid company with a term of one year which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer and the amount included RMB46,325,000, RMB52,872,000, RMB47,666,000, RMB36,086,000 (unaudited) and RMB33,466,000 tariff adjustments recognised during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 and 2020, respectively. Zhongli Tenghui generally grants credit period of approximately one month to customer from date of invoice in accordance with the power purchase agreements between Zhongli Tenghui and the local grid company. Zhongli Tenghui will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "**2020 Measures**") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Catalogue and has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "**List**"). The state grid companies will regularly announce the list based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "**Platform**").

Tariff adjustments are recognised as revenue and due from the grid company in the PRC in accordance with the power purchase agreements.

Zhongli Tenghui operates one solar power plant which was yet admitted to the Catalogue/List during the Relevant Periods.

For the year ended 31 December 2017, tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid, and are discounted to present values based on the expected timing of the receipt of trade receivables. The management considers discounting effect of tariff adjustment receivables was insignificant.

For the years ended 31 December 2018 and 2019, and nine months ended 30 September 2019 and 2020, for those tariff adjustments that are subject to approval for registration in the Catalogue (for the period prior to 1 January 2020); or the List (for the period after 1 January 2020) by the PRC government at the end of the reporting period, the relevant revenue from the tariff adjustments are considered variable consideration upon the applications of IFRS 15, and are recognised only to the extent that it is highly probable that a significant reversal will not occur and are included in contract assets. Management assessed that the operating power plant has qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plant. The contract asset will be transferred to trade receivables when the solar power plant is enlisted in the List since the release of the 2020 Measures. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

The management of Zhongli Tenghui regularly reviews the results of the solar power plant operated by Zhongli Tenghui when making decisions about allocating resources and assessing performance. No further segment information other than entity wide information was presented.

Geographical information

The operations of Zhongli Tenghui is solely located in the PRC. All revenue of Zhongli Tenghui are generated from a single external customer located in the PRC, and all its non-current assets are located in the PRC for the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income of financial assets at amortised cost:					
– Bank interest income	26	7	3	2	3
– Interest income on amount due from an intermediate holding company	1,755	–	–	–	–
Others	100	7	–	–	–
Total other income	1,881	14	3	2	3

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on financial liabilities at amortised cost:					
Bank borrowing	21,266	20,128	18,875	14,210	13,452
Amount due to intermediate holding company	975	1,838	1,302	967	1,329
Total finance costs	22,241	21,966	20,177	15,177	14,781

9. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	–	–	1,369	1,134	1,008

The basic tax rate of Zhongli Tenghui is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

Zhongli Tenghui engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, is entitled to tax holidays of 3-year full exemption from 2016 to 2018 followed by 3-year 50% exemption from 2019 to 2021. Besides, Zhongli Tenghui is also entitled to the preferential tax rate of 15% under the EIT policies for the Large-Scale Development of Western China.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	9,812	22,078	18,805	15,675	11,900
Tax at domestic income tax rate of 25%	2,453	5,520	4,701	3,919	2,975
Effect of tax exemptions and concessions granted	(2,453)	(5,520)	(3,291)	(2,743)	(2,083)
Others	–	–	(41)	(42)	116
Income tax expenses for the year/period	–	–	1,369	1,134	1,008

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Release of prepaid lease payments	187	187	–	–	–
Depreciation of:					
– Property, plant and equipment	17,652	17,027	16,762	12,571	12,571
– Right-of-use assets	–	–	187	140	140
Staff costs (including sole director's remuneration)					
– Salaries, wages and other benefits	4,402	784	672	578	728
– Retirement benefit scheme contributions	422	110	81	68	18

11. DIRECTOR'S EMOLUMENTS AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUAL

(a) Sole director emoluments

The emoluments of the sole director of Zhongli Tenghui during the Relevant Periods are set out below:

Year ended 31 December 2017

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Zhou Jian Xin 周建新 *(Note i)*	–	–	–	–	–

Year ended 31 December 2018

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Zhou Jian Xin 周建新 *(Note i)*	–	–	–	–	–

Year ended 31 December 2019

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Zhou Jian Xin 周建新 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2019 (unaudited)

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–
Zhou Jian Xin 周建新 *(Note i)*	–	–	–	–	–

Nine months ended 30 September 2020

	Director's fee	Performance-related bonus	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of sole director					
Li Yong 李勇 *(Note ii)*	–	–	–	–	–

Notes:

(i) Zhou Jian Xin resigned as the director of Zhongli Tenghui with effect from 17 July 2019.

(ii) Li Yong has been appointed as the director of Zhongli Tenghui with effect from 17 July 2019.

The emoluments, including director's fee, salaries and other benefits, bonus and retirement benefit scheme contributions, for the sole director of Zhongli Tenghui during the Relevant Periods were borne by a related company for his service as the sole director of Zhongli Tenghui.

The sole director did not waive any emoluments and no incentive paid on joining and compensation for the loss of office for the Relevant Periods.

There was no arrangement under which the sole director of Zhongli Tenghui waived or agreed to waive any remuneration for the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of Zhongli Tenghui during the Relevant Periods included 5 individuals for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	442	477	418	361	457
Performance-related bonus	57	103	64	64	21
Retirement benefits scheme contribution	17	35	29	25	24
	516	615	511	450	502

The number of highest paid employees who are not the sole director whose emoluments fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of employee	Number of employee	Number of employee	Number of employee (unaudited)	Number of employee
Nil to HK$1,000,000	5	5	5	5	5

12. DIVIDENDS

Dividends of approximately nil, RMB23,560,000, RMB19,573,000, RMB4,490,000 (unaudited) and nil were proposed and paid to ordinary shareholder of Zhongli Tenghui during the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2019 (unaudited) and 2020, respectively.

13. EARNING PER SHARE

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements, furniture fixtures & equipment	Power generators and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2017	61,166	437	381,369	395	1,519	444,886
Additions	–	31	2,457	28	–	2,516
Transfer	–	–	1,519	–	(1,519)	–
At 31 December 2017 and 1 January 2018	61,166	468	385,345	423	–	447,402
Additions	–	144	67	–	–	211
At 31 December 2018 and 1 January 2019	61,166	612	385,412	423	–	447,613
Additions	–	–	12	–	–	12
At 31 December 2019 and 1 January 2020	61,166	612	385,424	423	–	447,625
Additions	–	20	476	–	–	496
Disposals	–	(9)	–	–	–	(9)
At 30 September 2020	61,166	623	385,900	423	–	448,112
Accumulated depreciation						
At 1 January 2017	2,068	63	13,957	10	–	16,098
Charge for the year	2,257	81	15,238	76	–	17,652
At 31 December 2017 and 1 January 2018	4,325	144	29,195	86	–	33,750
Charge for the year	2,257	107	14,586	77	–	17,027
At 31 December 2018 and 1 January 2019	6,582	251	43,781	163	–	50,777
Charge for the year	2,258	110	14,318	76	–	16,762
At 31 December 2019 and 1 January 2020	8,840	361	58,099	239	–	67,539
Charge for the period	1,693	82	10,740	56	–	12,571
Disposals	–	(7)	–	–	–	(7)
At 30 September 2020	10,533	436	68,839	295	–	80,103
Carrying values						
At 31 December 2017	56,841	324	356,150	337	–	413,652
At 31 December 2018	54,584	361	341,631	260	–	396,836
At 31 December 2019	52,326	251	327,325	184	–	380,086
At 30 September 2020	50,633	187	317,061	128	–	368,009

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	2%-4% or over the lease term, whichever is shorter
Power generators and equipment	4% per annum
Leasehold improvements, furniture, fixtures and equipment	20%-25%
Motor vehicles	20%-30%

The building is held under a lease in the PRC.

At 31 December 2017, 2018 and 2019 and 30 September 2020, Zhongli Tenghui was in the process of obtaining property ownership certificates in respect of property interests held under land use rights in the PRC with a carrying amount of approximately RMB56,841,000, RMB54,584,000, RMB52,326,000 and RMB50,633,000, respectively. In the opinion of the sole director of Zhongli Tenghui, the absence of the property ownership certificates to these property interests does not impair their carrying value to Zhongli Tenghui as it has paid the full purchase consideration of these property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

15. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*
Carrying amount	
At 1 January 2019	8,791
Depreciation charge	(187)
At 31 December 2019	8,604
Depreciation charge	(140)
At 30 September 2020	8,464

16. PREPAID LEASE PAYMENTS

	At 31 December	
	2017 *RMB'000*	**2018** *RMB'000*
Analysed for reporting purpose as:		
Current assets	187	187
Non-current assets	8,789	8,604
	8,976	8,791

17. AMOUNTS DUE FROM/TO RELATED COMPANIES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
– fellow subsidiaries	–	2,000	–	600
– intermediate holding company	4,754	–	–	–
– immediate holding company	–	–	–	2,156
	4,754	2,000	–	2,756
Amounts due to related companies				
– intermediate holding companies	25,324	83,224	163,099	168,259
– fellow subsidiaries	23,500	25,072	–	7,514
	48,824	108,296	163,099	175,773

Except for amounts due to related companies of approximately nil, RMB57,016,000, RMB105,466,000 and RMB106,795,000 at 31 December 2017, 2018, 2019 and 30 September 2020, respectively, which have no fixed repayment terms, repayable on demand, and interest bearing with interest rate at nil per annum, at 1.26% per annum, 1.26% per annum, and 1.26% per annum, respectively, the remaining amounts with related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

In the opinion of the sole director, it is expected that the amounts due from related companies would be settled by the related companies within 1 year from each reporting period.

18. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	111,280	6,253	2,665	3,556
Refundable value-added tax	33,423	25,303	17,377	12,205
Other receivables	588	425	290	434
	145,291	31,981	20,332	16,195

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
Current	8,679	6,678	2,955	3,990
Non-current				
– Trade receivables	103,189	–	–	–
– Other receivables	–	–	–	–
– Refundable value-added tax *(Note)*	33,423	25,303	17,377	12,205
	136,612	25,303	17,377	12,205
	145,291	31,981	20,332	16,195

Note: Amount represents refundable value-added tax arising from purchase of property, plant and equipment and would be utilised by Zhongli Tenghui.

At 1 January 2018, trade receivables from contract with customers amounted to approximately RMB8,091,000.

For sales of electricity in the PRC, Zhongli Tenghui generally grants credit period of approximately one month to power grid company in the PRC from the date of invoice in accordance with the relevant electricity sales contract between Zhongli Tenghui and the grid company.

At 31 December 2017, 2018 and 2019, and 30 September 2020, trade receivables include bills received amounting to RMB6,280,000, RMB4,530,000, RMB1,040,000 and RMB1,763,000, respectively held by Zhongli Tenghui for future settlement of trade receivables. All bills received by Zhongli Tenghui are with a maturity period of less than 1 year.

The following is an aging analysis of trade receivables (excluded bills held by Zhongli Tenghui for future settlement), which is presented based on the invoice date at the end of each reporting period:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled *(Note)*	105,000	1,723	1,625	1,793
0 – 90 days	–	–	–	–
	105,000	1,723	1,625	1,793

Note: At 31 December 2017, the amount represents unbilled basic tariff receivables for the solar power plant operated by Zhongli Tenghui, as well as the unbilled tariff adjustments which for the solar power plant which was not yet registered in the Catalogue at 31 December 2017. At 31 December 2018, 2019 and 30 September 2020, the amount represented unbilled basic tariff receivables for the solar power plant operated by Zhongli Tenghui only. The sole director of Zhongli Tenghui expects the unbilled tariff adjustments would be generally billed and settled within 1 year from 31 December 2017. The sole director of Zhongli Tenghui expects the unbilled tariff adjustments would be generally billed and settled within 1 year from end of each reporting date. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	17,144	1,723	1,625	1,793
91 – 180 days	10,432	–	–	–
181 – 365 days	29,129	–	–	–
Over 365 days	48,295	–	–	–
	105,000	1,723	1,625	1,793

No trade receivables is pass due at 31 December 2017, 2018, 2019 and 30 September 2020. Zhongli Tenghui does not hold any collaterals over these balances.

19. CONTRACT ASSETS

	At 31 December		At 30 September
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Traffic adjustments:			
– Non-current	164,706	–	–
– Current	–	218,013	255,628
	164,706	218,013	255,628

At 1 January 2018, contract assets amounted to approximately RMB103,189,000.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the grid company in the PRC in which the on-grid solar power plant is still pending for registration to the Catalogue at the end of each reporting date, and tariff adjustment is recognised as revenue upon electricity is generated and transmitted as disclosed in Note 6.

Pursuant to the 2020 Measures, for an on-grid solar power plant yet to be registered on the Catalogue, it is required to meet the relevant requirements and conditions for tariff subsidy as stipulated and to complete the submission and application on the Platform. Local grid company will observe the principles set out in the 2020 Measures to determine eligibility and regularly announce the on-grid solar power plant that is enlisted in the List. The contract assets are transferred to trade receivables when Zhongli Tenghui's on-grid solar power plant is enlisted in the List. The management considers that financing component over the relevant portion of tariff adjustment until the end of the expected collection period is insignificant.

Details of impairment assessment are set out in Note 24b.

20. BANK BALANCES

Bank balances carry interest at floating rates at 0.30% per annum for the Relevant Periods.

Details of impairment assessment are set out in Note 24b.

21. BANK BORROWING

	At 31 December			At 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the bank borrowing are repayable:				
Within one year	25,000	26,500	28,000	28,000
More than one year, but not exceeding two years	26,500	28,000	29,000	30,000
More than two years, but not exceeding five years	87,000	89,000	90,000	90,000
More than five years	239,000	209,000	179,000	178,000
	377,500	352,500	326,000	326,000
Less: Accounts due within one year shown under current liabilities	25,000	26,500	28,000	28,000
Amounts due after one year	352,500	326,000	298,000	298,000

The variable-rate bank borrowing is secured and denominated in RMB. The effective interest rate (which is also equal to contracted interest rate) is at 110% of benchmark borrowing rate of the PRC per annum throughout the Relevant Periods.

22. PAID-UP CAPITAL

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	105,500	105,500	105,500	105,500

23. CAPITAL MANAGEMENT

Zhongli Tenghui manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. Zhongli Tenghui's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Zhongli Tenghui consists of net debt, which mainly includes amounts due to related companies, bank borrowing, net of cash and cash equivalents, and equity attributable to owner of Zhongli Tenghui, comprising paid-up capital and reserves.

The sole director of Zhongli Tenghui reviews the capital structure on a periodical basis. As part of this review, the sole director of Zhongli Tenghui considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Zhongli Tenghui, Zhongli Tenghui will balance its overall capital structure through the payment of dividends, new capital injection and capital divestment as well as the issue of new debts or the redemption of existing debt.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

	At 31 December			At 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and cash equivalents)	150,633	–	–	–
Amortised cost	–	34,673	24,804	20,571
Financial liabilities				
Amortised cost	458,599	491,826	520,230	530,277

24b. Financial risk management objectives and policies

Zhongli Tenghui's major financial instruments include trade and other receivables, amounts due from related companies, bank balances, other payables, amounts due to related companies, and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Zhongli Tenghui is also exposed to cash flow interest rate risk in relation to variable-rate amounts due to related companies (see Note 17) and bank balances (see Note 20), and the management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable.

Additionally, the borrowing of Zhongli Tenghui is issued at variable rates which expose Zhongli Tenghui to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. Zhongli Tenghui's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rates risks. The analysis is prepared assuming the financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. The following represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, Zhongli Tenghui's profit for the years ended 31 December 2017, 2018, 2019, and nine months ended 30 September 2020 would have decreased/increased by approximately RMB1,888,000, RMB1,763,000, RMB1,630,000 and RMB1,630,000, respectively. This is mainly attributable to Zhongli Tenghui's exposure to interest rates on its variable-rate bank borrowings.

In the opinion of the sole director of Zhongli Tenghui, the sensitivity analysis is not representative of Zhongli Tenghui's exposure to interest rate risk for the Relevant Periods.

Credit risk (before application of IFRS 9 on 1 January 2018)

At 31 December 2017, financial assets whose carrying amounts best represent the maximum exposure to credit risk.

In order to minimum the credit risk, Zhongli Tenghui reviews recoverable amount of the trade debt periodically to ensure that adequate impairment losses has been made for irrecoverable amounts. Zhongli Tenghui has a credit control policy in place under which credit evaluations of the customer is performed on its customer requiring credit.

Credit risk on sales of electricity is concentrated on one customer. However, as the customer is a local grid company, which is a state-owned company with good repayment history, the management accordingly considers that there is no significant credit risk on the sales of electricity.

Credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Credit risk and impairment assessment (upon application of IFRS 9 on 1 January 2018)

Credit risk refers to the risk that Zhongli Tenghui's counterparties default on their contractual obligations resulting in financial losses to Zhongli Tenghui. Zhongli Tenghui's credit risk exposures are primarily attributable to trade receivables, contract assets, bank balances, amounts due from related companies and other receivables. Zhongli Tenghui does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets arising from contracts with customers

The credit risk on trade receivables and contract assets is limited because the sole customer, a local grid company, is also a subsidiary of the state-owned grid company in the PRC. Furthermore, the tariff adjustments is funded by the Renewable Energy Development Fund which is administrated by the Ministry of Finance and well-supported by the PRC government.

100% of Zhongli Tenghui's trade receivables and contract assets is contributed by a single customer located in the PRC.

Furthermore, in relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparty is insignificant since the solar power industry is well supported by the PRC government. In addition, as detailed in Note 6, the management are confident that the Zhongli Tenghui operating power plant is able to be enlisted in the List in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

Zhongli Tenghui always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated individually by reference to historical default rate of debtor with relatively similar credit standing published by an external credit rating agency and adjusted for forward-looking information that to available without undue cots or effort.

The loss rates of these trade receivables and contract assets are assessed to be low. Based on the loss rates, the ECL on trade receivables and contract assets is considered to be insignificant.

Bank balances

The credit risks on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies in the PRC.

Zhongli Tenghui assessed 12m ECL for bank balances by reference to information relating to average loss rate of the respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered insignificant.

Amounts due from related companies and other receivables

In relation to amounts due from related companies and other receivables, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults of the amounts due from related companies and other receivables, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff receivables, the collection of which is well supported by government policies, accordingly, the management considered the credit risk is limited.

For the purpose of impairment assessment of other receivables and amounts due from related parties, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL of other receivables and amounts due from related parties, after taking into account of the aforesaid factors and the forward looking information that is available without undue cost or effort, and considering the debtors operate in the solar power industry which is well supported by the prevailing government policies, the management considered the ECL provision for amounts due from related parties and other receivables is insignificant.

Liquidity risk

At 31 December 2017, 2018 and 2019, and 30 September 2020, Zhongli Tenghui's current liabilities exceeded its current assets by RMB91,891,000, RMB156,269,000, nil and nil, respectively. Zhongli Tenghui is exposed to liquidity risk if it is not able to raise fund to meet its financial obligations.

In the management of the liquidity risk, Zhongli Tenghui monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Zhongli Tenghui's operations and mitigate the effects of fluctuation in cash flows.

The following tables detail Zhongli Tenghui's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Zhongli Tenghui can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

The tables includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest rate risk tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Other payables	–	32,275	–	–	–	–	32,275	32,275
Amounts due to related companies	–	48,824	–	–	–	–	48,824	48,824
Bank borrowing	6.03	5,051	42,775	47,948	141,712	299,720	537,206	377,500
Total		86,150	42,775	47,948	141,712	299,720	618,305	458,599

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Other payables	–	31,030	–	–	–	–	31,030	31,030
Amounts due to related companies	1.26	108,296	–	–	–	–	108,296	108,296
Bank borrowing	6.03	4,754	43,194	47,931	138,316	255,186	489,381	352,500
Total		144,080	43,194	47,931	138,316	255,186	628,707	491,826

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	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Other payables	–	31,131	–	–	–	–	31,131	31,131
Amounts due to related companies	1.26	163,099	–	–	–	–	163,099	163,099
Bank borrowing	6.03	4,495	43,436	47,301	133,614	212,587	441,433	326,000
Total		198,725	43,436	47,301	133,614	212,587	635,663	520,230

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2020								
Other payables	–	28,504	–	–	–	–	28,504	28,504
Amounts due to related companies	1.26	175,773	–	–	–	–	175,773	175,773
Bank borrowing	6.03	18,828	27,893	46,950	129,209	189,449	412,329	326,000
Total		223,105	27,893	46,950	129,209	189,449	616,606	530,277

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

24c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of Zhongli Tenghui considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Zhongli Tenghui's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Zhongli Tenghui's statements of cash flows as cash flows from financing activities.

	Amounts due to related companies	**Bank borrowing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	160,957	390,000	550,957
Financing cash flows	(113,108)	(33,766)	(146,874)
Finance costs	975	21,266	22,241
At 31 December 2017 and 1 January 2018	48,824	377,500	426,324
Financing cash flows	34,074	(45,128)	(11,054)
Finance costs	1,838	20,128	21,966
Dividend declared	23,560	–	23,560
At 31 December 2018 and 1 January 2019	108,296	352,500	460,796
Financing cash flows	33,928	(45,375)	(11,447)
Finance costs	1,302	18,875	20,177
Dividend declared	19,573	–	19,573
At 31 December 2019 and 1 January 2020	163,099	326,000	489,099
Financing cash flows	11,345	(13,452)	(2,107)
Finance costs	1,329	13,452	14,781
At 30 September 2020	175,773	326,000	501,773

26. PLEDGE OF ASSETS

Zhongli Tenghui's borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follow:

		At 31 December		**At 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	356,150	341,630	327,325	317,061
Trade receivables and contract assets	105,000	166,429	219,639	259,184
	461,150	508,059	546,964	576,245

Zhongli Tenghui's secured bank borrowings were secured, individually or in combination, by (i) certain property, plant and equipment of Zhongli Tenghui and (ii) trade receivables, contract assets and fee collection rights in relation to the sales of electricity of Zhongli Tenghui.

27. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, Zhongli Tenghui also entered into the following material transactions or arrangements with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses to an intermediate holding company	975	1,838	1,302	967	329
Interest income from an intermediate holding company	1,755	–	–	–	–
Consultancy fee expense to a fellow company	–	24	4	4	–
Consultancy fee expenses to immediate holding company	–	1,887	–	3	–

Details of the remuneration for the key management personnel, which represents the sole director of Zhongli Tenghui, are set out in Note 11.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020, the application for admission to this List for the solar power plant is approved by the PRC government.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Zhongli Tenghui have been prepared in respect of any period subsequent to 30 September 2020 and up to the date of this report.

The Targets Companies under the Third Phase Share Purchase Agreements consist of Baoying Xinyuan, Delingha Century Concord, Delingha Energy Power, Delingha Shidai, Hainanzhou Shineng, Hetian GCL, Gaotang GCL, Lanxi Jinrui, Lianshui Xinyuan, Liaocheng Xiechang, Yanbian Xinneng, Yili GCL, Yuncheng Xinhua and Zhongli Tenghui.

BAOYING XINYUAN

Baoying Xinyuan is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Baoying Xinyuan is wholly-owned by Jiangsu GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Baoying Xinyuan's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Baoying Xinyuan was in full operation and generating electricity during the period. Baoying Xinyuan recorded a revenue and gross profits of approximately RMB7 million and approximately RMB5 million, respectively. Finance costs amounted to approximately RMB1 million. Profits for the period amounted to approximately RMB3 million.

During the year ended 31 December 2019, Baoying Xinyuan was in full operation and generating electricity during the period. Baoying Xinyuan recorded a revenue and gross profits of approximately RMB8 million and approximately RMB6 million, respectively. Finance costs amounted to approximately RMB2 million. Profits for the year amounted to approximately RMB3 million.

During the year ended 31 December 2018, Baoying Xinyuan was in full operation and generating electricity during the period. Baoying Xinyuan recorded a revenue and gross profits of approximately RMB8 million and approximately RMB6 million, respectively. Finance costs amounted to approximately RMB2 million. Profits for the year amounted to approximately RMB3 million.

During the year ended 31 December 2017, Baoying Xinyuan was in full operation and generating electricity during the period. Baoying Xinyuan recorded a revenue and gross profits of approximately RMB9 million and approximately RMB7 million, respectively. Finance costs amounted to approximately RMB2 million. Profits for the year amounted to approximately RMB4 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Baoying Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Baoying Xinyuan had bank balances and cash of approximately RMB4 million, all of which were denominated in RMB. As at 30 September 2020, Baoying Xinyuan had borrowing of approximately RMB19 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB36 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB18 million. Therefore, Baoying Xinyuan recorded net current liabilities of approximately RMB21 million as at 30 September 2020.

During the nine months ended 30 September 2020, Baoying Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Baoying Xinyuan's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.44 and approximately 73% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Baoying Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Baoying Xinyuan had bank balances and cash of approximately RMB9 million, all of which are denominated in RMB. As at 31 December 2019, Baoying Xinyuan had borrowing of approximately RMB28 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB37 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB18 million. Therefore, Baoying Xinyuan recorded net current liabilities of approximately RMB12 million as at 31 December 2019.

During the year ended 31 December 2019, Baoying Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Baoying Xinyuan's current and gearing ratio were approximately 0.67 and approximately 82% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Baoying Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Baoying Xinyuan had bank balances and cash of approximately RMB2 million, all of which are denominated in RMB. As at 31 December 2018, Baoying Xinyuan had borrowing of approximately RMB19 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB38 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB20 million. Therefore, Baoying Xinyuan recorded net current liabilities of approximately RMB16 million as at 31 December 2018.

During the year ended 31 December 2018, Baoying Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Baoying Xinyuan's current and gearing ratio were approximately 0.51 and approximately 74% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Baoying Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Baoying Xinyuan had bank balances and cash of approximately RMB3 million, all of which are denominated in RMB. As at 31 December 2017, Baoying Xinyuan had borrowing of approximately RMB29 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB43 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB1 million and other payables and accruals of approximately RMB9 million. Therefore, Baoying Xinyuan recorded net current liabilities of approximately RMB4 million as at 31 December 2017.

During the year ended 31 December 2017, Baoying Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Baoying Xinyuan's current and gearing ratio were approximately 0.80 and approximately 63% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Baoying Xinyuan's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Baoying Xinyuan were 1, 1, 1 and 2 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.1 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Baoying Xinyuan did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Baoying Xinyuan's major capital assets were the solar power stations in Jiangsu and Baoying Xinyuan intends to continue the operation of such solar power stations. Save as disclosed above, Baoying Xinyuan had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Baoying Xinyuan had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Baoying Xinyuan pledged its property, plant and equipment of approximately RMB34 million, RMB35 million, RMB37 million and RMB43 million respectively to secure its bank borrowings. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB11 million, RMB10 million, RMB8 million and RMB4 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Baoying Xinyuan had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Baoying Xinyuan was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Baoying Xinyuan was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

DELINGHA CENTURY CONCORD

Delingha Century Concord is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Delingha Century Concord is wholly-owned by Jiangsu GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Delingha Century Concord's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Delingha Century Concord was in full operation and generating electricity during the period. Delingha Century Concord recorded a revenue and gross profits of approximately RMB69 million and approximately RMB44 million, respectively. Finance costs amounted to approximately RMB18 million. Profits for the period amounted to approximately RMB21 million.

During the year ended 31 December 2019, Delingha Century Concord was in full operation and generating electricity during the period. Delingha Century Concord recorded a revenue and gross profits of approximately RMB89 million and approximately RMB47 million, respectively. Finance costs amounted to approximately RMB27 million. Profits for the year amounted to approximately RMB18 million.

During the year ended 31 December 2018, Delingha Century Concord was in full operation and generating electricity during the period. Delingha Century Concord recorded a revenue and gross profits of approximately RMB99 million and approximately RMB62 million, respectively. Finance costs amounted to approximately RMB34 million. Profits for the year amounted to approximately RMB52 million.

During the year ended 31 December 2017, Delingha Century Concord was in full operation and generating electricity during the period. Delingha Century Concord recorded a revenue and gross profits of approximately RMB98 million and approximately RMB66 million, respectively. Finance costs amounted to approximately RMB34 million. Profits for the year amounted to approximately RMB27 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Delingha Century Concord funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Delingha Century Concord had bank balances and cash of approximately RMB8 million, all of which were denominated in RMB. As at 30 September 2020, Delingha Century Concord had bank borrowing of approximately RMB412 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB557 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB118 million and other payables and accruals of approximately RMB44 million. Therefore, Delingha Century Concord recorded net current assets of approximately RMB61 million as at 30 September 2020.

During the nine months ended 30 September 2020, Delingha Century Concord did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Delingha Century Concord's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 1.28 and approximately 68% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Delingha Century Concord funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Delingha Century Concord had bank balances and cash of approximately RMB21 million, all of which are denominated in RMB. As at 31 December 2019, Delingha Century Concord had bank borrowing of approximately RMB457 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB579 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB99 million and other payables and accruals of approximately RMB49 million. Therefore, Delingha Century Concord recorded net current assets of approximately RMB51 million as at 31 December 2019.

During the year ended 31 December 2019, Delingha Century Concord did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Delingha Century Concord's current and gearing ratio were approximately 1.24 and approximately 71% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Delingha Century Concord funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Delingha Century Concord had bank balances and cash of approximately RMB17 million, all of which are denominated in RMB. As at 31 December 2018, Delingha Century Concord had bank borrowing of approximately RMB509 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB610 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB202 million and other payables and accruals of approximately RMB13 million. Therefore, Delingha Century Concord recorded net current assets of approximately RMB112 million as at 31 December 2018.

During the year ended 31 December 2018, Delingha Century Concord did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Delingha Century Concord's current and gearing ratio were approximately 1.42 and approximately 72% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Delingha Century Concord funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Delingha Century Concord had bank balances and cash of approximately RMB22 million, all of which are denominated in RMB. As at 31 December 2017, Delingha Century Concord had bank borrowing of approximately RMB547 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB640 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB114 million and other payables and accruals of approximately RMB55 million. Therefore, Delingha Century Concord recorded net current assets of approximately RMB46 million as at 31 December 2017.

During the year ended 31 December 2017, Delingha Century Concord did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Delingha Century Concord's current and gearing ratio were approximately 1.22 and approximately 73% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Delingha Century Concord's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Delingha Century Concord were 8, 9, 8 and 11 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB1 million, RMB1 million, RMB1 million and RMB2 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the year ended 31 December 2017, Delingha Century Concord had an investment in a subsidiary, Hainanzhov Shineng Photovoltaic Power Co., Ltd. Except that, Delingha Century Concord did not hold any significant investment during the Reporting Periods.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Delingha Century Concord's major capital assets were the solar power stations in Qinghai and Delingha Century Concord intends to continue the operation of such solar power stations. Save as disclosed above, Delingha Century Concord had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Delingha Century Concord had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Delingha Century Concord pledged its property, plant and equipment of approximately RMB536 million, RMB556 million, RMB586 million and RMB615 million. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables of approximately RMB196 million, RMB172 million, RMB166 million and RMB80 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Delingha Century Concord had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Delingha Century Concord was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Delingha Century Concord was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

DELINGHA ENERGY POWER

Delingha Energy Power is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Delingha Energy Power is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Delingha Energy Power's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Delingha Energy Power was in full operation and generating electricity during the period. Delingha Energy Power recorded a revenue and gross profits of approximately RMB9 million and approximately RMB6 million, respectively. Finance costs amounted to approximately RMB2 million. Profits for the period amounted to approximately RMB3 million.

During the year ended 31 December 2019, Delingha Energy Power was in full operation and generating electricity during the period. Delingha Energy Power recorded a revenue and gross profits of approximately RMB11 million and approximately RMB7 million, respectively. Finance costs amounted to approximately RMB3 million. Profits for the year amounted to approximately RMB4 million.

During the year ended 31 December 2018, Delingha Energy Power was in full operation and generating electricity during the period. Delingha Energy Power recorded a revenue and gross profits of approximately RMB12 million and approximately RMB8 million, respectively. Finance costs amounted to approximately RMB3 million. Profits for the year amounted to approximately RMB5 million.

During the year ended 31 December 2017, Delingha Energy Power was in full operation and generating electricity during the period. Delingha Energy Power recorded a revenue and gross profits of approximately RMB11 million and approximately RMB7 million, respectively. Finance costs amounted to approximately RMB3 million. Profits for the year amounted to approximately RMB4 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Delingha Energy Power funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Delingha Energy Power had bank balances and cash of approximately RMB11 million, all of which were denominated in RMB. As at 30 September 2020, Delingha Energy Power had bank borrowing of approximately RMB58 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB55 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB25 million. Therefore, Delingha Energy Power recorded net current assets of approximately RMB15 million as at 30 September 2020.

During the nine months ended 30 September 2020, Delingha Energy Power did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Delingha Energy Power's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 1.44 and approximately 79% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Delingha Energy Power funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Delingha Energy Power had bank balances and cash of approximately RMB6 million, all of which are denominated in RMB. As at 31 December 2019, Delingha Energy Power had bank borrowing of approximately RMB58 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB57 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB25 million. Therefore, Delingha Energy Power recorded net current assets of approximately RMB8 million as at 31 December 2019.

During the year ended 31 December 2019, Delingha Energy Power did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Delingha Energy Power's current and gearing ratio were approximately 1.25 and approximately 82% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Delingha Energy Power funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Delingha Energy Power had bank balances and cash of approximately RMB4 million, all of which are denominated in RMB. As at 31 December 2018, Delingha Energy Power had bank borrowing of approximately RMB64 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB59 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB8 million. Therefore, Delingha Energy Power recorded net current liabilities of approximately RMB10 million as at 31 December 2018.

During the year ended 31 December 2018, Delingha Energy Power did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Delingha Energy Power's current and gearing ratio were approximately 0.36 and approximately 77% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Delingha Energy Power funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Delingha Energy Power had bank balances and cash of approximately RMB5 million, all of which are denominated in RMB. As at 31 December 2017, Delingha Energy Power had bank borrowing of approximately RMB70 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB62 million, which were non-current in nature, while the majority of its liabilities were other payables and accruals of approximately RMB2 million. Therefore, Delingha Energy Power recorded net current assets of approximately RMB3 million as at 31 December 2017.

During the year ended 31 December 2017, Delingha Energy Power did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Delingha Energy Power's current and gearing ratio were approximately 1.28 and approximately 76% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Delingha Energy Power's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Delingha Energy Power were 4, 5, 5 and 3 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.4 million, RMB0.6 million, RMB0.5 million and RMB0.5 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Delingha Energy Power did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Delingha Energy Power's major capital assets were the solar power stations in Qinghai and Delingha Energy Power intends to continue the operation of such solar power stations. Save as disclosed above, Delingha Energy Power had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Delingha Energy Power had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Delingha Energy Power pledged its property, plant and equipment of approximately RMB52 million, RMB53 million, RMB56 million and RMB62 million respectively to secure its bank borrowings. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB32 million, RMB35 million, RMB25 million and RMB14 million, were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Delingha Energy Power had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Delingha Energy Power was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Delingha Energy Power was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

DELINGHA SHIDAI

Delingha Shidai is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Delingha Shidai is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Delingha Shidai's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Delingha Shidai was in full operation and generating electricity during the period. Delingha Shidai recorded a revenue and gross profits of approximately RMB20 million and approximately RMB15 million, respectively. Finance costs amounted to approximately RMB6 million. Profits for the period amounted to approximately RMB9 million.

During the year ended 31 December 2019, Delingha Shidai was in full operation and generating electricity during the period. Delingha Shidai recorded a revenue and gross profits of approximately RMB24 million and approximately RMB18 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the year amounted to approximately RMB10 million.

During the year ended 31 December 2018, Delingha Shidai was in full operation and generating electricity during the period. Delingha Shidai recorded a revenue and gross profits of approximately RMB26 million and approximately RMB19 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the year amounted to approximately RMB11 million.

During the year ended 31 December 2017, Delingha Shidai was in full operation and generating electricity during the period. Delingha Shidai recorded a revenue and gross profits of approximately RMB25 million and approximately RMB17 million, respectively. Finance costs amounted to approximately RMB5 million. Profits for the year amounted to approximately RMB12 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Delingha Shidai funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Delingha Shidai had bank balances and cash of approximately RMB0.04 million, all of which were denominated in RMB. As at 30 September 2020, Delingha Shidai had bank borrowing of approximately RMB124 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB112 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB35 million. Therefore, Delingha Shidai recorded net current assets of approximately RMB5 million as at 30 September 2020.

During the nine months ended 30 September 2020, Delingha Shidai did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Delingha Shidai's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 1.05 and approximately 66% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Delingha Shidai funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Delingha Shidai had bank balances and cash of approximately RMB0.3 million, all of which are denominated in RMB. As at 31 December 2019, Delingha Shidai had bank borrowing of approximately RMB130 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB116 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB33 million. Therefore, Delingha Shidai recorded net current liabilities of approximately RMB11 million as at 31 December 2019.

During the year ended 31 December 2019, Delingha Shidai did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Delingha Shidai's current and gearing ratio were approximately 0.88 and approximately 80% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Delingha Shidai funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Delingha Shidai had bank balances and cash of approximately RMB0.6 million, all of which are denominated in RMB. As at 31 December 2018, Delingha Shidai had bank borrowing of approximately RMB130 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately

RMB121 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB19 million. Therefore, Delingha Shidai recorded net current liabilities of approximately RMB14 million as at 31 December 2018.

During the year ended 31 December 2018, Delingha Shidai did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Delingha Shidai's current and gearing ratio were approximately 0.48 and approximately 75% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Delingha Shidai funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Delingha Shidai had bank balances and cash of approximately RMB0.3 million, all of which are denominated in RMB. As at 31 December 2017, Delingha Shidai had bank borrowing of approximately RMB130 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB126 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB12 million. Therefore, Delingha Shidai recorded net current assets of approximately RMB3 million as at 31 December 2017.

During the year ended 31 December 2017, Delingha Shidai did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Delingha Shidai's current and gearing ratio were approximately 1.21 and approximately 74% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Delingha Shidai's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Delingha Shidai were 4, 5, 5 and 6 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.5 million, RMB0.6 million, RMB0.7 million and RMB0.8 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Delingha Shidai did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Delingha Shidai's major capital assets were the solar power stations in Qinghai and Delingha Shidai intends to continue the operation of such solar power stations. Save as disclosed above, Delingha Shidai had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Delingha Shidai had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Delingha Shidai pledged its property, plant and equipment of approximately RMB107 million, RMB110 million, RMB114 million and RMB126 million respectively to secure its bank borrowings. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB97 million, RMB78 million, RMB56 million and RMB33 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Delingha Shidai had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Delingha Shidai was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Delingha Shidai was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

HAINANZHOU SHINENG

Hainanzhou Shineng is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Hainanzhou Shineng is wholly-owned by Qinghai GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Hainanzhou Shineng's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Hainanzhou Shineng was in full operation and generating electricity during the period. Hainanzhou Shineng recorded a revenue and gross profits of approximately RMB25 million and approximately RMB14 million, respectively. Finance costs amounted to approximately RMB6 million. Profits for the period amounted to approximately RMB6 million.

During the year ended 31 December 2019, Hainanzhou Shineng was in full operation and generating electricity during the period. Hainanzhou Shineng recorded a revenue and gross profits of approximately RMB32 million and approximately RMB16 million, respectively. Finance costs amounted to approximately RMB8 million. Profits for the year amounted to approximately RMB7 million.

During the year ended 31 December 2018, Hainanzhou Shineng was in full operation and generating electricity during the period. Hainanzhou Shineng recorded a revenue and gross profits of approximately RMB41 million and approximately RMB25 million, respectively. Finance costs amounted to approximately RMB9 million. Profits for the year amounted to approximately RMB16 million.

During the year ended 31 December 2017, Hainanzhou Shineng was in full operation and generating electricity during the period. Hainanzhou Shineng recorded a revenue and gross profits of approximately RMB38 million and approximately RMB24 million, respectively. Finance costs amounted to approximately RMB10 million. Profits for the year amounted to approximately RMB12 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Hainanzhou Shineng funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Hainanzhou Shineng had bank balances and cash of approximately RMB3 million, all of which were denominated in RMB. As at 30 September 2020, Hainanzhou Shineng had borrowing of approximately RMB132 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB232 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB118 million. Therefore, Hainanzhou Shineng recorded net current liabilities of approximately RMB58 million as at 30 September 2020.

During the nine months ended 30 September 2020, Hainanzhou Shineng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Hainanzhou Shineng's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.61 and approximately 78% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Hainanzhou Shineng funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Hainanzhou Shineng had bank balances and cash of approximately RMB10 million, all of which are denominated in RMB. As at 31 December 2019, Hainanzhou Shineng had bank borrowing of approximately RMB132 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB237 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB118 million. Therefore, Hainanzhou Shineng recorded net current liabilities of approximately RMB70 million as at 31 December 2019.

During the year ended 31 December 2019, Hainanzhou Shineng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Hainanzhou Shineng's current and gearing ratio were approximately 0.53 and approximately 79% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Hainanzhou Shineng funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Hainanzhou Shineng had bank balances and cash of approximately RMB12 million, all of which are denominated in RMB. As at 31 December 2018, Hainanzhou Shineng had bank borrowing of approximately RMB156 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB247 million, which were non-current in nature, while the majority of its liabilities were amount due to related companies of approximately RMB110 million. Therefore, Hainanzhou Shineng recorded net current liabilities of approximately RMB55 million as at 31 December 2018.

During the year ended 31 December 2018, Hainanzhou Shineng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Hainanzhou Shineng's current and gearing ratio were approximately 0.61 and approximately 80% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Hainanzhou Shineng funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Hainanzhou Shineng had bank balances and cash of approximately RMB2 million, all of which are denominated in RMB. As at 31 December 2017, Hainanzhou Shineng had bank borrowing of approximately RMB180 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB259 million, which were non-current in nature, while the majority of its liabilities amount due to related companies of approximately RMB52 million. Therefore, Hainanzhou Shineng recorded net current liabilities of approximately RMB36 million as at 31 December 2017.

During the year ended 31 December 2017, Hainanzhou Shineng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Hainanzhou Shineng's current and gearing ratio were approximately 0.55 and approximately 75% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Hainanzhou Shineng's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Hainanzhou Shineng were 6, 6, 6 and 7 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB1 million, RMB1 million, RMB1 million and RMB1 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Hainanzhou Shineng did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Hainanzhou Shineng's major capital assets were the solar power stations in Qinghai and Hainanzhou Shineng intends to continue the operation of such solar power stations. Save as disclosed above, Hainanzhou Shineng had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Hainanzhou Shineng had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Hainanzhou Shineng pledged its property, plant and equipment of approximately RMB212 million, RMB219 million, RMB228 million and RMB238 million respectively to secure its bank borrowings. Besides, as at 30

September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB73 million, RMB65 million, RMB64 million and RMB29 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Hainanzhou Shineng had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Hainanzhou Shineng was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Hainanzhou Shineng was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

HETIAN GCL

Hetian GCL is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Hetian GCL is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Hetian GCL's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Hetian GCL was in full operation and generating electricity during the period. Hetian GCL recorded a revenue and gross profits of approximately RMB15 million and approximately RMB8 million, respectively. Finance costs amounted to approximately RMB0.6 million. Profits for the period amounted to approximately RMB7 million.

During the year ended 31 December 2019, Hetian GCL was in full operation and generating electricity during the period. Hetian GCL recorded a revenue and gross profits of approximately RMB20 million and approximately RMB11 million, respectively. Finance costs amounted to approximately RMB0.7 million. Profits for the year amounted to approximately RMB10 million.

During the year ended 31 December 2018, Hetian GCL was in full operation and generating electricity during the period. Hetian GCL recorded a revenue and gross profits of approximately RMB17 million and approximately RMB9 million, respectively. Finance costs amounted to approximately RMB1 million. Profits for the year amounted to approximately RMB7 million.

During the year ended 31 December 2017, Hetian GCL was in full operation and generating electricity during the period. Hetian GCL recorded a revenue and gross profits of approximately RMB6 million and approximately RMB2 million, respectively. Finance costs amounted to approximately RMB1 million. Profits for the year amounted to approximately RMB1 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Hetian GCL funded its operations mainly by its internal resources.

As at 30 September 2020, Hetian GCL had bank balances and cash of approximately RMB0.5 million, all of which were denominated in RMB. As at 30 September 2020, the majority of its assets were property, plant and equipment of approximately RMB149 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB164 million. Therefore, Hetian GCL recorded net current liabilities of approximately RMB118 million as at 30 September 2020.

During the nine months ended 30 September 2020, Hetian GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Hetian GCL's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.31 and approximately 79% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Hetian GCL funded its operations mainly by its internal resources.

As at 31 December 2019, Hetian GCL had bank balances and cash of approximately RMB0.5 million, all of which are denominated in RMB. As at 31 December 2019, the majority of its assets were property, plant and equipment of approximately RMB154 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB163 million. Therefore, Hetian GCL recorded net current liabilities of approximately RMB130 million as at 31 December 2019.

During the year ended 31 December 2019, Hetian GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Hetian GCL's current and gearing ratio were approximately 0.23 and approximately 81% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Hetian GCL funded its operations mainly by its internal resources.

As at 31 December 2018, the majority of its assets were property, plant and equipment of approximately RMB159 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB151 million. Therefore, Hetian GCL recorded net current liabilities of approximately RMB154 million as at 31 December 2018.

During the year ended 31 December 2018, Hetian GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Hetian GCL's current and gearing ratio were approximately 0.02 and approximately 79% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Hetian GCL funded its operations mainly by its internal resources.

As at 31 December 2017, the majority of its assets were property, plant and equipment of approximately RMB158 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB126 million. Therefore, Hetian GCL recorded net current liabilities of approximately RMB134 million as at 31 December 2017.

During the year ended 31 December 2017, Hetian GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Hetian GCL's current and gearing ratio were approximately 0.004 and approximately 79% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Hetian GCL's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Hetian GCL were 5, 5, 5 and 22 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.6 million, RMB0.8 million, RMB0.8 million and RMB0.4 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Hetian GCL did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Hetian GCL's major capital assets were the solar power stations in Xinjiang and Hetian GCL intends to continue the operation of such solar power stations. Save as disclosed above, Hetian GCL had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Hetian GCL had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Hetian GCL did not pledge any of its asset.

Contingent liabilities

During the Reporting Periods, Hetian GCL had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Hetian GCL was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Hetian GCL was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

GAOTANG GCL

Gaotang GCL is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Gaotang GCL is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Gaotang GCL's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Gaotang GCL was in full operation and generating electricity during the period. Gaotang GCL recorded a revenue and gross profits of approximately RMB24 million and approximately RMB15 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the period amounted to approximately RMB6 million.

During the year ended 31 December 2019, Gaotang GCL was in full operation and generating electricity during the period. Gaotang GCL recorded a revenue and gross profits of approximately RMB33 million and approximately RMB20 million, respectively. Finance costs amounted to approximately RMB11 million. Profits for the year amounted to approximately RMB8 million.

During the year ended 31 December 2018, Gaotang GCL was in full operation and generating electricity during the period. Gaotang GCL recorded a revenue and gross profits of approximately RMB33 million and approximately RMB19 million, respectively. Finance costs amounted to approximately RMB11 million. Profits for the year amounted to approximately RMB7 million.

During the year ended 31 December 2017, Gaotang GCL was in full operation and generating electricity during the period. Gaotang GCL recorded a revenue and gross profits of approximately RMB37 million and approximately RMB25 million, respectively. Finance costs amounted to approximately RMB13 million. Profits for the year amounted to approximately RMB8 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Gaotang GCL funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Gaotang GCL had bank balances and cash of approximately RMB14 million, all of which were denominated in RMB. As at 30 September 2020, Gaotang GCL had borrowing of approximately RMB135 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB214 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB39 million and other payables and accruals of approximately RMB29 million. Therefore, Gaotang GCL recorded net current liabilities of approximately RMB15 million as at 30 September 2020.

During the nine months ended 30 September 2020, Gaotang GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Gaotang GCL's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.83 and approximately 71% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Gaotang GCL funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Gaotang GCL had bank balances and cash of approximately RMB10 million, all of which are denominated in RMB. As at 31 December 2019, Gaotang GCL had borrowing of approximately RMB144 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB221 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB34 million and other payables and accruals of approximately RMB32 million. Therefore, Gaotang GCL recorded net current liabilities of approximately RMB33 million as at 31 December 2019.

During the year ended 31 December 2019, Gaotang GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Gaotang GCL's current and gearing ratio were approximately 0.62 and approximately 73% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Gaotang GCL funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Gaotang GCL had bank balances and cash of approximately RMB19 million, all of which are denominated in RMB. As at 31 December 2018, Gaotang GCL had borrowing of approximately RMB162 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB230 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB20 million and other payables and accruals of approximately RMB43 million. Therefore, Gaotang GCL recorded net current liabilities of approximately RMB21 million as at 31 December 2018.

During the year ended 31 December 2018, Gaotang GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Gaotang GCL's current and gearing ratio were approximately 0.75 and approximately 72% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Gaotang GCL funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Gaotang GCL had bank balances and cash of approximately RMB31 million, all of which are denominated in RMB. As at 31 December 2017, Gaotang GCL had borrowing of approximately RMB180 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB231 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB12 million and other payables and accruals of approximately RMB36 million. Therefore, Gaotang GCL recorded net current assets of approximately RMB4 million as at 31 December 2017.

During the year ended 31 December 2017, Gaotang GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Gaotang GCL's current and gearing ratio were approximately 1.06 and approximately 70% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Gaotang GCL's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Gaotang GCL were 5, 5, 5 and 5 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.5 million, RMB0.6 million, RMB0.8 million and RMB0.6 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Gaotang GCL did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Gaotang GCL's major capital assets were the solar power stations in Shandong and Gaotang GCL intends to continue the operation of such solar power stations. Save as disclosed above, Gaotang GCL had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Gaotang GCL had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Gaotang GCL pledged its property, plant and equipment of approximately RMB171 million, RMB211 million, RMB218 million and RMB219 million respectively to secure its bank borrowings. Besides, as at 30

September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB54 million, RMB50 million, RMB36 million and RMB46 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Gaotang GCL had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Gaotang GCL was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Gaotang GCL was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

LANXI JINRUI

Lanxi Jinrui is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Lanxi Jinrui is wholly-owned by Nanjing GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Lanxi Jinrui's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Lanxi Jinrui was in full operation and generating electricity during the period. Lanxi Jinrui recorded a revenue and gross profits of approximately RMB31 million and approximately RMB19 million, respectively. Finance costs amounted to approximately RMB15 million. Profits for the period amounted to approximately RMB4 million.

During the year ended 31 December 2019, Lanxi Jinrui was in full operation and generating electricity during the period. Lanxi Jinrui recorded a revenue and gross profits of approximately RMB50 million and approximately RMB26 million, respectively. Finance costs amounted to approximately RMB20 million. Profits for the year amounted to approximately RMB5 million.

During the year ended 31 December 2018, Lanxi Jinrui was in full operation and generating electricity during the period. Lanxi Jinrui recorded a revenue and gross profits of approximately RMB42 million and approximately RMB29 million, respectively. Finance costs amounted to approximately RMB19 million. Profits for the year amounted to approximately RMB9 million.

During the year ended 31 December 2017, Lanxi Jinrui was in full operation and generating electricity during the period. Lanxi Jinrui recorded a revenue and gross profits of approximately RMB26 million and approximately RMB21 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the year amounted to approximately RMB14 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Lanxi Jinrui funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Lanxi Jinrui had bank balances and cash of approximately RMB1 million, all of which were denominated in RMB. As at 30 September 2020, Lanxi Jinrui had borrowing of approximately RMB208 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB255 million while the majority of its liabilities were amounts due to related companies of approximately RMB63 million and other payables and accruals of approximately RMB42 million. Therefore, Lanxi Jinrui recorded net current liabilities of approximately RMB19 million as at 30 September 2020.

During the nine months ended 30 September 2020, Lanxi Jinrui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Lanxi Jinrui's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.85 and approximately 83% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Lanxi Jinrui funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Lanxi Jinrui had bank balances and cash of approximately RMB0.5 million, all of which are denominated in RMB. As at 31 December 2019, Lanxi Jinrui had borrowing of approximately RMB210 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB262 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB63 million and other payables and accruals of approximately RMB34 million. Therefore, Lanxi Jinrui recorded net current liabilities of approximately RMB15 million as at 31 December 2019.

During the year ended 31 December 2019, Lanxi Jinrui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Lanxi Jinrui's current and gearing ratio were approximately 0.85 and approximately 84% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Lanxi Jinrui funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Lanxi Jinrui had bank balances and cash of approximately RMB0.1 million, all of which are denominated in RMB. As at 31 December 2018, Lanxi Jinrui had borrowing of approximately RMB213 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB284 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB25 million and other payables and accruals of approximately RMB75 million. Therefore, Lanxi Jinrui recorded net current liabilities of approximately RMB77 million as at 31 December 2018.

During the year ended 31 December 2018, Lanxi Jinrui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Lanxi Jinrui's current and gearing ratio were approximately 0.25 and approximately 81% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Lanxi Jinrui funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Lanxi Jinrui had bank balances and cash of approximately RMB19 million, all of which are denominated in RMB. As at 31 December 2017, Lanxi Jinrui had borrowing of approximately RMB227 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB270 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB43 million and other payables and accruals of approximately RMB26 million. Therefore, Lanxi Jinrui recorded net current liabilities of approximately RMB267 million as at 31 December 2017.

During the year ended 31 December 2017, Lanxi Jinrui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Lanxi Jinrui's current and gearing ratio were approximately 0.1 and approximately 87% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Lanxi Jinrui's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Lanxi Jinrui were 4, 4, 4 and 5 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.4 million, RMB0.5 million, RMB0.7 million and RMB0.2 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Lanxi Jinrui did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Lanxi Jinrui's major capital assets were the solar power stations in Zhejiang and Lanxi Jinrui intends to continue the operation of such solar power stations. Save as disclosed above, Lanxi Jinrui had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Lanxi Jinrui had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Lanxi Jinrui pledged its property, plant and equipment of approximately RMB251 million, RMB257 million, RMB261 million and RMB258 million respectively to secure its bank borrowings. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB98 million, RMB77 million, RMB49 million and RMB21 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Lanxi Jinrui had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Lanxi Jinrui was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Lanxi Jinrui was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

LIANSHUI XINYUAN

Lianshui Xinyuan is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Lianshui Xinyuan is wholly-owned by Jiangsu GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Lianshui Xinyuan's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Lianshui Xinyuan was in full operation and generating electricity during the period. Lianshui Xinyuan recorded a revenue and gross profits of approximately RMB16 million and approximately RMB11 million, respectively. Finance costs amounted to approximately RMB4 million. Profits for the period amounted to approximately RMB7 million.

During the year ended 31 December 2019, Lianshui Xinyuan was in full operation and generating electricity during the period. Lianshui Xinyuan recorded a revenue and gross profits of approximately RMB20 million and approximately RMB14 million, respectively. Finance costs amounted to approximately RMB5 million. Profits for the year amounted to approximately RMB8 million.

During the year ended 31 December 2018, Lianshui Xinyuan was in full operation and generating electricity during the period. Lianshui Xinyuan recorded a revenue and gross profits of approximately RMB18 million and approximately RMB12 million, respectively. Finance costs amounted to approximately RMB5 million. Profits for the year amounted to approximately RMB6 million.

During the year ended 31 December 2017, Lianshui Xinyuan was in full operation and generating electricity during the period. Lianshui Xinyuan recorded a revenue and gross profits of approximately RMB17 million and approximately RMB13 million, respectively. Finance costs amounted to approximately RMB3 million. Profits for the year amounted to approximately RMB10 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Lianshui Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Lianshui Xinyuan had bank balances and cash of approximately RMB1 million, all of which were denominated in RMB. As at 30 September 2020, Lianshui Xinyuan had borrowing of approximately RMB61 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB94 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB51 million. Therefore, Lianshui Xinyuan recorded net current liabilities of approximately RMB116 million as at 30 September 2020.

During the nine months ended 30 September 2020, Lianshui Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Lianshui Xinyuan's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.44 and approximately 79% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Lianshui Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Lianshui Xinyuan had bank balances and cash of approximately RMB0.4 million, all of which are denominated in RMB. As at 31 December 2019, Lianshui Xinyuan had borrowing of approximately RMB60 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB97 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB51 million. Therefore, Lianshui Xinyuan recorded net current liabilities of approximately RMB18 million as at 31 December 2019.

During the year ended 31 December 2019, Lianshui Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Lianshui Xinyuan's current and gearing ratio were approximately 0.69 and approximately 82% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Lianshui Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Lianshui Xinyuan had bank balances and cash of approximately RMB0.7 million, all of which are denominated in RMB. As at 31 December 2018, Lianshui Xinyuan had borrowing of approximately RMB66 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB99 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB31 million. Therefore, Lianshui Xinyuan recorded net current liabilities of approximately RMB38 million as at 31 December 2018.

During the year ended 31 December 2018, Lianshui Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Lianshui Xinyuan's current and gearing ratio were approximately 0.07 and approximately 78% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Lianshui Xinyuan funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Lianshui Xinyuan had bank balances and cash of approximately RMB0.8 million, all of which are denominated in RMB. As at 31 December 2017, Lianshui Xinyuan had borrowing of approximately RMB72 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB102 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB15 million. Therefore, Lianshui Xinyuan recorded net current liabilities of approximately RMB18 million as at 31 December 2017.

During the year ended 31 December 2017, Lianshui Xinyuan did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Lianshui Xinyuan's current and gearing ratio were approximately 0.22 and approximately 73% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Lianshui Xinyuan's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Lianshui Xinyuan were 5, 4, 4 and 5 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.4 million, RMB0.4 million, RMB0.8 million and RMB0.3 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Lianshui Xinyuan did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Lianshui Xinyuan's major capital assets were the solar power stations in Jiangsu and Lianshui Xinyuan intends to continue the operation of such solar power stations. Save as disclosed above, Lianshui Xinyuan had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Lianshui Xinyuan had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Lianshui Xinyuan pledged its property, plant and equipment of approximately RMB91 million, RMB93 million, RMB95 million and RMB97 million respectively to secure its bank borrowings. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB50 million, RMB39 million, RMB26 million and RMB13 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Lianshui Xinyuan had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Lianshui Xinyuan was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Lianshui Xinyuan was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

LIAOCHENG XIECHANG

Liaocheng Xiechang is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Liaocheng Xiechang is wholly-owned by Shandong GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Liaocheng Xiechang's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Liaocheng Xiechang was in full operation and generating electricity during the period. Liaocheng Xiechang recorded a revenue and gross profits of approximately RMB16 million and approximately RMB11 million, respectively. Finance costs amounted to approximately RMB2 million. Profits for the period amounted to approximately RMB7 million.

During the year ended 31 December 2019, Liaocheng Xiechang was in full operation and generating electricity during the period. Liaocheng Xiechang recorded a revenue and gross profits of approximately RMB21 million and approximately RMB13 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the year amounted to approximately RMB5 million.

During the year ended 31 December 2018, Liaocheng Xiechang was in full operation and generating electricity during the period. Liaocheng Xiechang recorded a revenue and gross profits of approximately RMB23 million and approximately RMB14 million, respectively. Finance costs amounted to approximately RMB8 million. Profits for the year amounted to approximately RMB9 million.

During the year ended 31 December 2017, Liaocheng Xiechang was in full operation and generating electricity during the period. Liaocheng Xiechang recorded a revenue and gross profits of approximately RMB20 million and approximately RMB13 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the year amounted to approximately RMB5 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Liaocheng Xiechang funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Liaocheng Xiechang had bank balances and cash of approximately RMB0.7 million, all of which were denominated in RMB. As at 30 September 2020, Liaocheng Xiechang had borrowing of approximately RMB93 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB135 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB65 million. Therefore, Liaocheng Xiechang recorded net current liabilities of approximately RMB0.3 million as at 30 September 2020.

During the nine months ended 30 September 2020, Liaocheng Xiechang did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Liaocheng Xiechang's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 1.00 and approximately 78% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Liaocheng Xiechang funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Liaocheng Xiechang had bank balances and cash of approximately RMB5 million, all of which are denominated in RMB. As at 31 December 2019, Liaocheng Xiechang had borrowing of approximately RMB97 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB140 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB65 million. Therefore, Liaocheng Xiechang recorded net current liabilities of approximately RMB20 million as at 31 December 2019.

During the year ended 31 December 2019, Liaocheng Xiechang did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Liaocheng Xiechang's current and gearing ratio were approximately 0.74 and approximately 81% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Liaocheng Xiechang funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Liaocheng Xiechang had bank balances and cash of approximately RMB8 million, all of which are denominated in RMB. As at 31 December 2018, Liaocheng Xiechang had borrowing of approximately RMB106 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB146 million, which were non-current in nature, while the majority of its liabilities were other payables and accruals of approximately RMB68 million. Therefore, Liaocheng Xiechang recorded net current liabilities of approximately RMB53 million as at 31 December 2018.

During the year ended 31 December 2018, Liaocheng Xiechang did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Liaocheng Xiechang's current and gearing ratio were approximately 0.36 and approximately 81% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Liaocheng Xiechang funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Liaocheng Xiechang had bank balances and cash of approximately RMB2 million, all of which are denominated in RMB. As at 31 December 2017, Liaocheng Xiechang had borrowing of approximately RMB106 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB147 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB63 million and other payables and accruals of approximately RMB58 million. Therefore, Liaocheng Xiechang recorded net current liabilities of approximately RMB21 million as at 31 December 2017.

During the year ended 31 December 2017, Liaocheng Xiechang did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Liaocheng Xiechang's current and gearing ratio were approximately 0.83 and approximately 83% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Liaocheng Xiechang's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Liaocheng Xiechang were 4, 4, 4 and 4 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.3 million, RMB0.6 million, RMB0.5 million and RMB0.5 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Liaocheng Xiechang did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Liaocheng Xiechang's major capital assets were the solar power stations in Shandong and Liaocheng Xiechang intends to continue the operation of such solar power stations. Save as disclosed above, Liaocheng Xiechang had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Liaocheng Xiechang had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Liaocheng Xiechang pledged its property, plant and equipment of approximately RMB135 million, RMB140 million, RMB146 million and RMB147 million respectively to secure its borrowings. Besides, as at 30 September

2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB62 million, RMB51 million, RMB37 million and RMB18 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Liaocheng Xiechang had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Liaocheng Xiechang was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Liaocheng Xiechang was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

YANBIAN XINNENG

Yanbian Xinneng is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Yanbian Xinneng is wholly-owned by Suzhou GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Yanbian Xinneng's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Yanbian Xinneng was in full operation and generating electricity during the period. Yanbian Xinneng recorded a revenue and gross profits of approximately RMB31 million and approximately RMB23 million, respectively. Finance costs amounted to approximately RMB8 million. Profits for the period amounted to approximately RMB15 million.

During the year ended 31 December 2019, Yanbian Xinneng was in full operation and generating electricity during the period. Yanbian Xinneng recorded a revenue and gross profits of approximately RMB41 million and approximately RMB29 million, respectively. Finance costs amounted to approximately RMB11 million. Profits for the year amounted to approximately RMB18 million.

During the year ended 31 December 2018, Yanbian Xinneng was in full operation and generating electricity during the period. Yanbian Xinneng recorded a revenue and gross profits of approximately RMB37 million and approximately RMB25 million, respectively. Finance costs amounted to approximately RMB14 million. Profits for the year amounted to approximately RMB8 million.

During the year ended 31 December 2017, Yanbian Xinneng was in full operation and generating electricity during the period. Yanbian Xinneng recorded a revenue and gross profits of approximately RMB16 million and approximately RMB10 million, respectively. Finance costs amounted to approximately RMB6 million. Profits for the year amounted to approximately RMB3 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Yanbian Xinneng funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Yanbian Xinneng had bank balances and cash of approximately RMB5 million, all of which were denominated in RMB. As at 30 September 2020, Yanbian Xinneng had borrowing of approximately RMB127 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB250 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB132 million. Therefore, Yanbian Xinneng recorded net current liabilities of approximately RMB72 million as at 30 September 2020.

During the nine months ended 30 September 2020, Yanbian Xinneng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Yanbian Xinneng's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.58 and approximately 79% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Yanbian Xinneng funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Yanbian Xinneng had bank balances and cash of approximately RMB0.6 million, all of which are denominated in RMB. As at 31 December 2019, Yanbian Xinneng had borrowing of approximately RMB127 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB256 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB135 million. Therefore, Yanbian Xinneng recorded net current liabilities of approximately RMB96 million as at 31 December 2019.

During the year ended 31 December 2019, Yanbian Xinneng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Yanbian Xinneng's current and gearing ratio were approximately 0.45 and approximately 82% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Yanbian Xinneng funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Yanbian Xinneng had bank balances and cash of approximately RMB0.007 million, all of which are denominated in RMB. As at 31 December 2018, Yanbian Xinneng had borrowing of approximately RMB143 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB259 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB84 million. Therefore, Yanbian Xinneng recorded net current liabilities of approximately RMB113 million as at 31 December 2018.

During the year ended 31 December 2018, Yanbian Xinneng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Yanbian Xinneng's current and gearing ratio were approximately 0.12 and approximately 80% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Yanbian Xinneng funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Yanbian Xinneng had bank balances and cash of approximately RMB0.009 million, all of which are denominated in RMB. As at 31 December 2017, Yanbian Xinneng had borrowing of approximately RMB161 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB262 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB57 million. Therefore, Yanbian Xinneng recorded net current liabilities of approximately RMB85 million as at 31 December 2017.

During the year ended 31 December 2017, Yanbian Xinneng did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Yanbian Xinneng's current and gearing ratio were approximately 0.19 and approximately 80% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Yanbian Xinneng's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Yanbian

Xinneng were 6, 6, 6 and 6 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.6 million, RMB0.7 million, RMB0.7 million and RMB0.9 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Yanbian Xinneng did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Yanbian Xinneng's major capital assets were the solar power stations in Sichuan and Yanbian Xinneng intends to continue the operation of such solar power stations. Save as disclosed above, Yanbian Xinneng had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Yanbian Xinneng had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Yanbian Xinneng pledged its property, plant and equipment of approximately RMB243 million, RMB249 million, RMB252 million and RMB255 million respectively to secure its bank borrowings. Besides, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB85 million, RMB67 million, RMB40 million and RMB15 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Yanbian Xinneng had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Yanbian Xinneng was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Yanbian Xinneng was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

YILI GCL

Yili GCL is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Yili GCL is owned as to 56.51% by Suzhou GCL New Energy and 43.49% by Xinjiang Production and Construction Corps.

Set out below is the management discussion and analysis of Yili GCL's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Yili GCL was in full operation and generating electricity during the period. Yili GCL recorded a revenue and gross profits of approximately RMB23 million and approximately RMB17 million, respectively. Finance costs amounted to approximately RMB2 million. Profits for the period amounted to approximately RMB13 million.

During the year ended 31 December 2019, Yili GCL was in full operation and generating electricity during the period. Yili GCL recorded a revenue and gross profits of approximately RMB26 million and approximately RMB17 million, respectively. Finance costs amounted to approximately RMB3 million. Profits for the year amounted to approximately RMB13 million.

During the year ended 31 December 2018, Yili GCL was in full operation and generating electricity during the period. Yili GCL recorded a revenue and gross profits of approximately RMB24 million and approximately RMB16 million, respectively. Finance costs amounted to approximately RMB9 million. Profits for the year amounted to approximately RMB6 million.

During the year ended 31 December 2017, Yili GCL was in full operation and generating electricity during the period. Yili GCL recorded a revenue and gross profits of approximately RMB18 million and approximately RMB8 million, respectively. Finance costs amounted to approximately RMB9 million. Loss for the year amounted to approximately RMB1 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Yili GCL funded its operations mainly by its internal resources.

As at 30 September 2020, Yili GCL had bank balances and cash of approximately RMB0.1 million, all of which were denominated in RMB. As at 30 September 2020, the majority of its assets were property, plant and equipment of approximately RMB150 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB151 million. Therefore, Yili GCL recorded net current liabilities of approximately RMB88 million as at 30 September 2020.

During the nine months ended 30 September 2020, Yili GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Yili GCL's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.45 and approximately 70% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Yili GCL funded its operations mainly by its internal resources.

As at 31 December 2019, Yili GCL had bank balances and cash of approximately RMB0.1 million, all of which are denominated in RMB. As at 31 December 2019, the majority of its assets were property, plant and equipment of approximately RMB156 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB151 million. Therefore, Yili GCL recorded net current liabilities of approximately RMB109 million as at 31 December 2019.

During the year ended 31 December 2019, Yili GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Yili GCL's current and gearing ratio were approximately 0.31 and approximately 72% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Yili GCL funded its operations mainly by its internal resources.

As at 31 December 2018, Yili GCL had bank balances and cash of approximately RMB4 million, all of which are denominated in RMB. As at 31 December 2018, the majority of its assets were property, plant and equipment of approximately RMB163 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB164 million. Therefore, Yili GCL recorded net current liabilities of approximately RMB123 million as at 31 December 2018.

During the year ended 31 December 2018, Yili GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Yili GCL's current and gearing ratio were approximately 0.26 and approximately 75% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Yili GCL funded its operations mainly by its internal resources.

As at 31 December 2017, Yili GCL had bank balances and cash of approximately RMB3 million, all of which are denominated in RMB. As at 31 December 2017, the majority of its assets were property, plant and equipment of approximately RMB162 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB173 million. Therefore, Yili GCL recorded net current liabilities of approximately RMB168 million as at 31 December 2017.

During the year ended 31 December 2017, Yili GCL did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Yili GCL's current and gearing ratio were approximately 0.03 and approximately 81% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Yili GCL's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Yili GCL were 5, 5, 6 and 6 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.5 million, RMB0.9 million, RMB0.8 million and RMB1 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Yili GCL did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Yili GCL's major capital assets were the solar power stations in Xinjiang and Yili GCL intends to continue the operation of such solar power stations. Save as disclosed above, Yili GCL had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Yili GCL had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Yili GCL did not pledge any of its assets.

Contingent liabilities

During the Reporting Periods, Yili GCL had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Yili GCL was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Yili GCL was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

YUNCHENG XINHUA

Yuncheng Xinhua is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Yuncheng Xinhua is owned as to 51% by Shandong GCL New Energy and 49% by Yuncheng Shuihu Construction.

Set out below is the management discussion and analysis of Yuncheng Xinhua's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Yuncheng Xinhua was in full operation and generating electricity during the period. Yuncheng Xinhua recorded a revenue and gross profits of approximately RMB38 million and approximately RMB24 million, respectively. Finance costs amounted to approximately RMB7 million. Profits for the period amounted to approximately RMB14 million.

During the year ended 31 December 2019, Yuncheng Xinhua was in full operation and generating electricity during the period. Yuncheng Xinhua recorded a revenue and gross profits of approximately RMB46 million and approximately RMB22 million, respectively. Finance costs amounted to approximately RMB11 million. Profits for the year amounted to approximately RMB12 million.

During the year ended 31 December 2018, Yuncheng Xinhua was in full operation and generating electricity during the period. Yuncheng Xinhua recorded a revenue and gross profits of approximately RMB48 million and approximately RMB25 million, respectively. Finance costs amounted to approximately RMB13 million. Profits for the year amounted to approximately RMB13 million.

During the year ended 31 December 2017, Yuncheng Xinhua was in full operation and generating electricity during the period. Yuncheng Xinhua recorded a revenue and gross profits of approximately RMB36 million and approximately RMB24 million, respectively. Finance costs amounted to approximately RMB12 million. Profits for the year amounted to approximately RMB12 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Yuncheng Xinhua funded its operations mainly by its internal resources.

As at 30 September 2020, Yuncheng Xinhua had bank balances and cash of approximately RMB6 million, all of which were denominated in RMB. As at 30 September 2020, the majority of its assets were property, plant and equipment of approximately RMB224 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB193 million. Therefore, Yuncheng Xinhua recorded net current liabilities of approximately RMB166 million as at 30 September 2020.

During the nine months ended 30 September 2020, Yuncheng Xinhua did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Yuncheng Xinhua's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 0.24 and approximately 77% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Yuncheng Xinhua funded its operations mainly by its internal resources.

As at 31 December 2019, Yuncheng Xinhua had bank balances and cash of approximately RMB18 million, all of which are denominated in RMB. As at 31 December 2019, the majority of its assets were property, plant and equipment of approximately RMB232 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB217 million. Therefore, Yuncheng Xinhua recorded net current liabilities of approximately RMB192 million as at 31 December 2019.

During the year ended 31 December 2019, Yuncheng Xinhua did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Yuncheng Xinhua's current and gearing ratio were approximately 0.19 and approximately 82% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Yuncheng Xinhua funded its operations mainly by its internal resources.

As at 31 December 2018, Yuncheng Xinhua had bank balances and cash of approximately RMB40 million, all of which are denominated in RMB. As at 31 December 2018, the majority of its assets were property, plant and equipment of approximately RMB241 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB234 million. Therefore, Yuncheng Xinhua recorded net current liabilities of approximately RMB202 million as at 31 December 2018.

During the year ended 31 December 2018, Yuncheng Xinhua did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Yuncheng Xinhua's current and gearing ratio were approximately 0.25 and approximately 81% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Yuncheng Xinhua funded its operations mainly by its internal resources.

As at 31 December 2017, Yuncheng Xinhua had bank balances and cash of approximately RMB97 million, all of which are denominated in RMB. As at 31 December 2017, the majority of its assets were property, plant and equipment of approximately RMB251 million, which were non-current in nature, while the majority of its liabilities were amounts due to related companies of approximately RMB355 million. Therefore, Yuncheng Xinhua recorded net current liabilities of approximately RMB290 million as at 31 December 2017.

During the year ended 31 December 2017, Yuncheng Xinhua did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Yuncheng Xinhua's current and gearing ratio were approximately 0.26 and approximately 97% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Yuncheng Xinhua's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Yuncheng Xinhua were 5, 6, 6 and 5 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.4 million, RMB0.8 million, RMB0.7 million and RMB0.6 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Yuncheng Xinhua did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Yuncheng Xinhua's major capital assets were the solar power stations in Shandong and Yuncheng Xinhua intends to continue the operation of such solar power stations. Save as disclosed above, Yuncheng Xinhua had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Yuncheng Xinhua had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Yuncheng Xinhua did not pledge any of its assets.

Contingent liabilities

During the Reporting Periods, Yuncheng Xinhua had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Yuncheng Xinhua was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Yuncheng Xinhua was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

ZHONGLI TENGHUI

Zhongli Tenghui is a company established in the PRC with limited liability and is principally engaged in the operation of solar power plant in the PRC. Zhongli Tenghui is wholly-owned by Qinghai GCL New Energy and is an indirect subsidiary of the Company.

Set out below is the management discussion and analysis of Zhongli Tenghui's business and performance for the Reporting Periods.

Business and Financial Review

During the nine months ended 30 September 2020, Zhongli Tenghui was in full operation and generating electricity during the period. Zhongli Tenghui recorded a revenue and gross profits of approximately RMB41 million and approximately RMB27 million, respectively. Finance costs amounted to approximately RMB15 million. Profits for the period amounted to approximately RMB11 million.

During the year ended 31 December 2019, Zhongli Tenghui was in full operation and generating electricity during the period. Zhongli Tenghui recorded a revenue and gross profits of approximately RMB59 million and approximately RMB40 million, respectively. Finance costs amounted to approximately RMB20 million. Profits for the year amounted to approximately RMB17 million.

During the year ended 31 December 2018, Zhongli Tenghui was in full operation and generating electricity during the period. Zhongli Tenghui recorded a revenue and gross profits of approximately RMB66 million and approximately RMB45 million, respectively. Finance costs amounted to approximately RMB22 million. Profits for the year amounted to approximately RMB22 million.

During the year ended 31 December 2017, Zhongli Tenghui was in full operation and generating electricity during the period. Zhongli Tenghui recorded a revenue and gross profits of approximately RMB57 million and approximately RMB36 million, respectively. Finance costs amounted to approximately RMB22 million. Profits for the year amounted to approximately RMB10 million.

Capital Structure, Liquidity and Financial Resources

For the nine months ended 30 September 2020

During the nine months ended 30 September 2020, Zhongli Tenghui funded its operations mainly by its internal resources and bank borrowing.

As at 30 September 2020, Zhongli Tenghui had bank balances and cash of approximately RMB2 million, all of which were denominated in RMB. As at 30 September 2020, Zhongli Tenghui had bank borrowing of approximately RMB326 million, all of which were charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB368 million, which were non-current in nature, while the majority of its liabilities was amounts due to related companies of approximately RMB176 million. Therefore, Zhongli Tenghui recorded net current assets of approximately RMB31 million as at 30 September 2020.

During the nine months ended 30 September 2020, Zhongli Tenghui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 30 September 2020, Zhongli Tenghui's current ratio (represented by current assets as a percentage of current liabilities) and gearing ratio (represented by total liabilities as a percentage of total assets) were approximately 1.13 and approximately 81% respectively.

For the year ended 31 December 2019

During the year ended 31 December 2019, Zhongli Tenghui funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2019, Zhongli Tenghui had bank balances and cash of approximately RMB4 million, all of which are denominated in RMB. As at 31 December 2019, Zhongli Tenghui had bank borrowing of approximately RMB326 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB380 million, which were non-current in nature, while the majority of its liabilities was amounts due to related companies of approximately RMB163 million. Therefore, Zhongli Tenghui recorded net current assets of approximately RMB3 million as at 31 December 2019.

During the year ended 31 December 2019, Zhongli Tenghui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2019, Zhongli Tenghui's current and gearing ratio were approximately 1.01 and approximately 82% respectively.

For the year ended 31 December 2018

During the year ended 31 December 2018, Zhongli Tenghui funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2018, Zhongli Tenghui had bank balances and cash of approximately RMB1 million, all of which are denominated in RMB. As at 31 December 2018, Zhongli Tenghui had bank borrowing of approximately RMB353 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB397 million, which were non-current in nature, while the majority of its liabilities was amounts due to related companies of approximately RMB108 million. Therefore, Zhongli Tenghui recorded net current liabilities of approximately RMB156 million as at 31 December 2018.

During the year ended 31 December 2018, Zhongli Tenghui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2018, Zhongli Tenghui's current and gearing ratio were approximately 0.06 and approximately 81% respectively.

For the year ended 31 December 2017

During the year ended 31 December 2017, Zhongli Tenghui funded its operations mainly by its internal resources and bank borrowing.

As at 31 December 2017, Zhongli Tenghui had bank balances and cash of approximately RMB1 million, all of which are denominated in RMB. As at 31 December 2017, Zhongli Tenghui had bank borrowing of approximately RMB378 million, all of which are charged with a floating interest rate and denominated in RMB. The majority of its assets were property, plant and equipment of approximately RMB414 million, which were non-current in nature, while the majority of its liabilities was amount due to related companies of approximately RMB49 million. Therefore, Zhongli Tenghui recorded net current liabilities of approximately RMB92 million as at 31 December 2017.

During the year ended 31 December 2017, Zhongli Tenghui did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 December 2017, Zhongli Tenghui's current and gearing ratio were approximately 0.13 and approximately 80% respectively.

Employment and Remuneration Policy

During the Reporting Periods, Zhongli Tenghui's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. As of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the average number of employees of Zhongli Tenghui were 5, 7, 7 and 8 respectively. The total employee benefit expenses including wages, salaries and allowances amounted to approximately RMB0.7 million, RMB0.8 million, RMB0.9 million and RMB5 million as of 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

Significant Investment Held

During the Reporting Periods, Zhongli Tenghui did not hold any significant investment.

Future Plans for Material Investments or Capital Assets

During the Reporting Periods, Zhongli Tenghui's major capital assets were the solar power stations in Qinghai and Zhongli Tenghui intends to continue the operation of such solar power stations. Save as disclosed above, Zhongli Tenghui had no future plans for any material investments or capital assets during the Reporting Periods.

Acquisition or Disposal of Subsidiary or Associated Company

During the Reporting Periods, Zhongli Tenghui had no significant acquisition or disposal of any subsidiary or associated company.

Charges on Assets

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, Zhongli Tenghui pledged its property, plant and equipment of approximately RMB317 million, RMB327 million, RMB342 million and RMB356 million respectively to secure its bank borrowings. Besides, as at 30

September 2020, 31 December 2019, 31 December 2018 and 31 December 2017, trade receivables and contract assets of approximately RMB259 million, RMB220 million, RMB166 million and RMB105 million were pledged to secure its borrowings, respectively.

Contingent liabilities

During the Reporting Periods, Zhongli Tenghui had no material contingent liabilities.

Segment Information

During the Reporting Periods, the principal activities of Zhongli Tenghui was the operation of solar power plant in the PRC.

Foreign Exchange Exposure

During the Reporting Periods, Zhongli Tenghui was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in RMB.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

GCL New Energy Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the sale of electricity, development, construction, operation and management of solar power plants ("**Solar Energy Business**").

On 18 November 2019, the Company and 中國華能集團有限公司 China Huaneng Group Co., Ltd* ("**China Huaneng**") entered into a cooperation framework agreement (the "**Cooperation Framework Agreement**") regarding the disposals of (i) certain solar power plants of the Group in the People's Republic of China (the "**PRC**") (the "**Power Plants**") or (ii) certain project companies of the Group which operate the Power Plants (the "**Framework Disposal**").

On 19 November 2020, the Group entered into a series of fourteen share transfer agreements ("**Third Phase Share Purchase Agreements**") with 華能工融一號(天津)股權投資基金合夥企業(有限合夥)Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("**Hua Neng No. 1 Fund**") and 華能工融二號(天津)股權投資基金合夥企業(有限合夥) Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("**Hua Neng No. 2 Fund**") (collectively the "**Purchasers**"), pursuant to which the Group agreed to (i) sell 60% and 40% of the equity interest twelve wholly-owned subsidiaries of the Group, namely Baoying Xinyuan Photovoltaic Power Co., Ltd.* (寶應鑫源光伏發電有限公司) ("**Baoying Xinyuan**"), Delingha Century Concord Photovoltaic Power Co., Ltd.* (德令哈協合光伏發電有限公司) ("**Delingha Century Concord**"), Delingha Energy Power Co., Ltd.* (德令哈陽光能源電力有限公司) ("**Delingha Energy Power**"), Delingha Shidai New Energy Power Co., Ltd.* (德令哈時代新能源發電有限公司) ("**Delingha Shidai**"), Hainanzhou Shineng Photovoltaic Power Co., Ltd.* (海南州世能光伏發電有限公司) ("**Hainanzhou Shineng**"), Hetian GCL Photovoltaic Power Co., Ltd.* (和田協鑫光伏電力有限公司) ("**Hetian GCL**"), Gaotang County GCL Jinghui Photovoltaic Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司) ("**Gaotang GCL**"), Lanxi Jinrui Photovoltaic Power Co., Ltd.* (蘭溪金瑞太陽能發電有限公司) ("**Lanxi Jinrui**"), Lianshui Xinyuan Photovoltaic Power Co., Ltd.* (漣水鑫源光伏電力有限公司) ("**Lianshui Xinyuan**"), Liaocheng Xiechang Photovoltaic Power Co., Ltd.* (聊城協昌光伏電力有限公司) ("**Liaocheng Xiechang**"), Yanbian Xinneng Photovoltaic Power Co., Ltd.* (鹽邊鑫能光伏電力有限公司) ("**Yanbian Xinneng**"), Zhongli Tenghui Hainan Electric Power Co., Ltd.* (中利騰暉海南電力有限公司) ("**Zhongli Tenghui**") to Hua Neng No. 1 Fund and Hua Neng No. 2 Fund, respectively, (ii) sell 33.91% and 22.60% of the equity interest in Yili GCL Energy Limited* (伊犁協鑫能源有限公司) ("**Yili GCL**") to Hua Neng No.1 Fund and Hua Neng No. 2 Fund, respectively, and (iii) sell 30.6% and 20.4% of the equity interests in Yuncheng Xinhua Energy Development Co,. Ltd.* (鄆城鑫華能源開發有限公司) ("**Yuncheng Xinhua**") (hereafter collectively referred to as the "**Target Companies**") to Hua Neng No.1 Fund and Hua Neng No. 2 Fund, respectively. The Target Companies own 17 solar power plants in the PRC with aggregate installed capacity of approximately 416MW (the "**Disposals**"), for a consideration in aggregate of RMB666,653,912 (the "**Consideration**"). Further details of the Disposals are set out in the announcement of the Company published on 19 November 2020 and this circular. Pursuant to the Listing Rules, this transaction is considered as a very substantial disposal of

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

the Company, the Disposals will be approved by the shareholders of the Company in the special general meeting as well as the shareholders of the ultimate holding company, GCL-Poly, in an extraordinary general meeting on 10 February 2021.

Pursuant to Third Phase Share Purchase Agreements, upon the occurrence of certain events, the Group may be required to repurchase the entire equity interest in the respective Target Companies and any outstanding shareholders' loan advanced to the respective Target Companies by the Purchasers upon the exercise of the put options (the "**Put Options**") by the Purchasers within a certain period (the "**Repurchase**"). The grant of the Put Options constitutes a possible very substantial acquisition (the "**Possible VSA**") for the Group in relation to the assumed exercise by the Purchaser of the Put Options relating to the acquisition of entire equity interest in the Target Companies. Further details of the Repurchase are set out in the announcement of the Company published on 19 November 2020.

The Target Companies are principally engaged in the solar power generation business in the PRC. Upon the completion of the Disposals, the Group will cease to have control over these Target Companies and the remaining group (the "**Remaining Group**") will continue to operate the remaining Solar Energy Business in the PRC.

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of the Remaining Group, comprising the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019, has been prepared by the directors of the Company (the "**Directors**") in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposals and the Possible VSA, as if the Disposals and the Possible VSA had been completed on 30 June 2020 or 1 January 2019, as appropriate.

A narrative description of the unaudited pro forma adjustments of the Disposals and the Possible VSA that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the results of operations, financial positions or cash flows of the Remaining Group had the Disposals and the Possible VSA been completed as at the respective dates to which it is made up to or for any future periods or at any future dates, whichever is applicable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published consolidated financial statements of the Company dated 27 April 2020 for the year ended 31 December 2019, unaudited condensed consolidated financial statements dated 28 August 2020 for the six months period ended 30 June 2020 and the relevant accountants' reports of the Target

Companies as set out in Appendix IIA, IIB, IIC, IID, IIE, IIF, IIG, IIH, III, IIJ, IIK, IIL, IIM and IIN and other financial information included elsewhere in this circular issued by the Company dated 22 January 2021 (the "**Circular**") in connection with the Disposals.

The Company would like to draw the attention of the investors and other users of this Circular that when preparing the Unaudited Pro forma Financial Information of the Remaining Group, no adjustment had been made to reflect the impact of disposals of companies under the first and second phase share purchase agreements with China Huaneng, which have been or will be completed subsequent to 30 June 2020. Assets and liabilities of the subject companies under the first phase share purchase agreements with China Huaneng, which are expected to be sold within twelve months since 30 June 2020, have been included in "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" in the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020, respectively.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group	Unaudited pro forma adjustments in respect of the Disposals																		The Remaining Group after the completion of the Disposals
	As at 30 June 2020	Exclusion of 100% equity interest in Baoying Xinyuan as at 30 Sep 2020	Exclusion of 100% equity interest in Delingha Century Concord as at 30 Sep 2020	Exclusion of 100% equity interest in Delingha Energy Power as at 30 Sep 2020	Exclusion of 100% equity interest in Delingha Shidai as at 30 Sep 2020	Exclusion of 100% equity interest in Hainanzhou Shineng as at 30 Sep 2020	Exclusion of 100% equity interest in Hetian GCL as at 30 Sep 2020	Exclusion of 100% equity interest in Gaotang GCL as at 30 Sep 2020	Exclusion of 100% equity interest in Lanxi Jinrui as at 30 Sep 2020	Exclusion of 100% equity interest in Lianshui Xinyuan as at 30 Sep 2020	Exclusion of 100% equity interest in Liaocheng Xiechang as at 30 Sep 2020	Exclusion of 100% equity interest in Yanbian Xinneng as at 30 Sep 2020	Exclusion of 56.51% equity interest in Yili GCL as at 30 Sep 2020	Exclusion of 51% equity interest in Yuncheng Xinhua as at 30 Sep 2020	Exclusion of 100% equity interest in Zhongli Tenghui as at 30 Sep 2020	Recognition of impact on consideration and estimated loss on the Disposals	Reinstatement of intra-group balances	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	As at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*		
	(Unaudited)																			(Unaudited)
Non-current assets																				
Property, plant and equipment	31,763,017	(35,522)	(556,757)	(54,604)	(112,426)	(232,388)	(148,807)	(214,441)	(254,901)	(93,582)	(135,288)	(249,668)	(150,414)	(224,280)	(368,009)	–	–	–	(2,831,087)	28,931,930
Right-of-use assets	1,459,645	(3,357)	(10,403)	(2,659)	(4,640)	(9,251)	(3,387)	(17,377)	(14,216)	(8,708)	(11,560)	(5,956)	(4,379)	(23,443)	(8,464)	–	–	–	(127,800)	1,331,845
Interests in associates	1,076,002	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,076,002
Interests in joint ventures	3,301	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,301
Amounts due from related companies	91,951	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	91,951
Deposits, prepayment and other non-current assets	1,346,407	–	(3,713)	(2,237)	(5,798)	–	(10,991)	(9,887)	(17,288)	–	(5,401)	–	(8,760)	(11,843)	(12,205)	–	–	–	(88,123)	1,258,284
Contract assets	735,076	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	735,076
Pledged bank and other deposits	693,485	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	693,485
Deferred tax assets	158,684	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	158,684
Total non-current assets	37,327,568	(38,879)	(570,873)	(59,500)	(122,864)	(241,639)	(163,185)	(241,705)	(286,405)	(102,290)	(152,249)	(255,624)	(163,553)	(259,566)	(388,678)	–	–	–	(3,047,010)	34,280,558
Current assets																				
Trade and other receivables	6,461,530	(11,424)	(210,929)	(33,600)	(6,157)	(78,508)	(50,930)	(58,037)	(104,459)	(1,754)	(63,926)	(95,166)	(58,552)	(43,757)	(3,990)	666,654	–	–	(154,535)	6,306,995
Contract assets	4,323,281	–	–	–	(94,620)	–	–	–	–	(48,746)	–	–	–	–	(255,628)	–	–	–	(398,994)	3,924,287
Other loan receivables	1,250	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,250
Amounts due from related companies	775,438	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	775,438
Amounts due from the Target Companies	–	(1,710)	(59,436)	(3,930)	–	(9,897)	(1,400)	–	(1,073)	–	(2,900)	–	(12,171)	(2,542)	(2,756)	–	1,349,190	–	1,251,375	1,251,375
Tax recoverable	2,391	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,391
Pledged bank and other deposits	454,933	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	454,933
Bank balances and cash	667,346	(3,572)	(8,155)	(10,894)	(40)	(2,724)	(466)	(13,769)	(1,171)	(1,038)	(729)	(5,462)	(130)	(6,219)	(1,620)	–	–	(7,000)	(62,989)	604,357
	12,686,169	(16,706)	(278,520)	(48,424)	(100,817)	(91,129)	(52,796)	(71,806)	(106,703)	(51,538)	(67,555)	(100,628)	(70,853)	(52,518)	(263,994)	666,654	1,349,190	(7,000)	634,857	13,321,026
Assets classified as held for sale	2,842,334	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,842,334
Total current assets	15,528,503	(16,706)	(278,520)	(48,424)	(100,817)	(91,129)	(52,796)	(71,806)	(106,703)	(51,538)	(67,555)	(100,628)	(70,853)	(52,518)	(263,994)	666,654	1,349,190	(7,000)	634,857	16,163,360

	Unaudited pro forma adjustments in respect of the Possible VSA																	The Group after the Disposals and the Possible VSA
	Inclusion of 100% equity interest in Baoying Xinyuan as at 30 Sep 2020	Inclusion of 100% equity interest in Delingha Century Concord as at 30 Sep 2020	Inclusion of 100% equity interest in Delingha Energy Power as at 30 Sep 2020	Inclusion of 100% equity interest in Delingha Shidai as at 30 Sep 2020	Inclusion of 100% equity interest in Hainanzhou Shineng as at 30 Sep 2020	Inclusion of 100% equity interest in Hetian GCL as at 30 Sep 2020	Inclusion of 100% equity interest in Gaotang GCL as at 30 Sep 2020	Inclusion of 100% equity interest in Lanxi Jinrui as at 30 Sep 2020	Inclusion of 100% equity interest in Lianshui Xinyuan as at 30 Sep 2020	Inclusion of 100% equity interest in Liaocheng Xiechang as at 30 Sep 2020	Inclusion of 100% equity interest in Yanbian Xinneng as at 30 Sep 2020	Inclusion of 56.51% equity interest in Yili GCL as at 30 Sep 2020	Inclusion of 51% equity interest in Yuncheng Xinhua as at 30 Sep 2020	Inclusion of 100% equity interest in Zhongli Tenghui as at 30 Sep 2020	Payment of consideration for the Repurchase	Reinstatement of intra-group balances	Total pro forma adjustments in respect of the Possible VSA	As at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 2(e)	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(e)*	*Note 2(f)*	*Note 2(c)*		
																		(Unaudited)
Non-current assets																		
Property, plant and equipment	34,175	505,833	60,100	127,977	206,682	109,002	172,046	215,220	90,592	95,860	213,761	136,779	215,386	324,493	–	–	2,507,906	31,439,836
Right-of-use assets	3,357	10,403	2,659	4,640	9,251	3,387	17,377	14,216	8,708	11,560	5,956	4,379	23,443	8,464	–	–	127,800	1,459,645
Interests in associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,076,002
Interests in joint ventures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,301
Amounts due from related companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	91,951
Deposits, prepayment and other non-current assets	–	3,713	2,237	5,798	–	10,991	9,887	17,288	–	5,401	–	8,760	11,843	12,205	–	–	88,123	1,346,407
Contract assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	735,076
Pledged bank and other deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	693,485
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	158,684
Total non-current assets	37,532	519,949	64,996	138,415	215,933	123,380	199,310	246,724	99,300	112,821	219,717	149,918	250,672	345,162	–	-	2,723,829	37,004,387
Current assets																		
Trade and other receivables	11,424	210,929	33,600	6,157	78,508	50,930	58,037	104,459	1,754	63,926	95,166	58,552	43,757	3,990	(666,654)	–	154,535	6,461,530
Contract assets	–	–	–	94,620	–	–	–	–	48,746	–	–	–	–	255,628	–	–	398,994	4,323,281
Other loan receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,250
Amounts due from related companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	775,438
Amounts due from the Target Companies	1,710	59,436	3,930	–	9,897	1,400	–	1,073	–	2,900	–	12,171	2,542	2,756	–	(1,349,190)	(1,251,375)	–
Tax recoverable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,391
Pledged bank and other deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	454,933
Bank balances and cash	3,572	8,155	10,894	40	2,724	466	13,769	1,171	1,038	729	5,462	130	6,219	1,620	–	–	55,989	660,346
	16,706	278,520	48,424	100,817	91,129	52,796	71,806	106,703	51,538	67,555	100,628	70,853	52,518	263,994	(666,654)	(1,349,190)	(641,857)	12,679,169
Assets classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,842,334
Total current assets	16,706	278,520	48,424	100,817	91,129	52,796	71,806	106,703	51,538	67,555	100,628	70,853	52,518	263,994	(666,654)	(1,349,190)	(641,857)	15,521,503

	The Group	Unaudited pro forma adjustments in respect of the Disposals																		The Remaining Group after the completion of the Disposals
	As at 30 June 2020 RMB'000 Note 1 (Unaudited)	Exclusion of 100% equity interest in Baoying Xinyuan as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Delingha Century Concord as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Delingha Energy Power as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Delingha Shidai as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Hainanzhou Shineng as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Hetian GCL as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Gaotang GCL as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Lanxi Jinrui as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Lianshui Xinyuan as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Liaocheng Xiechang as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Yanbian Xinneng as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 56.51% equity interest in Yili GCL as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 51% equity interest in Yuncheng Xinhua as at 30 Sep 2020 RMB'000 Note 2(a)	Exclusion of 100% equity interest in Zhongli Tenghui as at 30 Sep 2020 RMB'000 Note 2(a)	Recognition of impact on consideration and estimated loss on the Disposals RMB'000 Note 2(b)	Reinstatement of intra-group balances RMB'000 Note 2(c)	Estimated costs and expenses in respect of the Disposals RMB'000 Note 2(d)	Total pro forma adjustments in respect of the Disposals RMB'000	As at 30 June 2020 RMB'000 (Unaudited)
Current liabilities																				
Other payables and deferred income	5,278,777	(646)	(44,194)	(2,350)	(12,738)	(8,890)	(4,807)	(29,133)	(41,551)	(874)	(1,295)	(17,488)	(5,690)	(24,332)	(28,504)	–	–	–	(222,492)	5,056,285
Amounts due to related companies	331,590	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	331,590
Amounts due to Remaining Group	-	(17,952)	(117,776)	(25,152)	(35,359)	(118,277)	(164,273)	(39,497)	(62,993)	(50,752)	(64,978)	(132,179)	(151,256)	(192,973)	(175,773)	–	1,349,190	–	–	–
Tax payable	57,528	(144)	(2,953)	(105)	(284)	(92)	(595)	–	(543)	(368)	(664)	(556)	(1,852)	(559)	(460)	–	–	–	(9,175)	48,353
Loans from related companies	438,056	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	438,056
Bank and other borrowings	10,423,292	(18,700)	(52,500)	(6,000)	(47,650)	(22,000)	–	(18,000)	(20,039)	(60,659)	(617)	(21,981)	–	–	(28,000)	–	–	–	(296,146)	10,127,146
Bonds and senior notes	3,802,242	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,802,242
Lease liabilities	110,397	(734)	–	–	–	–	(936)	(354)	(159)	(3,335)	(282)	(76)	(103)	(592)	–	–	–	–	(6,571)	103,826
	20,441,882	(38,176)	(217,423)	(33,607)	(96,031)	(149,259)	(170,611)	(86,984)	(125,285)	(115,988)	(67,836)	(172,280)	(158,901)	(218,456)	(232,737)	–	1,349,190	–	(534,384)	19,907,498
Liabilities associated with assets classified as held for sale	1,596,622	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,596,622
Total current liabilities	22,038,504	(38,176)	(217,423)	(33,607)	(96,031)	(149,259)	(170,611)	(86,984)	(125,285)	(115,988)	(67,836)	(172,280)	(158,901)	(218,456)	(232,737)	–	1,349,190	–	(534,384)	21,504,120
Net current liabilities	(6,510,001)	21,470	(61,097)	(14,817)	(4,786)	58,130	117,815	15,178	18,582	64,450	281	71,652	88,048	165,938	(31,257)	666,654	–	(7,000)	1,169,241	(5,340,760)
Total assets less current liabilities	30,817,567	(17,409)	(631,970)	(74,317)	(127,650)	(183,509)	(45,370)	(226,527)	(267,823)	(37,840)	(151,968)	(183,972)	(75,505)	(93,628)	(419,935)	666,654	–	(7,000)	(1,877,769)	28,939,798
Non-current liabilities																				
Loans from related companies	856,655	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	856,655
Bank and other borrowings	18,305,524	–	(359,500)	(52,000)	(76,000)	(110,000)	–	(117,000)	(187,758)	–	(92,473)	(105,029)	–	–	(298,000)	–	–	–	(1,397,760)	16,907,764
Lease liabilities	1,048,193	(2,571)	–	–	–	–	(2,161)	(19,028)	(14,058)	(5,267)	(11,641)	(2,938)	(4,465)	(21,425)	–	–	–	–	(83,554)	964,639
Deferred income	386,000	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	386,000
Deferred tax liabilities	51,238	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	51,238
Total non-current liabilities	20,647,610	(2,571)	(359,500)	(52,000)	(76,000)	(110,000)	(2,161)	(136,028)	(201,816)	(5,267)	(104,114)	(107,967)	(4,465)	(21,425)	(298,000)	–	–	–	(1,481,314)	19,166,296
Net assets	10,169,957	(14,838)	(272,470)	(22,317)	(51,650)	(73,509)	(43,209)	(90,499)	(66,007)	(32,573)	(47,854)	(76,005)	(71,040)	(72,203)	(121,935)	666,654	–	(7,000)	(396,455)	9,773,502
Capital and reserves																				
Share capital	66,674															–	–	–	–	66,674
Reserves	6,431,622															(323,181)	–	(7,000)	(330,181)	6,101,441
Equity attributable to owners of the Company	6,498,296															(323,181)	–	(7,000)	(330,181)	6,168,115
Equity attributable to owners of non-controlling interests																				
– owners of perpetual notes	2,245,014															–	–	–	–	2,245,014
– other non-controlling interests	1,426,647															(66,274)	–	–	(66,274)	1,360,373
Total equity	10,169,957															(389,455)	–	(7,000)	(396,455)	9,773,502

	Unaudited pro forma adjustments in respect of the Possible VSA																	The Group after the Disposals and the Possible VSA
	Inclusion of 100% equity interest in Baoying Xinyuan as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Delingha Century Concord as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Delingha Energy Power as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Delingha Shidai as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Hainanzhou Shineng as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Hetian GCL as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Gaotang GCL as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Lanxi Jinrui as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Lianshui Xinyuan as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Liaocheng Xiechang as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Yanbian Xinneng as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 56.51% equity interest in Yili GCL as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 51% equity interest in Yuncheng Xinhua as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Inclusion of 100% equity interest in Zhongli Tenghui as at 30 Sep 2020 *RMB'000* *Note 2(e)*	Payment of consideration for the Repurchase *RMB'000* *Note 2(f)*	Reinstatement of intra-group balances *RMB'000* *Note 2(c)*	Total pro forma adjustments in respect of the Possible VSA *RMB'000*	As at 30 June 2020 *RMB'000* (Unaudited)
Current liabilities																		
Other payables and deferred income	646	44,194	2,350	12,738	8,890	4,807	29,133	41,551	874	1,295	17,488	5,690	24,332	28,504	–	–	222,492	5,278,777
Amounts due to related companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	331,590
Amounts due to Remaining Group	17,952	117,776	25,152	35,359	118,277	164,273	39,497	62,993	50,752	64,978	132,179	151,256	192,973	175,773	–	(1,349,190)	–	–
Tax payable	144	2,953	105	284	92	595	–	543	368	664	556	1,852	559	460	–	–	9,175	57,528
Loans from related companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	438,056
Bank and other borrowings	18,700	52,500	6,000	47,650	22,000	–	18,000	20,039	60,659	617	21,981	–	–	28,000	–	–	296,146	10,423,292
Bonds and senior notes	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,802,242
Lease liabilities	734	–	–	–	–	936	354	159	3,335	282	76	103	592	–	–	–	6,571	110,397
	38,176	217,423	33,607	96,031	149,259	170,611	86,984	125,285	115,988	67,836	172,280	158,901	218,456	232,737	–	(1,349,190)	534,384	20,441,882
Liabilities associated with assets classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,596,622
Total current liabilities	38,176	217,423	33,607	96,031	149,259	170,611	86,984	125,285	115,988	67,836	172,280	158,901	218,456	232,737	–	(1,349,190)	534,384	22,038,504
Net current liabilities	(21,470)	61,097	14,817	4,786	(58,130)	(117,815)	(15,178)	(18,582)	(64,450)	(281)	(71,652)	(88,048)	(165,938)	31,257	(666,654)	–	(1,176,241)	(6,517,001)
Total assets less current liabilities	16,062	581,046	79,813	143,201	157,803	5,565	184,132	228,142	34,850	112,540	148,065	61,870	84,734	376,419	(666,654)	–	1,547,588	30,487,386
Non-current liabilities																		
Loans from related companies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	856,655
Bank and other borrowings	–	359,500	52,000	76,000	110,000	–	117,000	187,758	–	92,473	105,029	–	–	298,000	–	–	1,397,760	18,305,524
Lease liabilities	2,571	–	–	–	–	2,161	19,028	14,058	5,267	11,641	2,938	4,465	21,425	–	–	–	83,554	1,048,193
Deferred income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	386,000
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	51,238
Total non-current liabilities	2,571	359,500	52,000	76,000	110,000	2,161	136,028	201,816	5,267	104,114	107,967	4,465	21,425	298,000	–	–	1,481,314	20,647,610
Net assets	13,491	221,546	27,813	67,201	47,803	3,404	48,104	26,326	29,583	8,426	40,098	57,405	63,309	78,419	(666,654)	–	66,274	9,839,776
Capital and reserves																		
Share capital															–	–	–	66,674
Reserves															–	–	–	6,101,441
Equity attributable to owners of the Company															–	–	–	6,168,115
Equity attributable to owners of non-controlling interests																		
– owners of perpetual notes															–	–	–	2,245,014
– other non-controlling interests															66,274	–	66,274	1,426,647
Total equity															66,274	–	66,274	9,839,776

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	The Group	Unaudited pro forma adjustments in respect of the Disposals																		The Remaining Group after the completion of the Disposals
	For the year ended 31 December 2019	Exclusion of the results of Baoying Xinyuan for the year ended 31 Dec 2019	Exclusion of the results of Delingha Century Concord for the year ended 31 Dec 2019	Exclusion of the results of Delingha Energy Power for the year ended 31 Dec 2019	Exclusion of the results of Delingha Shidai for the year ended 31 Dec 2019	Exclusion of the results of Hainanzhou Shineng for the year ended 31 Dec 2019	Exclusion of the results of Hetian GCL for the year ended 31 Dec 2019	Exclusion of the results of Gaotang GCL for the year ended 31 Dec 2019	Exclusion of the results of Lanxi Jinrui for the year ended 31 Dec 2019	Exclusion of the results of Lianshui Xinyuan for the year ended 31 Dec 2019	Exclusion of the results of Liaocheng Xiechang for the year ended 31 Dec 2019	Exclusion of the results of Yanbian Xinneng for the year ended 31 Dec 2019	Exclusion of the results of Yili GCL for the year ended 31 Dec 2019	Exclusion of the results of Yuncheng Xinhua for the year ended 31 Dec 2019	Exclusion of the results of Zhongli Tenghui for the year ended 31 Dec 2019	Estimated loss in respect of the Disposals	Reinstatement of intra-group transactions	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*		
	(Audited)																			(Unaudited)
Revenue	6,051,987	(8,497)	(89,233)	(11,408)	(24,188)	(31,838)	(19,552)	(32,944)	(49,699)	(20,149)	(21,475)	(40,963)	(25,826)	(45,877)	(58,505)	–	–	–	(480,154)	5,571,833
Cost of sales	(2,098,222)	2,660	42,696	3,909	6,146	15,950	8,535	13,182	23,920	6,454	8,183	11,943	8,949	23,845	18,897	–	–	–	195,269	(1,902,953)
Gross Profit	3,953,765	(5,837)	(46,537)	(7,499)	(18,042)	(15,888)	(11,017)	(19,762)	(25,779)	(13,695)	(13,292)	(29,020)	(16,877)	(22,032)	(39,608)	–	–	–	(284,885)	3,668,880
Other income	306,882	(38)	(743)	(17)	(1)	(764)	–	(969)	(38)	(3)	(18)	(30)	(5)	(581)	(3)	–	29,366	–	26,156	333,038
Administrative expenses																				
– share-based payment expenses	(1,787)	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,787)
– other administrative expenses	(693,151)	61	488	109	310	343	184	1,422	391	270	214	657	213	462	629	–	–	(7,000)	(1,247)	694,398
Other gains and losses, net	(48,986)	-	–	–	–	–	–	–	–	–	–	–	–	–	–	(284,870)	–	–	(284,870)	(333,856)
Share of profits of associates	49,096	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	49,096
Share of profits of joint ventures	24,391	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	24,391
Bargain purchase from business combination	73,858	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	73,858
Finance costs	(2,881,752)	2,109	26,590	3,297	7,457	8,287	718	10,530	20,403	4,968	7,325	10,562	3,301	10,582	20,177	–	–	–	136,306	(2,745,446)
Profit before tax	782,316	(3,705)	(20,202)	(4,110)	(10,276)	(8,022)	(10,115)	(8,779)	(5,023)	(8,460)	(5,771)	(17,831)	(13,368)	(11,569)	(18,805)	(284,870)	29,366	(7,000)	(408,540)	373,776
Income tax expense	(177,563)	497	2,503	305	690	1,116	–	1,190	–	80	768	1	–	–	1,369	–	–	–	8,519	(169,044)
Profit for the year	604,753	(3,208)	(17,699)	(3,805)	(9,586)	(6,906)	(10,115)	(7,589)	(5,023)	(8,380)	(5,003)	(17,830)	(13,368)	(11,569)	(17,436)	(284,870)	29,366	(7,000)	(400,021)	204,732

	Unaudited pro forma adjustments in respect of the Possible VSA																The Group after the Disposals and the Possible VSA
	Inclusion of the results of Baoying Xinyuan for the year ended 31 Dec 2019	Inclusion of the results of Delingha Century Concord for the year ended 31 Dec 2019	Inclusion of the results of Delingha Energy Power for the year ended 31 Dec 2019	Inclusion of the results of Delingha Shidai for the year ended 31 Dec 2019	Inclusion of the results of Hainanzhou Shineng for the year ended 31 Dec 2019	Inclusion of the results of Hetian GCL for the year ended 31 Dec 2019	Inclusion of the results of Gaotang GCL for the year ended 31 Dec 2019	Inclusion of the results of Lanxi Jinrui for the year ended 31 Dec 2019	Inclusion of the results of Lianshui Xinyuan for the year ended 31 Dec 2019	Inclusion of the results of Liaocheng Xiechang for the year ended 31 Dec 2019	Inclusion of the results of Yanbian Xinneng for the year ended 31 Dec 2019	Inclusion of the results of Yili GCL for the year ended 31 Dec 2019	Inclusion of the results of Yuncheng Xinhua for the year ended 31 Dec 2019	Inclusion of the results of Zhongli Tenghui for the year ended 31 Dec 2019	Reinstatement of intra-group transactions	Total pro forma adjustments in respect of the Possible VSA	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(e)	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(c)*		
																	(Unaudited)
Revenue	8,497	89,233	11,408	24,188	31,838	19,552	32,944	49,699	20,149	21,475	40,963	25,826	45,877	58,505	–	480,154	6,051,987
Cost of sales	(2,660)	(42,696)	(3,909)	(6,146)	(15,950)	(8,535)	(13,182)	(23,920)	(6,454)	(8,183)	(11,943)	(8,949)	(23,845)	(18,897)	–	(195,269)	(2,098,222)
Gross profit	5,837	46,537	7,499	18,042	15,888	11,017	19,762	25,779	13,695	13,292	29,020	16,877	22,032	39,608	–	284,885	3,953,765
Other income	38	743	17	1	764	–	969	38	3	18	30	5	581	3	(29,366)	(26,156)	306,882
Administrative expenses																	
– share-based payment expenses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,787)
– other administrative expenses	(61)	(488)	(109)	(310)	(343)	(184)	(1,422)	(391)	(270)	(214)	(657)	(213)	(462)	(629)	–	(5,753)	(700,151)
Other gains and losses, net	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(333,856)
Share of profits of associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	49,096
Share of profits of joint ventures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	24,391
Bargain purchase from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	73,858
Finance costs	(2,109)	(26,590)	(3,297)	(7,457)	(8,287)	(718)	(10,530)	(20,403)	(4,968)	(7,325)	(10,562)	(3,301)	(10,582)	(20,177)	–	(136,306)	(2,881,752)
Profit before tax	3,705	20,202	4,110	10,276	8,022	10,115	8,779	5,023	8,460	5,771	17,831	13,368	11,569	18,805	(29,366)	116,670	490,446
Income tax expense	(497)	(2,503)	(305)	(690)	(1,116)	–	(1,190)	–	(80)	(768)	(1)	–	–	(1,369)	–	(8,519)	(177,563)
Profit for the year	3,208	17,699	3,805	9,586	6,906	10,115	7,589	5,023	8,380	5,003	17,830	13,368	11,569	17,436	(29,366)	108,151	312,883

	The Group	Unaudited pro forma adjustments in respect of the Disposals																		The Remaining Group after the completion of the Disposals
	For the year ended 31 December 2019	Exclusion of the results of Baoying Xinyuan for the year ended 31 Dec 2019	Exclusion of the results of Delingha Century Concord for the year ended 31 Dec 2019	Exclusion of the results of Delingha Energy Power for the year ended 31 Dec 2019	Exclusion of the results of Delingha Shidai for the year ended 31 Dec 2019	Exclusion of the results of Hainanzhou Shineng for the year ended 31 Dec 2019	Exclusion of the results of Hetian GCL for the year ended 31 Dec 2019	Exclusion of the results of Gaotang GCL for the year ended 31 Dec 2019	Exclusion of the results of Lanxi Jinrui for the year ended 31 Dec 2019	Exclusion of the results of Lianshui Xinyuan for the year ended 31 Dec 2019	Exclusion of the results of Liaocheng Xiechang for the year ended 31 Dec 2019	Exclusion of the results of Yanbian Xinneng for the year ended 31 Dec 2019	Exclusion of the results of Yili GCL for the year ended 31 Dec 2019	Exclusion of the results of Yuncheng Xinhua for the year ended 31 Dec 2019	Exclusion of the results of Zhongli Tenghui for the year ended 31 Dec 2019	Estimated loss in respect of the Disposals	Reinstatement of intra-group transactions	Estimated costs and expenses in respect of the Disposals	Total pro forma adjustments in respect of the Disposals	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1 (Audited)	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*		
Other comprehensive income:																				
Items that may be reclassified subsequently to profit or loss:																				
Exchange differences arising on translation	16,689	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,689
Total comprehensive income for the year	621,442	(3,208)	(17,699)	(3,805)	(9,586)	(6,906)	(10,115)	(7,589)	(5,023)	(8,380)	(5,003)	(17,830)	(13,368)	(11,569)	(17,436)	(284,870)	29,366	(7,000)	(400,021)	221,421
Profit for the year attributable to:																				
Owners of the Company	294,688	(3,208)	(17,699)	(3,805)	(9,586)	(6,906)	(10,115)	(7,589)	(5,023)	(8,380)	(5,003)	(17,830)	(7,555)	(5,901)	(17,436)	(284,870)	29,366	(7,000)	(388,540)	(93,852)
Non-controlling interests																				
– owners of perpetual notes	162,000	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	162,000
– other non-controlling interests	148,065	-	–	–	–	–	–	–	–	–	–	–	(5,813)	(5,668)	–	–	–	–	(11,481)	136,584
	604,753	(3,208)	(17,699)	(3,805)	(9,586)	(6,906)	(10,115)	(7,589)	(5,023)	(8,380)	(5,003)	(17,830)	(13,368)	(11,569)	(17,436)	(284,870)	29,366	(7,000)	(400,021)	204,732
Total comprehensive income for the year attributable to:																				
Owners of the Company	311,377	(3,208)	(17,699)	(3,805)	(9,586)	(6,906)	(10,115)	(7,589)	(5,023)	(8,380)	(5,003)	(17,830)	(7,555)	(5,901)	(17,436)	(284,870)	29,366	(7,000)	(388,540)	(77,163)
Non-controlling interests																				
– owners of perpetual notes	162,000	-	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	162,000
– other non-controlling interests	148,065	-	–	–	–	–	–	–	–	–	–	–	(5,813)	(5,668)	–	–	–	–	(11,481)	136,584
	621,442	(3,208)	(17,699)	(3,805)	(9,586)	(6,906)	(10,115)	(7,589)	(5,023)	(8,380)	(5,003)	(17,830)	(13,368)	(11,569)	(17,436)	(284,870)	29,366	(7,000)	(400,021)	221,421

	Unaudited pro forma adjustments in respect of the Possible VSA																The Group after the Disposals and the Possible VSA
	Inclusion of the results of Baoying Xinyuan for the year ended 31 Dec 2019	Inclusion of the results of Delingha Century Concord for the year ended 31 Dec 2019	Inclusion of the results of Delingha Energy Power for the year ended 31 Dec 2019	Inclusion of the results of Delingha Shidai for the year ended 31 Dec 2019	Inclusion of the results of Hainanzhou Shineng for the year ended 31 Dec 2019	Inclusion of the results of Hetian GCL for the year ended 31 Dec 2019	Inclusion of the results of Gaotang GCL for the year ended 31 Dec 2019	Inclusion of the results of Lanxi Jinrui for the year ended 31 Dec 2019	Inclusion of the results of Lianshui Xinyuan for the year ended 31 Dec 2019	Inclusion of the results of Liaocheng Xiechang for the year ended 31 Dec 2019	Inclusion of the results of Yanbian Xinneng for the year ended 31 Dec 2019	Inclusion of the results of Yili GCL for the year ended 31 Dec 2019	Inclusion of the results of Yuncheng Xinhua for the year ended 31 Dec 2019	Inclusion of the results of Zhongli Tenghui for the year ended 31 Dec 2019	Reinstatement of intra-group transactions	Total pro forma adjustments in respect of the Possible VSA	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(e)	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(c)*	(Unaudited)	
Other comprehensive income:																	
Items that may be reclassified subsequently to profit or loss:																	
Exchange differences arising on translation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	16,689
Total comprehensive income for the year	3,208	17,699	3,805	9,586	6,906	10,115	7,589	5,023	8,380	5,003	17,830	13,368	11,569	17,436	(29,366)	108,151	329,572
Profit for the year attributable to:																	
Owners of the Company	3,208	17,699	3,805	9,586	6,906	10,115	7,589	5,023	8,380	5,003	17,830	7,555	5,901	17,436	(29,366)	96,670	2,818
Non-controlling interests																	
– owners of perpetual notes	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	162,000
– other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	5,813	5,668	–	–	11,481	148,065
	3,208	17,699	3,805	9,586	6,906	10,115	7,589	5,023	8,380	5,003	17,830	13,368	11,569	17,436	(29,366)	108,151	312,883
Total comprehensive income for the year attributable to:																	
Owners of the Company	3,208	17,699	3,805	9,586	6,906	10,115	7,589	5,023	8,380	5,003	17,830	7,555	5,901	17,436	(29,366)	96,670	19,507
Non-controlling interests																	
– owners of perpetual notes	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	162,000
– other non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	5,813	5,668	–	–	11,481	148,065
	3,208	17,699	3,805	9,586	6,906	10,115	7,589	5,023	8,380	5,003	17,830	13,368	11,569	17,436	(29,366)	108,151	329,572

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	Unaudited pro forma adjustments in respect of the Disposals																		The Remaining Group after the completion of the Disposals
	For the year ended 31 December 2019 RMB'000 Note 1 (Audited)	Exclusion of the cash flow of Baoying Xinyuan for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Century Concord for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Energy Power for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Shidai for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Hainanzhou Shineng for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Hetian GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Gaotang GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Lanxi Jinrui for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Lianshui XInyuan for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Liaocheng Xiechang for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yanbian Xinneng for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yili GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yuncheng Xinhua for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Zhongli Tenghui for the year ended 31 December 2019 RMB'000 Note 3(a)	Recognition of proceeds on the Disposals RMB'000 Note 3(b)	Reinstatement of intra-group cash flows RMB'000 Note 3(c)	Estimated costs and expenses in respect of the Disposals RMB'000 Note 3(d)	Total pro forma adjustments in respect of the Disposals RMB'000	For the year ended 31 December 2019 RMB'000 (Unaudited)
Net cash from (used in) operating activities	2,519,974	(6,775)	(100,761)	(1,631)	(4,783)	(28,833)	(5,988)	(4,270)	(8,255)	(1,816)	58,806	(4,046)	(19,112)	2,329	(13,236)	-	-	(7,000)	(145,371)	2,374,603
Investing activities																				
Interest received	13,179	(38)	(17)	(14)	(1)	(15)	-	(544)	(3)	(3)	(9)	-	(5)	(464)	(3)	-	-	-	(1,116)	12,063
Payments for construction and purchase of property, plant and equipment	(3,606,273)	158	522	163	609	2,529	673	1,487	7,646	1,679	832	6,729	826	1,050	12	-	-	-	24,915	(3,581,358)
Proceeds from disposal of property, plant and equipment	104,918	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,918
Proceeds from disposal of right-of-use assets	641	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	641
Payments of right-of-use assets	(14,254)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,254)
Payments of deposits for leases	(7,804)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,804)
Acquisition of subsidiaries	29,669	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,669
Settlement of consideration payables for acquisition of subsidiaries with solar power plant projects	(110,298)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(110,298)
Settlement of consideration receivables from disposal of subsidiaries with solar power plant projects	206,992	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	206,992
Proceeds from disposal of joint ventures	53,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,780
Withdrawal of pledged bank and other deposits	1,314,028	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,314,028
Placement of pledged bank and other deposits	(1,015,640)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,015,640)
Repayment from a borrower of other loan receivables	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,000
Advance to related companies	(7,156)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,156)
Repayment from related companies	236,734	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	236,734
Proceeds from disposal of subsidiaries with solar power plant projects	30,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	666,654	-	-	666,654	697,042
Dividend received from joint ventures	25,494	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,494
Repayment from the Remaining Group	-	(1,239)	(131,897)	-	(7,039)	(5,439)	-	(13,912)	(1,022)	(144)	(19,920)	(1,156)	-	(26,388)	(2,000)	-	210,156	-	-	-
Advance to the Remaining Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loan advance to the Target Companies	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	(159,396)	-	(159,396)	(159,396)
Loan repayment from the Target Companies	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	219,226	-	219,226	219,226
Net cash (used in) from investing activities	(2,739,602)	(1,119)	(131,392)	149	(6,431)	(2,925)	673	(12,969)	6,621	1,532	(19,097)	5,573	821	(25,802)	(1,991)	666,654	269,986	-	750,283	(1,989,319)

	Unaudited pro forma adjustments in respect of the Possible VSA																	The Group after the Disposals and the Possible VSA
	Inclusion of the cash flow of Baoying Xinyuan for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Century Concord for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Energy Power for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Shidai for the year ended 31 December 2019	Inclusion of the cash flow of Hainanzhou Shineng for the year ended 31 December 2019	Inclusion of the cash flow of Hetian GCL for the year ended 31 December 2019	Inclusion of the cash flow of Gaotang GCL for the year ended 31 December 2019	Inclusion of the cash flow of Lanxi Jinrui for the year ended 31 December 2019	Inclusion of the cash flow of Lianshui XInyuan for the year ended 31 December 2019	Inclusion of the cash flow of Liaocheng Xiechang for the year ended 31 December 2019	Inclusion of the cash flow of Yanbian Xinneng for the year ended 31 December 2019	Inclusion of the cash flow of Yili GCL for the year ended 31 December 2019	Inclusion of the cash flow of Yuncheng Xinhua for the year ended 31 December 2019	Inclusion of the cash flow of Zhongli Tenghui for the year ended 31 December 2019	Payment of consideration for the Repurchase	Reinstatement of intra-group cash flows	Total pro forma adjustments in respect of the Possible VSA	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(e)	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(e)*	*Note 3(f)*	*Note 3(c)*		
																		(Unaudited)
Net cash from operating activities	6,775	100,761	1,631	4,783	28,833	5,988	4,270	8,255	1,816	(58,806)	4,046	19,112	(2,329)	13,236	-	-	138,371	2,512,974
Investing activities																		
Interest received	38	17	14	1	15	-	544	3	3	9	-	5	464	3	-	-	1,116	13,179
Payments for construction and purchase of property, plant and equipment	(158)	(522)	(163)	(609)	(2,529)	(673)	(1,487)	(7,646)	(1,679)	(832)	(6,729)	(826)	(1,050)	(12)	-	-	(24,915)	(3,606,273)
Proceeds from disposal of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,918
Proceeds from disposal of right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	641
Payments of right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,254)
Payments of deposits for leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,804)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(558,995)	-	(558,995)	(529,326)
Settlement of consideration payables for acquisition of subsidiaries with solar power plant projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(110,298)
Settlement of consideration receivables from disposal of subsidiaries with solar power plant projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	206,992
Proceeds from disposal of joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,780
Withdrawal of pledged bank and other deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,314,028
Placement of pledged bank and other deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,015,640)
Repayment from a borrower of other loan receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,000
Advance to related companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,156)
Repayment from related companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	236,734
Proceeds from disposal of subsidiaries with solar power plant projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	697,042
Dividend received from joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,494
Repayment from the Remaining Group	1,239	131,897	-	7,039	5,439	-	13,912	1,022	144	19,920	1,156	-	26,388	2,000	-	(210,156)	-	-
Advance to the Remaining Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan advance to the Target Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	159,396	159,396	-
Loan repayment from the Target Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(219,226)	(219,226)	-
Net cash (used in) from investing activities	1,119	131,392	(149)	6,431	2,925	(673)	12,969	(6,621)	(1,532)	19,097	(5,573)	(821)	25,802	1,991	(558,995)	(269,986)	(642,624)	(2,631,943)

	The Group	Unaudited pro forma adjustments in respect of the Disposals																		The Remaining Group after the completion of the Disposals
	For the year ended 31 December 2019 RMB'000 Note 1 (Audited)	Exclusion of the cash flow of Baoying Xinyuan for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Century Concord for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Energy Power for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Shidai for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Hainanzhou Shineng for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Hetian GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Gaotang GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Lanxi Jinrui for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Lianshui XInyuan for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Liaocheng Xiechang for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yanbian Xinneng for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yili GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yuncheng Xinhua for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Zhongli Tenghui for the year ended 31 December 2019 RMB'000 Note 3(a)	Recognition of proceeds on the Disposals RMB'000 Note 3(b)	Reinstatement of intra-group cash flows RMB'000 Note 3(c)	Estimated costs and expenses in respect of the Disposals RMB'000 Note 3(d)	Total pro forma adjustments in respect of the Disposals RMB'000	For the year ended 31 December 2019 RMB'000 (Unaudited)
Financing activities																				
Interest paid	(2,265,990)	1,883	26,590	3,297	7,457	8,297	546	9,170	18,037	4,110	6,423	9,316	3,081	9,544	20,177	-	-	-	127,928	(2,138,062)
Proceeds from bank and other borrowings	10,053,826	(9,094)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,094)	10,044,732
Repayment of bank and other borrowings	(7,254,272)	-	52,000	6,000	-	24,000	-	18,000	3,182	5,054	9,052	16,045	-	-	26,500	-	-	-	159,833	(7,094,439)
Repayments of lease liabilities	(71,318)	301	-	-	-	-	-	1,439	1,016	-	834	2,040	325	1,488	-	-	-	-	7,443	(63,875)
Proceeds from loans from related companies	625,803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	625,803
Repayment of loans from related companies	(30,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,000)
Proceeds from loan from an associate of ultimate holding company	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,000
Repayment of loan from an associate of ultimate holding company	(279,137)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(279,137)
Repayment to ultimate holding company	(761,831)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(761,831)
Redemption of bonds	(585,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(585,000)
Advance from related companies	14,647	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,647
Repayment to related companies	(14,636)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,636)
Proceeds from re-sell of bonds issued	322,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	322,500
Capital contribution by non-controlling interests	28,713	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,713
Dividend paid to non-controlling interests	(126,157)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(126,157)
Advance from the Remaining Group	-	-	-	(9,486)	-	-	-	(2,143)	(20,992)	(8,635)	(53,367)	(29,543)	-	-	(35,230)	-	159,396	-	-	-
Repayment to the Remaining Group	-	8,160	149,168	-	4,077	1,359	4,225	-	-	-	-	-	18,620	33,617	-	-	(219,226)	-	-	-
Advance from the Target Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment to the Target Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(210,156)	-	(210,156)	(210,156)
Net cash (used in) from financing activities	(142,852)	1,250	227,758	(189)	11,534	33,656	4,771	26,466	1,243	529	(37,058)	(2,142)	22,026	44,649	11,447	-	(269,986)	-	75,954	(66,898)

	Unaudited pro forma adjustments in respect of the Possible VSA																	The Group after the Disposals and the Possible VSA
	Inclusion of the cash flow of Baoying Xinyuan for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Century Concord for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Energy Power for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Shidai for the year ended 31 December 2019	Inclusion of the cash flow of Hainanzhou Shineng for the year ended 31 December 2019	Inclusion of the cash flow of Hetian GCL for the year ended 31 December 2019	Inclusion of the cash flow of Gaotang GCL for the year ended 31 December 2019	Inclusion of the cash flow of Lanxi Jinrui for the year ended 31 December 2019	Inclusion of the cash flow of Lianshui XInyuan for the year ended 31 December 2019	Inclusion of the cash flow of Liaocheng Xiechang for the year ended 31 December 2019	Inclusion of the cash flow of Yanbian Xinneng for the year ended 31 December 2019	Inclusion of the cash flow of Yili GCL for the year ended 31 December 2019	Inclusion of the cash flow of Yuncheng Xinhua for the year ended 31 December 2019	Inclusion of the cash flow of Zhongli Tenghui for the year ended 31 December 2019	Payment of consideration for the Repurchase	Reinstatement of intra-group cash flows	Total pro forma adjustments in respect of the Possible VSA	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(a)	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(f)*	*Note 3(c)*		
																		(Unaudited)
Financing activities																		
Interest paid	(1,883)	(26,590)	(3,297)	(7,457)	(8,297)	(546)	(9,170)	(18,037)	(4,110)	(6,423)	(9,316)	(3,081)	(9,544)	(20,177)	-	-	(127,928)	(2,265,990)
Proceeds from bank and other borrowings	9,094	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,094	10,053,826
Repayment of bank and other borrowings	-	(52,000)	(6,000)	-	(24,000)	-	(18,000)	(3,182)	(5,054)	(9,052)	(16,045)	-	-	(26,500)	-	-	(159,833)	(7,254,272)
Repayments of lease liabilities	(301)	-	-	-	-	-	(1,439)	(1,016)	-	(834)	(2,040)	(325)	(1,488)	-	-	-	(7,443)	(71,318)
Proceeds from loans from related companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	625,803
Repayment of loans from related companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,000)
Proceeds from loan from an associate of ultimate holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,000
Repayment of loan from an associate of ultimate holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(279,137)
Repayment to ultimate holding company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(761,831)
Redemption of bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(585,000)
Advance from related companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,647
Repayment to related companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,636)
Proceeds from re-sell of bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	322,500
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,713
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(126,157)
Advance from the Remaining Group	-	-	9,486	-	-	-	2,143	20,992	8,635	53,367	29,543	-	-	35,230	-	(159,396)	-	-
Repayment to the Remaining Group	(8,160)	(149,168)	-	(4,077)	(1,359)	(4,225)	-	-	-	-	-	(18,620)	(33,617)	-	-	219,226	-	-
Advance from the Target Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment to the Target Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	210,156	210,156	-
Net cash (used in) from financing activities	(1,250)	(227,758)	189	(11,534)	(33,656)	(4,771)	(26,466)	(1,243)	(529)	37,058	2,142	(22,026)	(44,649)	(11,447)	-	269,986	(75,954)	(142,852)

	The Group	Unaudited pro forma adjustments in respect of the Disposals							
	For the year ended 31 December 2019 RMB'000 Note 1 (Audited)	Exclusion of the cash flow of Baoying Xinyuan for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Century Concord for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Energy Power for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Delingha Shidai for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Hainanzhou Shineng for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Hetian GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Gaotang GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Lanxi Jinrui for the year ended 31 December 2019 RMB'000 Note 3(a)
Net (decrease) increase in cash and cash equivalents	(362,480)	(6,644)	(4,395)	(1,671)	320	1,898	(544)	9,227	(391)
Cash and cash equivalents at beginning of the year									
Represented by									
– bank balances and cash	1,361,978	(2,463)	(16,598)	(4,353)	(638)	(11,752)	–	(19,196)	(97)
– bank balances and cash classified as held for sale	44,873	–	–	–	–	–	–	–	–
	1,406,851	(2,463)	(16,598)	(4,353)	(638)	(11,752)	–	(19,196)	(97)
Effect of exchange rate changes on the balance of cash held in foreign currencies	29,080	–	–	–	–	–	–	–	–
Cash and cash equivalents at end of the year									
Represented by									
– bank balances and cash	1,073,451	(9,107)	(20,993)	(6,024)	(318)	(9,854)	(544)	(9,969)	(488)

	Unaudited pro forma adjustments in respect of the Disposals										The Remaining Group after the completion of the Disposals
	Exclusion of the cash flow of Lianshui XInyuan for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Liaocheng Xiechang for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yanbian Xinneng for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yili GCL for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Yuncheng Xinhua for the year ended 31 December 2019 RMB'000 Note 3(a)	Exclusion of the cash flow of Zhongli Tenghui for the year ended 31 December 2019 RMB'000 Note 3(a)	Recognition of proceeds on the Disposals RMB'000 Note 3(b)	Reinstatement of intra-group cash flows RMB'000 Note 3(c)	Estimated costs and expenses in respect of the Disposals RMB'000 Note 3(d)	Total pro forma adjustments in respect of the Disposals RMB'000	For the year ended 31 December 2019 RMB'000 (Unaudited)
Net (decrease) increase in cash and cash equivalents	245	2,651	(615)	3,735	21,176	(3,780)	666,654	–	(7,000)	680,866	318,386
Cash and cash equivalents at beginning of the year											
Represented by											
– bank balances and cash	(665)	(7,840)	(7)	(3,816)	(39,542)	(692)	–	–	–	(107,659)	1,254,319
– bank balances and cash classified as held for sale	–	–	–	–	–	–	–	–	–	–	44,873
	(665)	(7,840)	(7)	(3,816)	(39,542)	(692)	–	–	–	(107,659)	1,299,192
Effect of exchange rate changes on the balance of cash held in foreign currencies	–	–	–	–	–	–	–	–	–	–	29,080
Cash and cash equivalents at end of the year											
Represented by											
– bank balances and cash	(420)	(5,189)	(622)	(81)	(18,366)	(4,472)	666,654	–	(7,000)	573,207	1,646,658

	Unaudited pro forma adjustments in respect of the Possible VSA																	The Group after the Disposals and the Possible VSA
	Inclusion of the cash flow of Baoying Xinyuan for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Century Concord for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Energy Power for the year ended 31 December 2019	Inclusion of the cash flow of Delingha Shidai for the year ended 31 December 2019	Inclusion of the cash flow of Hainanzhou Shineng for the year ended 31 December 2019	Inclusion of the cash flow of Hetian GCL for the year ended 31 December 2019	Inclusion of the cash flow of Gaotang GCL for the year ended 31 December 2019	Inclusion of the cash flow of Lanxi Jinrui for the year ended 31 December 2019	Inclusion of the cash flow of Lianshui XInyuan for the year ended 31 December 2019	Inclusion of the cash flow of Liaocheng Xiechang for the year ended 31 December 2019	Inclusion of the cash flow of Yanbian Xinneng for the year ended 31 December 2019	Inclusion of the cash flow of Yili GCL for the year ended 31 December 2019	Inclusion of the cash flow of Yuncheng Xinhua for the year ended 31 December 2019	Inclusion of the cash flow of Zhongli Tenghui for the year ended 31 December 2019	Payment of consideration for the Repurchase	Reinstatement of intra-group cash flows	Total pro forma adjustments in respect of the Possible VSA	For the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(a)	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(a)*	*Note 3(f)*	*Note 3(c)*		(Unaudited)
Net (decrease) increase in cash and cash equivalents	6,644	4,395	1,671	(320)	(1,898)	544	(9,227)	391	(245)	(2,651)	615	(3,735)	(21,176)	3,780	(558,995)	–	(580,207)	(261,821)
Cash and cash equivalents at beginning of the year																		
Represented by																		
– bank balances and cash	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,254,319
– bank balances and cash classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	44,873
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,299,192
Effect of exchange rate changes on the balance of cash held in foreign currencies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	29,080
Cash and cash equivalents at end of the year																		
Represented by																		
– bank balances and cash	6,644	4,395	1,671	(320)	(1,898)	544	(9,227)	391	(245)	(2,651)	615	(3,735)	(21,176)	3,780	(558,995)	–	(580,207)	1,066,451

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published condensed consolidated financial statements of the Group for the six months period ended 30 June 2020, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report of the Group for the year ended 31 December 2019.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposals and the Possible VSA of each of the Target Companies had concurrently taken place on 30 June 2020. The Company would like to draw the attention of the investors and other users of this Circular that the completion of the Disposals and the Possible VSA of each of the Target Companies is on company-by-company basis and is not inter-conditional upon each other. No representation is made that "all"/"each of the" 14 entities of the Target Companies at one time could have been or could be successfully disposed of to the Purchaser on that date. Investors and other users of this Circular should pay particular attention to the fact that the Group, depending on facts and circumstances and whether conditions precedent as set out in the Third Phase Share Purchase Agreements of each individual entity are fulfilled, might or might not be able to dispose of each of the 14 entities of the Target Companies to the Purchaser or might dispose of none at all. The number of entities to be disposed of, the actual timing of the disposals of each of the Target Companies and the corresponding financial effect are all subject to change upon the actual completion of the Disposals.

   (a) The adjustments represent the exclusion of assets and liabilities of the Target Companies as at 30 June 2020, assuming the disposals of each of the Target Companies had concurrently taken place on 30 June 2020. The assets and liabilities of each of the Target Companies are extracted from the statement of financial position as at 30 September 2020 set out in Appendix IIA, IIB, IIC, IID, IIE, IIF, IIG, IIH, II I, IIJ, IIK, IIL, IIM and IIN to this Circular.

   (b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the disposals of each of the Target Companies had concurrently taken place on 30 June 2020 and is calculated as follows:

		Notes	Baoying Xinyuan *RMB'000*	Delingha Century Concord *RMB'000*	Delingha Energy Power *RMB'000*	Delingha Shidai *RMB'000*	Hainanzhou Shineng *RMB'000*	Hetian GCL *RMB'000*	Gaotang GCL *RMB'000*	Lanxi Jinrui *RMB'000*	Lianshui Xinyuan *RMB'000*	Liaocheng Xiechang *RMB'000*	Yanbian Xinneng *RMB'000*	Yili GCL *RMB'000*	Yuncheng Xinhua *RMB'000*	Zhongli Tenghui *RMB'000*	Total *RMB'000*
Cash Consideration	A	(i)	13,491	221,546	27,813	67,201	47,803	3,404	48,104	26,326	29,583	8,426	40,098	26,510	27,930	78,419	666,654
Carrying amount of net assets of the Target Companies	B	(ii)	(14,838)	(272,470)	(22,317)	(51,650)	(73,509)	(43,209)	(90,499)	(66,007)	(32,573)	(47,854)	(76,005)	(40,145)	(36,824)	(121,935)	(989,835)
Estimated loss charged to profit or loss	A-B	(iii)	(1,347)	(50,924)	5,496	15,551	(25,706)	(39,805)	(42,395)	(39,681)	(2,990)	(39,428)	(35,907)	(13,635)	(8,894)	(43,516)	(323,181)

Notes:

(i) Pursuant to the Third Phase Share Purchase Agreements, the aggregate Consideration for the Disposals is RMB666,654,000. Details of the Consideration for each of the Target Companies are set out in the table above. For more details of consideration, please refer to "Basis of Consideration" set out in the announcement of the Company published on 19 November 2020.

The Consideration will be settled in three tranches. For the preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020, the Directors assumed the balance of RMB666,654,000 is accounted for as consideration receivable and included in

"Trade and other receivables" and is expected to be received within twelve months upon the completion of the Disposals, as the Directors expected that the relevant conditions in relation to the payments of Consideration could be fulfilled no later than twelve months since the completion of the Disposals.

In the opinion of the Directors, the current and deferred tax impact in relation to the Disposals and the fair value of the Put Options granted are insignificant and therefore, have not been taken into account in the estimated loss on the Disposals.

(ii) The amount represents the carrying amount of the net assets of each of the Target Companies as at 30 September 2020 which is extracted from the statement of financial position of each of the Target Companies as at 30 September 2020 as set out in Appendix IIA, IIB, IIC, IID, IIE, IIF, IIG, IIH, II I, IIJ, IIK and IIN to this Circular. For Yili GCL and Yuncheng Xinhua, non-wholly owned subsidiary of the Group, a reconciliation of the net assets attributable to the Company is calculated as follows:

	Yili GCL	**Yuncheng Xinhua**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of net assets as at 30 September 2020	71,040	72,203	
Shareholding	*56.51%	*51%	
Carrying amount of net assets attributable to the Company as at 30 September 2020	40,145	36,824	76,969
Carrying amount of net assets attributable to non-controlling interests as at 30 September 2020	30,895	35,379	66,274

Carrying amount of net assets of Yili GCL and Yuncheng Xinhua are extracted from the statement of financial position of Yili GCL and Yuncheng Xinhua as at 30 September 2020 as set out in Appendix IIL and IIM to this circular respectively.

(iii) Since the carrying amount of net assets of each of the Target Companies on the date of actual completion of the Disposals may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the Disposals of each of the Target Companies may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon the actual completion of the Disposals.

(c) The adjustment represents the reinstatement of intra-group current-account balances, which have been eliminated at consolidation. In the opinion of the Directors, the effect of imputed interest of the amounts due from the Target Companies owned by the Group is insignificant.

(d) The transaction costs represent professional fee directly attributable to the Disposals which are estimated to be RMB7,000,000 and it is assumed that the fees will be settled by cash. The amount of professional fee is subject to change upon the actual completion of the Disposals.

No adjustment has been made to this Pro Forma Financial Information for professional fee directly attributable to the Possible VSA as the directors determined that the costs are insignificant.

(e) The adjustments reflect the repurchase of total assets and total liabilities of the Target Companies arising from the repurchase of the Target Companies upon the assumed exercise of the Put Options by the Purchaser, assuming that the Possible VSA had taken place on 30 June 2020.

At the pro forma acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value assuming the Possible VSA had taken place. The net carrying amount of the identifiable assets acquired and liabilities assumed exceeds the consideration transferred (see Note 2(b) for details), the management allocated the difference as the pro forma adjustments on property, plant and equipment in accordance with IFRS 3 *Business Combinations*.

		Notes	Baoying Xinyuan RMB'000	Delingha Century Concord RMB'000	Delingha Energy Power RMB'000	Delingha Shidai RMB'000	Hainanzhou Shineng RMB'000	Hetian GCL RMB'000	Gaotang GCL RMB'000	Lanxi Jinrui RMB'000	Lianshui Xinyuan RMB'000	Liaocheng Xiechang RMB'000	Yanbian Xinneng RMB'000	Yili GCL RMB'000	Yuncheng Xinhua RMB'000	Zhongli Tenghui RMB'000	Total RMB'000
Carrying amount of property, plant and equipment	A	(i)	35,522	556,757	54,604	112,426	232,388	148,807	214,441	254,901	93,582	135,288	249,668	150,414	224,280	368,009	2,831,087
Pro forma adjustments on property, plant and equipment	B	(ii)	(1,347)	(50,924)	5,496	15,551	(25,706)	(39,805)	(42,395)	(39,681)	(2,990)	(39,428)	(35,907)	(13,635)	(8,894)	(43,516)	(323,181)
Property, plant and equipment – acquired on acquisition of subsidiaries	A-B	(iii)	34,175	505,833	60,100	127,977	206,682	109,002	172,046	215,220	90,592	95,860	213,761	136,779	215,386	324,493	2,507,906

Notes:

(i) The amount represents the carrying amount of the property, plant and equipment of each of the Target Companies as at 30 September 2020 which is extracted from the statement of financial position of each of the Target Companies as at 30 September 2020 as set out in Appendix II to this Circular.

(ii) The amounts represents the assumed pro forma adjustments on property, plant and equipment of each of the Target Companies assuming that the Possible VSA had taken place on 30 June 2020.

(iii) Since the carrying amount of the property, plant and equipment of each of the Target Companies on the date of Repurchase may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Group, and the Repurchase of each of the Target Companies may not concurrently take place, the financial impact of the Repurchase is for illustrative purpose only and subject to change upon the actual completion of the Repurchase.

(f) The adjustments reflect the consideration paid for the Repurchase. The pro forma consideration for the Repurchase of the Target Companies will be calculated as the higher of the fair values to be determined by independent professional valuers or amount based on the formula set out in the Company's announcement dated 19 November 2020. In the opinion of the Directors, the financing impact of the consideration is insignificant and therefore, RMB666,654,000, being the fair value of consideration for the Disposals, is used as the consideration of Repurchase in the calculation of pro forma adjustment.

(g) Apart from notes above, no other adjustment has been made to reflect any result or other transactions of the Group entered into subsequent to 30 June 2020 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020.

(h) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2020 of the Remaining Group.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the year ended 31 December 2019, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2019. The Company would like to draw the attention of the investors and other users of this Circular that the completion of the disposals of each of the Target Companies is on company-by-company basis and is not inter-conditional upon each other. No representation is made that "all"/"each of the" 14 entities of the Target Companies at one time could have been or could be successfully disposed of to the Purchaser on that date. Investors and other users of this Circular should pay particular attention to the fact that the Group, depending on facts and circumstances and whether conditions precedent as set out in the Third Phase Share Purchase Agreements of each individual entity are fulfilled, might or might not be able to dispose of each of the 14 entities of the Target Companies to the Purchaser or might dispose of none at all. The number of entities to be disposed of, the actual timing of the disposals of each of the Target Companies and the corresponding financial effect are all subject to change upon the actual completion of the Disposals.

(a) The adjustments represent the exclusion of the results and cash flows of each of the Target Companies for the year ended 31 December 2019, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2019. The results and cash flows of each of the Target Companies for the year ended 31 December 2019 are extracted from the statement of profit or loss and other comprehensive income or the statement of cash flows of each of the Target Companies set out in Appendix II to this Circular.

(b) The adjustments represent the estimated loss on the Disposals charged to profit or loss, assuming the disposals of each of the Target Companies had concurrently taken place on 1 January 2019 and is calculated as follows:

		Notes	Baoying Xinyuan	Delingha Century Concord	Delingha Energy Power	Delingha Shidai	Hainanzhou Shineng	Hetian GCL	Gaotang GCL	Lanxi Jinrui	Lianshui Xinyuan	Liaocheng Xiechang	Yanbian Xinneng	Yili GCL	Yuncheng Xinhua	Zhongli Tenghui	Total
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash Consideration	A	(i)	13,491	221,546	27,813	67,201	47,803	3,404	48,104	26,326	29,583	8,426	40,098	26,510	27,930	78,419	666,654
Carrying amount of net assets of the Target Companies	B	(ii)	(14,756)	(279,546)	(22,578)	(51,179)	(69,948)	(42,738)	(87,971)	(72,843)	(27,875)	(41,428)	(64,411)	(30,801)	(32,270)	(113,180)	(951,524)
Estimated loss charged to profit or loss	A-B	(iii)	(1,265)	(58,000)	5,235	16,022	(22,145)	(39,334)	(39,867)	(46,517)	1,708	(33,002)	(24,313)	(4,291)	(4,340)	(34,761)	(284,870)

Notes:

(i) Pursuant to the Third Phase Share Purchase Agreements, the aggregate Consideration for the Disposals is approximately RMB666,654,000, details of the Consideration for each of the Target Companies are set out in the table above. The Directors assumed the Consideration would be received within twelve months upon the completion of the Disposals. Therefore, for the purpose of the preparation of unaudited pro forma condensed statement of cash flows, the Consideration for the Disposals is assumed to be fully collected during the year ended 31 December 2019, which is based on the satisfaction of relevant conditions pursuant to the Third Phase Share Purchase Agreements.

In the opinion of the Directors, the current and deferred tax impact in relations to the Disposals and the fair value of the Put Options granted are insignificant and therefore, has not been taken into account in the estimated loss on the Disposals.

(ii) The amount represents the carrying amount of the net assets of each of the Target Companies as at 1 January 2019 which is extracted from the statement of financial position of each of the Target Companies as at 31 December 2018 as set out in Appendix IIA, IIB, IIC, IID, IIE, IIF, IIG, IIH, II I, IIJ, IIK and IIN to this Circular. For Yili GCL and Yuncheng Xinhua, non-wholly owned subsidiary, a reconciliation of the net assets attributable to the Company is calculated as follows:

	Yili GCL	**Yuncheng Xinhua**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of net assets as at 31 December 2018	54,505	63,274	
Shareholding	*56.51%	*51%	
Carrying amount of net assets attributable to the Company as at 31 December 2018	30,801	32,270	63,071

Carrying amount of net assets of Yili GCL and Yuncheng Xinhua are extracted from the statement of financial position of Yili GCL and Yuncheng Xinhua as at 31 December 2018 as set out in Appendix IIL and IIM to this circular respectively.

(iii) The difference between the consideration paid for the Repurchase and the carrying amount assets and liabilities of the Target Companies will be recorded in accordance with IFRS 3 *Business Combinations*. Since the carrying amount of net assets of each of the Target Companies on the date of actual completion of the Disposals may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Remaining Group, and the disposals of each of the Target Companies may not concurrently take place, the financial impact of the Disposals is for illustrative purpose only and subject to change upon actual completion of the Disposals.

(c) The adjustment represents the reinstatement of intra-group transactions or cash flows between the Target Companies and the Remaining Group, which had been eliminated at consolidation, when preparing the Unaudited Pro Forma Financial Information for the year ended 31 December 2019.

(d) The transaction costs represent professional fee directly attributable to the Disposals which are estimated to be RMB7,000,000 and it is assumed that the fees will be settled by cash. The amount of professional fee is subject to change upon the actual completion of the Disposals.

No adjustment has been made to this Pro Forma Financial Information for professional fee directly attributable to the Possible VSA as the Directors determined that the costs are insignificant.

(e) The adjustments reflect the inclusion of result or cash flows of the Target Companies for the year ended 31 December 2019 after the Repurchase assuming that the Possible VSA had taken place on 1 January 2019.

(f) The adjustments reflect the net cash outflow arising from the Repurchase assuming that the Possible VSA had taken place on 1 January 2019.

The pro forma cash consideration payable for the Repurchase is as follows:

		Notes	Baoying Xinyuan RMB'000	Delingha Century Concord RMB'000	Delingha Energy Power RMB'000	Delingha Shidai RMB'000	Hainanzhou Shineng RMB'000	Hetian GCL RMB'000	Gaotang GCL RMB'000	Lanxi Jinrui RMB'000	Lianshui Xinyuan RMB'000	Liaocheng Xiechang RMB'000	Yanbian Xinneng RMB'000	Yili GCL RMB'000	Yuncheng Xinhua RMB'000	Zhongli Tenghui RMB'000	Total RMB'000
Cash Consideration paid	A	(i)	13,491	221,546	27,813	67,201	47,803	3,404	48,104	26,326	29,583	8,426	40,098	26,510	27,930	78,419	666,654
Less: Bank balances and cash	B	(ii)	(2,463)	(16,598)	(4,353)	(638)	(11,752)	-	(19,196)	(97)	(665)	(7,840)	(7)	(3,816)	(39,542)	(692)	(107,659)
Settlement of consideration payables for acquisition of subsidiaries with solar power plant projects	A-B	(iii)	11,028	204,948	23,460	66,563	36,051	3,404	28,908	26,229	28,918	586	40,091	22,694	(11,612)	77,727	558,995

Notes:

(i) The amounts represents the consideration paid for the Repurchase assuming the Possible VSA had taken place on 1 January 2019 (see Note 2(b) for details). For the purpose of Pro Forma Financial Information, it is assumed that the consideration paid for the Repurchase at 1 January 2019 is based on the fair value of the Target Companies, and there is no material change in the fair value from 1 January 2019 to 30 September 2020.

(ii) The amount represents the bank balances and cash of each of the Target Companies as at 1 January 2019 which is extracted from the statement of financial position of each of the Target Companies as at 31 December 2018 as set out in Appendix IIA, IIB, IIC, IID, IIE, IIF, IIG, IIH, II I, IIJ, IIK, IIL, IIM and IIN to this Circular.

(iii) Since the bank balances and cash of each of the Target Companies on the date of Repurchase may be different from the amounts used when preparing the Unaudited Pro Forma Financial Information of the Group, and the Repurchase of each of the Target Companies may not concurrently take place, the financial impact of the Repurchase is for illustrative purpose only and subject to change upon the actual completion of the Repurchase.

(g) Apart from notes above, no other adjustment has been made to reflect any result or other transactions of the Group entered into subsequent to 31 December 2019 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income or the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019.

(h) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the report, set out on pages IV-24 to IV-27 received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

3/F, Winbase Centre,
208 Queen's Road Central,
Hong Kong

TO THE DIRECTORS OF GCL NEW ENERGY HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of GCL New Energy Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2020, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the unaudited pro forma statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages IV-1 to IV-23 of the circular issued by the Company dated 22 January 2021 (the "**Circular**") in connection with the disposals of the entire equity interests in certain of its subsidiaries, including Baoying Xinyuan Photovoltaic Power Co., Ltd.* (寶應鑫源光伏發電有限公司), Delingha Century Concord Photovoltaic Power Co., Ltd.* (德令哈協合光伏發電有限公司), Delingha Energy Power Co., Ltd.* (德令哈陽光能源電力有限公司), Delingha Shidai New Energy Power Co., Ltd.* (德令哈時代新能源發電有限公司), Hainanzhou Shineng Photovoltaic Power Co., Ltd.* (海南州世能光伏發電有限公司), Hetian GCL Photovoltaic Power Co., Ltd.* (和田協鑫光伏電力有限公司), Gaotang County GCL Jinghui Photovoltaic Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司), Lanxi Jinrui Photovoltaic Power Co., Ltd.* (蘭溪金瑞太陽能發電有限公司), Lianshui Xinyuan Photovoltaic Power Co., Ltd.* (漣水鑫源光伏電力有限公司), Liaocheng Xiechang Photovoltaic Power Co., Ltd.* (聊城協昌光伏電力有限公司), Yanbian Xinneng Photovoltaic Power Co., Ltd.* (鹽邊鑫能光伏電力有限公司), Zhongli Tenghui Hainan Electric Power Co., Ltd.* (中利騰暉海南電力有限公司), 56.51% of equity interests in Yili GCL Energy Limited* (伊犁協鑫能源有限公司) and 51% of the equity interests in Yuncheng Xinhua Energy Development Co,. Ltd.* (鄆城鑫華能源開發有限公司) (hereafter collectively referred to as the "**Target Companies**"), which in aggregate constitute a very substantial disposal transaction (the "**Disposals**"), and the possible very substantial acquisition in relation to the grant of the options to buy back the Target Companies (together, the "**Possible Transactions**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-23 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Possible Transactions on the Group's financial position as at 30 June 2020 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Disposals had taken place at 30 June 2020 and 1 January 2019 respectively. As part of this process, information about the

* *The English names are for identification purpose only and the official names of the entities are in Chinese.*

Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020, on which a review report has been published, and the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2019, on which an audited report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Chan Chun Sing
Audit Engagement Director
Practising Certificate Number: P05537
Hong Kong, 22 January 2021

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in the Shares of the Company

	Number of shares				
Name of Director	**Beneficiary of a trust**	**Personal interests**	**Number of underlying shares** *(Note 1)*	**Total**	**Approximate percentage of issued shares** *(Note 2)*
Mr. ZHU Yufeng			3,523,100	3,523,100	0.02%
	1,905,978,301 *(Note 3)*			1,905,978,301	9.99%
Ms. HU Xiaoyan			19,125,400	19,125,400	0.10%
Ms. SUN Wei			27,178,200	27,178,200	0.14%
Mr. YEUNG Man Chung, Charles			15,099,000	15,099,000	0.08%
Mr. WANG Bohua			2,617,160	2,617,160	0.01%
Mr. XU Songda			2,617,160	2,617,160	0.01%
Mr. LEE Conway Kong Wai			2,617,160	2,617,160	0.01%
Mr. WANG Yanguo			1,006,600	1,006,600	0.01%
Dr. CHEN Ying			1,006,600	1,006,600	0.01%

Notes:

1 Adjustments have been made to the number of underlying shares as a result of the rights issue with effect from 2 February 2016. For further details, please refer to the Company's announcement dated 2 February 2016.

2 The percentage was calculated based on 19,073,715,441 Shares in issue as at the Latest Practicable Date.

3 Those Shares were beneficially owned by Dongsheng Photovoltaic Technology (Hong Kong) Limited. For further information of the shareholding structure of Dongsheng Photovoltaic Technology (Hong Kong) Limited, please refer to note 3 under section (ii) "Interests of substantial shareholders" below.

(b) Long positions in shares of associated corporations

	Number of ordinary shares in GCL-Poly				
Name of Director	**Beneficiary of a trust**	**Personal interests**	**Number of underlying shares**	**Total**	**Approximate percentage of issued shares** *(Note 1)*
Mr. ZHU Yufeng	6,370,388,156 *(Note 2)*	–	1,510,755 *(Note 3)*	6,371,898,911	30.13%
Ms. SUN Wei	–	5,723,000	1,712,189 *(Note 3)*	7,435,189	0.04%
Mr. YEUNG Man Chung, Charles	–	–	1,700,000 *(Note 3)*	1,700,000	0.01%

Notes:

1. The percentage was calculated based on 21,145,374,207 shares of GCL-Poly in issue as at the Latest Practicable Date.

2. Mr. Zhu Yufeng is beneficially interested in a trust as to 6,370,388,156 shares in GCL-Poly. An aggregate of 6,370,388,156 shares in GCL-Poly are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee for Mr. Zhu Gongshan (an executive director and the chairman of GCL-Poly) and his family (including Mr. Zhu Yufeng, a director of the Company and GCL-Poly respectively, and the son of Mr. Zhu Gongshan) as beneficiaries.

3. These are share options granted by GCL-Poly to the eligible persons, pursuant to the share option scheme of GCL-Poly, adopted by the shareholders of GCL-Poly on 22 October 2007. Such granted share options can be exercised by the eligible persons at various intervals during the period from 15 March 2016 to 28 March 2026 at an exercise price of HK$1.160 or HK$1.324 per share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Part XV of the SFO:

Name	**Nature of interest**	**Number of Shares**	**Approximate percentage in issued Shares** *(Note 1)*
Elite Time Global Limited *(Note 2)*	Beneficial owner	11,241,702,000	58.94%
GCL-Poly *(Note 2)*	Corporate interest	11,241,702,000	58.94%
Asia Pacific Energy Fund Limited *(Note 3)*	Corporate interest	1,905,978,301	9.99%
Asia Pacific Energy Holdings Limited *(Note 3)*	Corporate interest	1,905,978,301	9.99%
Credit Suisse Trust Limited *(Note 3)*	Other interest	1,905,978,301	9.99%
Dongsheng Photovoltaic Technology (Hong Kong) Limited *(Note 3)*	Corporate interest	1,905,978,301	9.99%
Golden Concord Group Limited *(Note 3)*	Corporate interest	1,905,978,301	9.99%
Golden Concord Group Management Limited *(Note 3)*	Corporate interest	1,905,978,301	9.99%
Zhu Gongshan *(Note 3)*	Beneficial owner	1,905,978,301	9.99%
營口其印投資管理有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%
協鑫新能科技(深圳)有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%
協鑫集團有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%
協鑫集成科技股份有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%
句容協鑫集成科技有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%
江蘇協鑫建設管理有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%
協鑫(遼寧)實業有限公司 *(Note 3)*	Corporate interest	1,905,978,301	9.99%

Notes:

1. The percentage was calculated based on 19,073,715,441 shares of the Company in issue as at the Latest Practicable Date.

2. Elite Time Global Limited is wholly-owned by GCL-Poly.

3. Dongsheng Photovoltaic Technology (Hong Kong) Limited is wholly-owned by 句容協鑫集成科技有限公司, which is in turn wholly-owned by 協鑫集成科技股份有限公司. 協鑫集團有限公司 and 營口其印投資管理有限公司 are controlling shareholders of 協鑫集成科技股份有限公司. 營口其印投資管理有限公司 is a party acting in concert with 協鑫集團有限公司. 協鑫集團有限公司 is 48.86% owned by 協鑫(遼寧)實業有限公司 and 51.14% owned by 江蘇協鑫建設管理有限公司. 協鑫(遼寧)實業有限公司 is wholly-owned by Mr. Zhu Gongshan (an executive director and the chairman of GCL-Poly and Mr. Zhu Yufeng's father). 江蘇協鑫建設管理有限公司 is wholly-owned by 協鑫新能科技(深圳)有限公司. 協鑫新能科技(深圳)有限公司 is wholly-owned by Golden Concord Group Management Limited which is in turn wholly-owned by Golden Concord Group Limited. Golden Concord Group Limited is in turn wholly-owned by Asia Pacific Energy Holdings Limited which is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee and Mr. Zhu Yufeng and his family, including Mr. Zhu Yufeng's father, Mr. Zhu Gongshan as beneficiaries.

Save as disclosed herein, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, the Company was not aware of any other persons who had any interest or short position in the Shares or underlying Shares.

3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

(i) Interests in competing interests

Each of the companies in the Golden Concord Group (a general reference to the companies in which Mr. Zhu Yufeng and his family members have a direct or indirect interest) operates within its own legal, corporate and financial framework. As at the Latest Practicable Date, the Golden Concord Group might have had or developed interests in business similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and the Directors would comply with the relevant requirements of the Byelaws and the Listing Rules whenever a Director has any conflict of interest in the transaction(s) with the Company. Therefore, the Directors believe that the Company is capable of carrying out its business independently of, and at arm's length from the Golden Concord Group.

Mr. Liu Genyu, an executive Director and Vice Chairman of the Company, is also the vice chairman of the board of directors and an executive director of China Nuclear Energy Technology Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 611) ("**China Nuclear Energy Technology**"). The Group is principally engaged in the sale of electricity, development, construction, operation and management of solar power plants. China Nuclear Energy Technology, through its subsidiaries, is principally engaged in new energy operations, including but not limited to, (a) provision of engineering, procurement and construction and consulting and general construction services relating to construction of photovoltaic power plants and other general construction and engineering services; (b) power generation operations; (c) financing operations; (d) the manufacturing and trading of solar power related products; and (e) inspection, maintenance, repair, construction, installation and provision of expertise in such works for nuclear power plants via its associated companies.

As such, the businesses of the Group and that of China Nuclear Energy Technology may be in competition and Mr. Liu Genyu may be deemed to have interests in competing businesses of the Group pursuant to Rule 8.10(2) of the Listing Rules. However, as at the Latest Practicable Date, as (i) Mr. Liu Genyu merely serves as executive directors of the Company and China Nuclear Energy Technology but is not interested in any equity interests of the Company and is not interested in 5% or above of equity interests in China Nuclear Energy Technology; (ii) the Company and China Nuclear Energy Technology have separate and independent management teams; and (iii) none of China Nuclear Energy Technology and/or its associates are involved or interested in the Transactions, the Company and the Board are of the view that Mr. Liu Genyu's overlapping directorships in the Company and China Nuclear Energy Technology do not affect the Company's operation and independence and does not present any direct conflict of interests.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

(ii) Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which was significant in relation to the business of the Group.

(iii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(i) the equity transfer agreements, the share repurchase agreements, the management entrustment agreement, the consultancy agreement, the debt relief undertakings and the guarantees dated 1 February 2019 entered into by Suzhou GCL New Energy and Ningxia GCL New Energy, as vendors with Greater Bay Area Asset Management Co. Ltd.* (粵港澳大灣區產融資產管理有限公司) (the "**GBA Asset Management**") as purchaser, in relation to the disposal of 100% equity interest in four subsidiaries of the Company (the "**Disposal Targets**") at a total consideration of approximately RMB420,000,000. In addition, Suzhou GCL New Energy agreed to (i) repurchase 100% equity interest in the Disposal Targets from GBA Asset Management; (ii) continue to be responsible for the management and operation of the Disposal Targets after the disposal; and (iii) pay Greater Bay Area Consulting (Guangdong) Ltd.* (灣區產融諮詢（廣東）有限公司), a company designated by GBA Asset Management, a total consultancy fee in the amount of approximately RMB10,500,000;

(ii) the share transfer agreements dated 28 March 2019 entered into between Suzhou GCL New Energy and Henan GCL New Energy Investment Company Limited* (河南協鑫新能源投資有限公司) as sellers and Wuling Power Corporation Ltd.* (五凌電力有限公司) as purchaser in relation to the disposal of 55% equity interest in three subsidiaries of the Company at a total consideration of RMB246,440,000;

(iii) the series of seven share purchase agreements dated 22 May 2019 entered into between Suzhou GCL New Energy as seller and Shanghai Rongyao New Energy Co., Ltd.* (上海榕耀新能源有限公司) as purchaser in relation to, among others, (i) the sale and purchases of 70% of the equity interests in Shanxi GCL New Energy Technologies Co., Ltd.* (山西協鑫新能源科技有限公司), Fenxi County GCL Photovoltaic Co., Ltd.* (汾西縣協鑫光伏電力有限公司), Ruicheng County GCL Photovoltaic Co., Ltd.* (芮城縣協鑫光伏電力有限公司), Yu County Jinyang New Energy Power Generation Co., Ltd.* (盂縣晉陽新能源發電有限公司), Yu County GCL Photovoltaic Co., Ltd.* (盂縣協鑫光伏電力有限公司), Hanneng Guangping County Photovoltaic Development Co., Ltd.* (邯能廣平縣光伏電力開發有限公司) and Hebei GCL New Energy Co., Ltd.* (河北協鑫新能源有限公司) (the "**Disposed Companies**") together with 70% of the outstanding shareholder's loan owed from the Disposed Companies to Suzhou GCL New Energy at an aggregate consideration of RMB1,740,616,700, and (ii) the grant of put options by Suzhou GCL New Energy to Shanghai Rongyao New Energy Co., Ltd. and/or the Disposed Companies;

(iv) the cooperation framework agreement dated 18 November 2019 entered into between the Company and China Huaneng Group, regarding the Company's disposal of (i) certain solar power plants in the PRC or (ii) certain project companies of the Group which operate those power plants to China Huaneng Group or its designated party;

(v) the First Phase Share Purchase Agreements;

(vi) the share purchase agreement dated 29 June 2020 entered into between Suzhou GCL New Energy as seller and CDB New Energy as purchaser in relation to disposal of 75% equity interest in one subsidiary of the Company at a total consideration of RMB136,624,000;

(vii) the Second Phase Share Purchase Agreements;

(viii) the share purchase agreements dated 16 November 2020 entered into between Suzhou GCL Energy and Anhui GCL New Energy Investment Co., Ltd.* (安徽協鑫新能源投資有限公司) ("Anhui GCL New Energy") (as the sellers) and Xuzhou State Investment (as the purchaser) in relation to disposal of equity interest in five subsidiaries of GCL-Poly and the Company at a total consideration of RMB276,436,993, as detailed in the joint announcement of GCL-Poly and the Company dated 16 November 2020;

(ix) the Third Phase Share Purchase Agreements;

(x) the share purchase agreements dated 22 November 2020 entered into between Suzhou GCL Energy and Anhui GCL New Energy (as the sellers) and Xuzhou State Investment (as the purchaser) in relation to disposal of equity interest in five subsidiaries of GCL-Poly and the Company at a total consideration of RMB312,728,221, as detailed in the joint announcement of GCL-Poly and the Company dated 22 November 2020;

(xi) the share purchase agreement dated 4 December 2020 entered into between Suzhou GCL New Energy as seller and Beijing United Rongbang as purchaser in relation to disposal of 99.2% equity interest in one subsidiary of the Company at a total consideration of RMB211,100,000; and

(xii) the share purchase agreements dated 10 December 2020 entered into between Suzhou GCL New Energy and Guangxi GCL New Energy Investment Co., Ltd.* (廣西協鑫新能源投資有限公司) (as the sellers) and Weining Energy as the purchaser in relation to disposal of 70.36% equity interest in Qinzhou Xin Jin Solar Power Co., Ltd.* (欽州鑫金光伏電力有限公司), 67.95% equity interest in Shanglin GCL Solar Power Co., Ltd.* (上林協鑫光伏電力有限公司), the entire equity interest in Nanning Jinfu Electric Power Co., Ltd.* (南寧金伏電力有限公司) and the entire equity interest in Hainan Tianlike New Energy Project Investment Co., Ltd.* (海南天利科新能源項目投資有限公司) at a total consideration of RMB291,300,000.

6. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who have given its opinions or advice which are included in this circular:

Name	Qualifications
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants Registered Public Interest Entity Auditors

As at the Latest Practicable Date, McMillan did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, McMillan had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of the references to its name and/or its opinion or statements in the form and context in which they respectively appear.

As at the Latest Practicable Date, McMillan did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

8. GENERAL

(i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(ii) The principal place of business of the Company in Hong Kong is situated at Unit 1707A, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(iii) The branch share registrar and transfer office of the Company is Tricor Abacus Limited situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iv) The company secretary of the Company is Mr. Ho Yuk Hay, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of both the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

(v) In case of inconsistencies, the English texts of this circular shall prevail over the Chinese texts thereof.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1707A, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from 9:00 a.m. to 5:30 p.m. on any business day for a period of 14 days from the date of this circular:

(i) the memorandum of association and bye-laws of the Company;

(ii) the interim report of the Company for the six months ended 30 June 2020 and the annual reports of the Company for each of the financial years ended 31 December 2017, 2018 and 2019;

(iii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(iv) the circular of the Company dated 29 April 2020 in relation to, among others, (i) the sale and purchases of the entire equity interests in the target companies under the First Phase Share Purchase Agreements at a total consideration of RMB850,500,000, and (ii) the grant of First Phase Put Options to Huaneng No. 1 Fund and Huaneng No. 2 Fund;

(v) the circular of the Company dated 4 December 2020 in relation to, among others, (i) the sale and purchases of the entire equity interests in the target companies under the Second Phase Share Purchase Agreements at a total consideration of RMB576,001,213, and (ii) the grant of Second Phase Put Options to Huaneng No. 1 Fund and Huaneng No. 2 Fund;

(vi) the circular of the Company dated 28 December 2020 in relation to, among others, the sale and purchases of the 90% equity interest in each of Dangshan GCL, Funan GCL, Hefei Xinren and Tianchang GCL and 50% equity interest in Taihu Xinneng at a total consideration of RMB312,728,221 to Xuzhou State Investment;

(vii) the accountants' reports on historical financial information of each of the Target Companies from McMillan, the text of which is set out in Appendix II to this circular;

(viii) the report on the unaudited pro forma financial information of the Group from McMillan, the text of which is set out in Appendix IV to this circular;

(ix) the written letter of consent referred to in the section headed "7. Experts' Qualifications and Consents" in this appendix; and

(x) this circular.

GCL New Energy Holdings Limited
協鑫新能源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 451)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of GCL New Energy Holdings Limited (the "**Company**") will be held at Strategy II–III, Level 8, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Wednesday, 10 February 2021 at 10 a.m. for the purpose of considering and, if thought fit, approving the following resolution as an ordinary resolution of the Company.

The following resolution will be considered and, if thought fit, approved by the Shareholders, with or without amendments, at the SGM:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the series of 14 share purchase agreements dated 19 November 2020 entered into between Suzhou GCL New Energy Investment Co., Ltd.* (蘇州協鑫新能源投資有限公司), Jiangsu GCL New Energy Co., Ltd.* (江蘇協鑫新能源有限公司), Nanjing GCL New Energy Development Co., Ltd.* (南京協鑫新能源發展有限公司), Qinghai GCL New Energy Co,. Ltd.* (青海協鑫新能源有限公司), and Shandong GCL New Energy Co,. Ltd.* (山東協鑫新能源有限公司) (collectively the "**Sellers**"), GCL Group Limited* (協鑫集團有限公司) (the "**Guarantor**") and Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融一號(天津)股權投資基金合夥企業(有限合夥)) and Huaneng Gongrong No.2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融二號(天津)股權投資基金合夥企業(有限合夥)) (the "**Purchasers**") (the "**Third Phase Share Purchase Agreements**") in relation to:

      (i) sale and purchases of the entire equity interests in Baoying Xinyuan Photovoltaic Power Co., Ltd.* (寶應鑫源光伏發電有限公司), Delingha Century Concord Photovoltaic Power Co., Ltd.* (德令哈協合光伏發電有限公司), Delingha Energy Power Co., Ltd.* (德令哈陽光能源電力有限公司), Delingha Shidai New Energy Power Co., Ltd.* (德令哈時代新能源發電有限公司), Hainanzhou Shineng Photovoltaic Power Co., Ltd.* (海南州世能光伏發電有限公司), Hetian GCL Photovoltaic Power Co., Ltd.* (和田協鑫光伏電力有限公司), Gaotang

County GCL Jinghui Photovoltaic Co., Ltd.* (高唐縣協鑫晶輝光伏有限公司), Lanxi Jinrui Photovoltaic Power Co., Ltd.* (蘭溪金瑞太陽能發電有限公司), Lianshui Xinyuan Photovoltaic Power Co., Ltd.* (漣水鑫源光伏電力有限公司), Liaocheng Xiechang Photovoltaic Power Co., Ltd.* (聊城協昌光伏電力有限公司), Yanbian Xinneng Photovoltaic Power Co., Ltd.* (鹽邊鑫能光伏電力有限公司) and Zhongli Tenghui Hainan Electric Power Co., Ltd.* (中利騰暉海南電力有限公司), 56.51% equity interest in Yili GCL Energy Limited* (伊犁協鑫能源有限公司) and 51% equity interest in Yuncheng Xinhua Energy Development Co,. Ltd.* (鄆城鑫華能源開發有限公司) (the "**Third Phase Disposals**"); and

(ii) grant of put options by the Sellers to the Purchasers under the Third Phase Share Purchase Agreements, pursuant to which the Purchasers are entitled to, upon the occurrence of certain specified events, request the Seller(s) to repurchase the respective equity interest in the target company(ies) specified in (i) above and the relevant unpaid shareholder's loans at the time (the "**Third Phase Put Options**"), be and is hereby approved, ratified and confirmed; and

(b) any director of the Company be and is hereby authorised for and on behalf of the Company to execute (including affixing the seal of the Company in accordance with the articles of association of the Company to) all such documents and do all such acts and things as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Third Phase Disposals and the Third Phase Put Options and the transactions contemplated under the Third Phase Share Purchase Agreements and all matters incidental or ancillary thereto."

By order of the Board
GCL New Energy Holdings Limited
協鑫新能源控股有限公司
Zhu Yufeng
Chairman

Hong Kong, 22 January 2021

* *For identification purpose only*

Notes:

(1) Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof.

(3) Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened and in such event, the form of proxy shall be deemed to be revoked. It is advised that all Shareholders, particularly Shareholders who are subject to quarantine in relation to Coronavirus Disease 2019 (COVID-19), that they may appoint any person or the chairman of the SGM as a proxy to vote on the resolution, instead of attending the SGM in person. The form of proxy can be downloaded from the website of the Company at www.gclnewenergy.com or HKEXnews at www.hkexnews.hk.

(4) In the case of joint registered holders of any share, any one of such joint registered holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the SGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(5) Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the above meeting will be on 5 February 2021. In order to be eligible to attend and vote at the SGM, unregistered holders of the shares shall 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 Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4: 30 p.m. (Hong Kong time) on 5 February 2021.

(6) If Typhoon Signal No. 8 or above, or "extreme conditions" is caused by super typhoon announced by the Government of Hong Kong, or a "black" rainstorm warning is in effect any time after 8 a.m. on the date of the SGM, the SGM will be postponed. Shareholders may visit the website of the Company at www.gclnewenergy.com for details of the postponement and alternative meeting arrangement.

(7) In view of the ongoing COVID-19 epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the SGM to protect the Shareholders, staff and other stakeholders who attend the SGM from the risk of infection:

(i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry into the SGM venue or be required to leave the SGM venue;

(ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats (please bring your own mask);

(iii) no refreshment will be served at the SGM;

(iv) no souvenirs will be distributed at the SGM; and

(v) no guest will be allowed to enter the SGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong.