



**ZHENENG JINJIANG ENVIRONMENT HOLDING COMPANY LIMITED**

浙能锦江环境控股有限公司

(Company Registration Number: 245144)

(Incorporated in the Cayman Islands on 8 September 2010)

**ANNOUNCEMENT PURSUANT TO RULES 704(6), 704(5) AND 705(2) OF THE LISTING MANUAL**

- (1) MATERIAL ADJUSTMENTS BETWEEN AUDITED AND UNAUDITED FULL YEAR RESULTS**
- (2) EMPHASIS OF MATTER BY INDEPENDENT AUDITORS**
- (3) RESUMPTION OF QUARTERLY REPORTING**

**1. MATERIAL ADJUSTMENTS BETWEEN AUDITED AND UNAUDITED FULL YEAR RESULTS**

The Board of Directors (the “**Board**”) of Zheneng Jinjiang Environment Holding Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to (i) the Company’s announcement dated 30 April 2020 in relation to the unaudited fourth quarter and full year financial statements for the period ended 31 December 2019 (“**Unaudited Financial Statements**”) and (ii) the Company’s announcement dated 29 May 2020 (the “**Announcement**”) in relation to the syndicated term loan facility of an aggregate amount of US\$200,000,000 and RMB100,000,000 (the “**Facility**”). Capitalised terms used herein and not otherwise defined shall bear the same meanings ascribed to them in the Announcement.

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Manual**”), the Board wishes to announce that subsequent to the release of the Unaudited Financial Statements, the Company’s independent auditors (the “**Auditors**”) have proposed, and the Company’s management has adopted:

- (a) the re-classification of the entire outstanding amount of RMB1,265,469,000 owing by the Group under the Facility from non-current liabilities to current liabilities as a result of the technical breaches by the Company of the Relevant Financial Covenant as disclosed in the Announcement;
- (b) the re-classification of RMB3,011,330,000 in amounts due from subsidiaries from current assets to non-current assets as the Company is not seeking repayment from the subsidiaries within the next twelve months after the end of the financial year based on its current financing plan;
- (c) an increase of RMB7,460,000 profit before tax due to construction services provided under build-operate-transfer concession agreements, following re-computation based on the progress of completion of the Kunming Wuhua construction project (this comprises RMB54,710,000 of revenue offset with RMB47,250,000 of cost of sales); and
- (d) an increase of RMB6,610,000 in cost of sales arising from the accrual of expenses for the treatment of fly ash by certain of the Group’s waste-to-energy facilities.

Accordingly, there are material adjustments between the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Statements of Financial Position reported in the audited financial statements for the financial year ended 31 December (“FY”) 2019 (“**Audited Financial Statements**”) in the Company’s annual report for FY2019, which was released to the SGX-ST via SGXNET and despatched to shareholders of the Company (“**Shareholders**”) on 9 June 2020, and the Unaudited Financial Statements released on 30 April 2020.

**As disclosed in the Announcement, the Company has not received any notice for accelerated repayment from the Agents. The Company has been further informed by the Agents that none of the syndicate lenders under the Facility have requested for accelerated repayment, and the Agents are still in discussions with the remaining syndicate lenders in relation to the Waiver.**

Further details of the material adjustments between the Audited Financial Statements as compared to the Unaudited Financial Statements are set out in the Appendix to this announcement.

## **2. EMPHASIS OF MATTER BY INDEPENDENT AUDITORS**

Pursuant to Rule 704(5) of the Listing Manual, the Board wishes to announce that the Auditors have included in its report (the “**Independent Auditors’ Report**”) an emphasis of matter in respect of the Audited Financial Statements (the “**Emphasis of Matter**”). The Auditors have **not** qualified or modified its opinion in the Independent Auditors’ Report.

Note 1 to the Audited Financial Statements indicates, among other things, that the Group’s current liabilities exceeded its current assets by RMB3,414.7 million mainly due to the following:

- (a) US\$200 million (equivalent to RMB1.4 billion) in aggregate principal amount of 6.0% senior unsecured notes (the “**Notes**”) which are due and payable on 27 July 2020, and the Group is in discussion with the lenders to finalise additional syndicated loan facilities to repay the Notes that are maturing; and
- (b) classification of the entire outstanding amount under the Facility as current liabilities as the Group has not met the Relevant Financial Covenant,

which exposed the Group to liquidity risk if the Group could not fulfil its financial obligations. As stated in Note 1, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern, and the ability of the Group to continue as a going concern is dependent on the following:

- (i) the Group’s ability to secure additional overseas syndicated loan facilities prior to the maturity of the Notes;
- (ii) the Group’s success in issuing asset-backed securities (“**ABS**”) to qualified investors in the People’s Republic of China (“**PRC**”) to provide further liquidity to the Group’s operations;
- (iii) the Facility will not be recalled by its lenders for the next 12 months; and
- (iv) the Group’s ability to generate positive cash flows from its operations.

Notwithstanding the above, the Company has adopted the going concern basis for the preparation of its consolidated financial statements, after considering the following:

- (A) the cashflow forecast prepared by management for the next 12 months to 31 December 2020 indicates that the Group has sufficient cash and cash equivalents and adequate bank facilities to support its operations and meet its payment obligations as and when they fall due, and is based on the following key assumptions:
  - (I) completion of the refinancing of certain borrowings and lease liabilities that are due for repayment within the next 12 months up to 31 December 2020 amounting to approximately RMB900 million and securing of new borrowings and lease liabilities amounting to approximately RMB700 million; and
  - (II) the successful completion of the refinancing proposals set out in (B) below;
- (B) management is actively pursuing various proposals to refinance the Notes mainly through, among others, (i) securing additional overseas syndicated loan facilities amounting to approximately US\$270 million by early July 2020 with a view to effecting drawdowns by the middle of July 2020 for repayment of the Notes on 27 July 2020, in tandem with which Zhejiang Provincial Energy Group Co., Ltd. (“**Zheneng Group**”) as an applicant, with the Company as a borrower, has sought the relevant approvals from the National Development and Reform Commission and (ii) issuing ABS amounting to approximately RMB1 billion, to qualified investors in the PRC; and
- (C) the Group will continue to actively seek the support of the Group’s largest controlling shareholder Zheneng Group, which is a state-owned provincial energy enterprise with great financial strength and good credit standing that can enhance the stability of the Group’s capital structure. This will help to improve the Group’s financing channels and reduce financing costs in relation to the Group’s current and future fund-raising plans, so as to strengthen the working capital of the Group.

A copy of the Independent Auditors’ Report and an extract of Note 1 to the Audited Financial Statements is attached to this announcement.

In view of the foregoing, the Board is of the opinion that the Company and the Group will be able to continue as going concerns, and therefore, trading of the Company’s shares should not be suspended pursuant to Rule 1303(3) of the Listing Manual. The Board confirms that to the best of its knowledge and belief, all material and sufficient information have been disclosed and announced for trading of the Company’s shares to continue in an orderly manner.

The Board will also continue to monitor and promptly announce any subsequent events that may have changed its views on the Group’s ability to operate as a going concern and/or the validity of the basis previously disclosed to Shareholders.

The Audited Financial Statements and the Independent Auditors’ Report are contained in the Company’s annual report for FY2019, which has been released via the SGXNET and on the Company’s corporate website at <http://znjihj.com/info.html> on 9 June 2020. Shareholders are advised to read this announcement in conjunction with the Independent Auditor’s Report and the Company’s annual report for FY2019 and to read the aforementioned documents in their entirety.

### 3. RESUMPTION OF QUARTERLY REPORTING

The Board refers to the Company's announcement dated 8 May 2020 in relation to the Company's decision not to continue to announce its financial statements on a quarterly basis ("**Quarterly Reporting**") following recent amendments to the Listing Manual which took effect on 7 February 2020 under which the Company was no longer required to carry out Quarterly Reporting at such time.

Under Rule 705(2) of the Listing Manual, an issuer is required to carry out Quarterly Reporting if, among other things, its auditors have stated that a material uncertainty relating to going concern exists in the issuer's latest financial statements. Under Rule 705(2A) of the Listing Manual, an issuer must continue to comply with Rule 705(2) for so long as any condition in Rule 705(2) is met.

The Board wishes to announce that following the Emphasis of Matter in respect of the Audited Financial Statements, pursuant to Rule 705(2) of the Listing Manual, the Company is required to carry out Quarterly Reporting for so long as any condition in Rule 705(2) is met.

### 4. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

### BY ORDER OF THE BOARD

Wei Dongliang  
Executive Chairman

9 June 2020

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## APPENDIX

### Extract from the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group FY2019			Adjustment RMB'000	Explanation
	Audited Financial Statements RMB'000	Unaudited Financial Statements RMB'000			
Revenue	3,877,541	3,822,831		54,710	See Note (1) below
Cost of sales	(2,927,715)	(2,873,855)		(53,860)	See Note (2) below
<b>Gross profit</b>	<u>949,826</u>	<u>948,976</u>		850	See Notes (1) and (2) below
<b>Profit before tax</b>	306,197	305,347		850	See Notes (1) and (2) below
Income tax expense	142,229	142,016		213	See Notes (1) and (2) below
<b>Profit for the year</b>	<u>163,968</u>	<u>163,331</u>		637	See Notes (1) and (2) below
<b>Total comprehensive income for the year</b>	<u>164,306</u>	<u>163,669</u>		637	See Notes (1) and (2) below
<b>Profit for the year:</b>					
Attributable to:					
Owners of the Company	153,324	152,899		425	See Notes (1) and (2) below
Non-controlling interests	10,644	10,432		212	-
	<u>163,968</u>	<u>163,331</u>		637	See Notes (1) and (2) below
<b>Total comprehensive income for the year:</b>					
Attributable to:					
Owners of the Company	153,662	153,237		425	See Notes (1) and (2) below
Non-controlling interests	10,644	10,432		212	-
	<u>164,306</u>	<u>163,669</u>		637	See Notes (1) and (2) below
Earnings per share:					
- Basic and Diluted (RMB cents)	10.61	10.58		0.03	See Notes (1) and (2) below

**Notes:**

- (1) Due to an increase of RMB54,710,000 in revenue from construction services provided under build-operate-transfer concession agreements, following re-computation based on the progress of completion of the Kunming Wuhua construction project.
- (2) Due to an increase of RMB47,250,000 in cost of sales from construction services provided under build-operate-transfer concession agreements for the Kunming Wuhua construction project and an increase of RMB6,610,000 in cost of sales arising from the accrual of expenses for the treatment of fly ash by certain of the Group's waste-to-energy facilities.

### Extract from the Statements of Financial Position

	Group FY2019			Company FY2019			Explanation
	Audited Financial Statements (RMB'000)	Unaudited Financial Statements (RMB'000)	Adjustment (RMB'000)	Audited Financial Statements (RMB'000)	Unaudited Financial Statements (RMB'000)	Adjustment (RMB'000)	
<b>Current assets</b>							
Amounts due from related parties	548,750	564,215	(15,465)	-	-	-	-
Amounts due from subsidiaries	-	-	-	-	3,011,330	(3,011,330)	See Note (1) below
<b>Total current assets</b>	<b>3,705,959</b>	<b>3,721,424</b>	<b>(15,465)</b>	<b>145,677</b>	<b>3,157,007</b>	<b>(3,011,330)</b>	See Note (1) below
<b>Non-current assets</b>							
Property, plant and equipment	8,233,955	8,234,341	(386)	-	-	-	See Note (2) below
Intangible assets	3,585,943	3,530,847	55,096	-	-	-	See Note (2) below
Amounts due from subsidiaries	-	-	-	3,011,330	-	3,011,330	See Note (1) below
<b>Total non-current assets</b>	<b>12,902,684</b>	<b>12,847,974</b>	<b>54,710</b>	<b>4,809,477</b>	<b>1,798,147</b>	<b>3,011,330</b>	See Notes (1) and (2) below
<b>Total assets</b>	<b>16,608,643</b>	<b>16,569,398</b>	<b>39,245</b>	<b>4,955,154</b>	<b>4,955,154</b>	<b>-</b>	See Notes (1) and (2) below
<b>Current liabilities</b>							
Borrowings	3,472,771	2,207,302	1,265,469	1,306,595	126,297	1,180,298	See Note (3) below
Trade and other payables	1,745,256	1,733,521	11,735	9,006	6,006	3,000	-
Amount due to related parties	154,180	127,520	26,660	-	-	-	-
Income tax liabilities	109,384	111,037	(1,653)	-	-	-	-
<b>Total current liabilities</b>	<b>7,120,617</b>	<b>5,818,406</b>	<b>1,302,211</b>	<b>2,824,705</b>	<b>1,641,407</b>	<b>1,183,298</b>	See Note (3) below
<b>Net current (liabilities) assets</b>	<b>(3,414,658)</b>	<b>(2,096,982)</b>	<b>(1,317,676)</b>	<b>(2,679,028)</b>	<b>1,515,600</b>	<b>(4,194,628)</b>	See Notes (1), (2) and (3) below
<b>Total assets less current liabilities</b>	<b>9,488,026</b>	<b>10,750,992</b>	<b>(1,262,966)</b>	<b>2,130,449</b>	<b>3,313,747</b>	<b>(1,183,298)</b>	See Note (3) below
<b>Non-current liabilities</b>							
Borrowings	2,566,525	3,831,994	(1,265,469)	-	1,180,298	(1,180,298)	See Note (3) below
Deferred tax liabilities	482,746	480,880	1,866	-	-	-	-
<b>Total non-current liabilities</b>	<b>3,673,357</b>	<b>4,936,960</b>	<b>(1,263,603)</b>	<b>-</b>	<b>1,180,298</b>	<b>(1,180,298)</b>	See Note (3) below
<b>Net assets</b>	<b>5,814,669</b>	<b>5,814,032</b>	<b>637</b>	<b>2,130,449</b>	<b>2,133,449</b>	<b>(3,000)</b>	-

**Notes:**

- (1) Due to approximately RMB3,011,330,000 in amounts due from subsidiaries being re-classified from current assets to non-current assets as in view of the progress of the Company's current financing plan, it is not seeking to demand repayment from the subsidiaries within the next twelve months after the end of the financial year, and this resulted in an increase in non-current amounts due from subsidiaries and total non-current assets, and a corresponding decrease in current amounts due from subsidiaries, total current assets and net current assets for FY2019 in the Audited Financial Statements, as compared to the Unaudited Financial Statements.
- (2) Due to an increase of RMB54,710,000 in intangible assets from construction services provided under build-operate-transfer concession agreements, following re-computation based on the progress of completion of the Kunming Wuhua construction project and a reclassification of RMB386,000 from property, plant and equipment to intangible assets.
- (3) Due to the entire outstanding amount of RMB1,265,469,000 owing by the Group under the Facility being re-classified from non-current liabilities to current liabilities as a result of technical breaches by the Company of the Relevant Financial Covenant, this resulted in an increase of approximately RMB1,265.5 million in current borrowings, total current liabilities and net current liabilities and a corresponding decrease in non-current borrowings, total assets less current liabilities and total non-current liabilities for FY2019 in the Audited Financial Statements, as compared to the Unaudited Financial Statements.