



**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)

**RESPONSES TO SGX-ST'S QUERIES REGARDING UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2022**

The Board of Directors (the “**Board**”) of Zheneng Jinjiang Environment Holding Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 17 March 2023 regarding the Company’s announcement dated 27 February 2023 of its unaudited results for the fourth quarter and full year ended 31 December 2022 (the “**FY2022 Results Announcement**”). The Company sets out the SGX-ST’s queries and its responses as follows:

**Question:** The Group reported trade and other receivables amounting to RMB 3.76 billion which represented 92% of the Group’s revenue of RMB 4.07 billion for the period ended 31 December 2022.

**Please disclose:**

- (i) the breakdown of the Group’s trade and other receivables;
- (ii) for other receivables, the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;
- (iii) the ageing profile of the Group’s trade and other receivables/trade receivables in bands of 3 months;
- (iv) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;
- (v) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;
- (vi) whether these customers are still in operation; and
- (vii) the Board’s assessment on the recoverability of the Group’s trade and other receivables/trade receivables, and the basis for such an assessment.

Response:

- (i) The figure of RMB3.76 billion comprises trade and other receivables of approximately RMB2,949.1 million and service concession receivables of RMB811.5 million. The breakdown of the Group's trade and other receivables is as follows:

	RMB'000
Trade receivables - third parties	2,041,584
Less: Loss allowance	(31,673)
Bills receivables	19,959
	<u>2,029,870</u>
Amount due from non-controlling interests - trade	13,773
	<u>2,043,643</u>
Advances to suppliers	219,258
Other receivables:	
- Staff advances	19,864
- Refundable deposits	112,141
- Compensation receivable on closure of WTE plant	198,241
- Others	37,450
Less: Loss allowance	(42,356)
Sub-total of other receivables	<u>325,340</u>
Amount due from non-controlling interests - non-trade	11,030
Other tax recoverable	
- Value added tax	311,574
- Others	1,054
Prepayments	37,186
Total trade and other receivables	<u>2,949,085</u>

- (ii) Advances to suppliers comprise the prepayments agreed in the Group's equipment procurement contracts and project construction contracts for its projects under construction. Prepayments for equipment are mainly in respect of equipment with higher value, more bespoke specifications or longer production cycle, and some suppliers require the company to make partial prepayment of the price before production or shipment. Prepayments for project construction are mainly in respect of engineering and construction technical service contracts and engineering, procurement, and construction contracts, where advance payments are made to suppliers in accordance with contractual agreements. The above payment methods are also commonly used in equipment procurement, construction and installation contracts in the People's Republic of China. These contracts are being performed normally and the corresponding equipment will be eventually classified as long-term assets of the Group in line with the continued progress of performance of the contracts.

Other receivables mainly comprise refundable deposits and compensation receivable on closure of a waste-to-energy ("WTE") plant. Refundable deposits mainly related to deposits for the purchase of equipment, purchase of land use rights, rentals, project tenders and project operating deposits. These deposits are refundable upon completion of service contracts and full settlement of outstanding balance. Compensation receivable on closure of WTE plant relates to the closure of Zibo Jinjiang WTE Facility, for which the Group signed a compensation agreement with the local government.

The non-trade amount due from non-controlling interests relates to the capital contributions in respect of a subsidiary of the Group which are to be returned to the Group pro rata to its shareholding proportion by the other shareholder of the subsidiary following the cessation of the underlying project. These balances have been settled following the winding up of the subsidiary in early 2023.

Other tax recoverable mainly comprises input value added tax (“VAT”), which will be offset against the output VAT payable in future.

Prepayments comprise one-off payments made by the Group in advance to the government and its suppliers for pollution emission rights, water exploiting rights from Yellow River and others to be utilised in the future, which were made in accordance with the relevant contractual terms and which mainly have an amortization period of more than 1 year.

All of these other receivables were incurred in the ordinary course of business.

- (iii) The aging analysis of trade receivables and bills receivable due from third parties, net of loss allowance for trade and bill receivables is as follows:

	RMB'000
Current	1,676,550
Within 60 days	57,863
60 days to 90 days	30,314
90 days to 120 days	24,378
Over 120 days	240,765
	<u>2,029,870</u>

The Company monitors the aging of trade receivables in bands of 1 month. The above aging analysis is consistent with Company's annual audited financial statements.

- (iv) None of the amounts under the Group's trade and other receivables are owing to related parties.
- (v) These debtors in respect of the Group's trade and other receivables are third parties and are not related to any directors, key executives or substantial shareholders of the Company or their respective associates.
- (vi) Yes, these customers are still in operation.

- (vii) In assessing the recoverability of the trade receivables, the Management has taken into consideration all reasonable and supportable information available such as payment history, financial conditions of each receivable and the age of the debts to assess the recoverability of the trade receivables. The management also assessed the trade receivables based on lifetime expected credit loss (“ECL”) individually and loss allowance was recognised for trade receivables that are credit impaired. In determining the ECL of other receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each these financial assets and the loss upon default.

In addition, as part of the audit of the Group’s financial statements for the financial year ended 31 December 2022, the Group’s external auditors have carried out a review on the reasonableness on the recoverability of the trade and other receivables.

Based on the above, the Board is in the view that the impairment loss allowance in respect of the trade and other receivables has been adequately provided for as at 31 December 2022.

**BY ORDER OF THE BOARD**

Wei Dongliang  
Executive Chairman

21 March 2023