



CHINA JINJIANG ENVIRONMENT HOLDING COMPANY LIMITED

中国锦江环境控股有限公司

(Company Registration Number: 245144)

(Incorporated in the Cayman Islands on 8 September 2010)

Unaudited First Quarter Financial Statements For The Period Ended 31 March 2019

Background

China Jinjiang Environment Holding Company Limited (the “Company” and together with its subsidiaries, the “Group”) was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 8 September 2010. The Company was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 3 August 2016.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

The Board of Directors of the Company announces the unaudited financial results of the Group for the first quarter (“1Q”) ended 31 March 2019.

1(a)(i) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	Group 1Q2019 RMB'000	Group 1Q2018 RMB'000	Change +/(-) %
Revenue	697,024	754,868	(7.7)
Cost of sales	(481,142)	(544,257)	(11.6)
Gross profit	215,882	210,611	2.5
Other income and other losses	70,785	61,528	15.0
Share of gain (loss) of joint ventures	1,778	(17)	N.M.
Administrative expenses	(67,200)	(69,124)	(2.8)
Finance costs	(71,250)	(60,790)	17.2
Profit before tax	149,995	142,208	5.5
Income tax expense	(42,897)	(39,454)	8.7
Profit for the period	107,098	102,754	4.2
Other comprehensive gain (loss)			
Foreign currency translation	1,660	(10,610)	N.M.
Total comprehensive income for the period	108,758	92,144	18.0

	Group 1Q2019 RMB'000	Group 1Q2018 RMB'000	Change +/(-) %
Profit for the period attributable to:			
- owners of the Company	104,189	100,847	3.3
- non-controlling interests	2,909	1,907	52.5
	107,098	102,754	4.2
Total comprehensive income for the period attributable to:			
- owners of the Company	105,849	90,237	17.3
- non-controlling interests	2,909	1,907	52.5
	108,758	92,144	18.0

1 (a)(ii) Notes to the Consolidated Statement of Comprehensive Income

	Group 1Q2019 RMB'000	Group 1Q2018 RMB'000	Change +/(-) %
Profit before tax has been arrived at after charging (crediting):			
Staff costs (including directors' emoluments)	63,262	65,239	(3.0)
Cost of inventories recognised as expense	91,957	97,864	(6.0)
Depreciation of property, plant and equipment	87,414	74,361	17.6
Depreciation of investment property	228	-	N.M.
Amortisation of prepaid leases	2,863	2,772	3.3
Amortisation of intangible assets	17,003	15,217	11.7
Total depreciation and amortisation	107,508	92,350	16.4
Overprovision of tax in the prior years	2,409	-	N.M.
Government grants and tax refund	16,706	9,133	82.9
Bank interest income	1,094	535	104.5
Gain on sales of scrap materials	16,303	6,964	134.1
Foreign exchange gains	34,523	42,184	(18.2)
Sludge outsourcing fee	2,159	2,712	(20.4)
Other income and other losses	70,785	61,528	15.0

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group As at 31 Mar 2019 RMB'000	Group As at 31 Dec 2018 RMB'000	Company As at 31 Mar 2019 RMB'000	Company As at 31 Dec 2018 RMB'000
Assets				
Non-current assets				
Property, plant and equipment	7,892,141	7,054,149	0	0
Prepaid leases	0	328,301	0	0
Intangible assets	2,588,008	2,445,878	0	0
Investment property	27,030	27,258	0	0
Investment in associates	12,200	12,200	0	0
Investment in subsidiaries	0	0	1,790,879	1,790,879
Investment in joint ventures	193,633	191,855	5,039	5,039
Service concession receivables	473,301	474,377	0	0
Other receivables	362,337	435,110	2,972	2,972
Total non-current assets	<u>11,548,650</u>	<u>10,969,128</u>	<u>1,798,890</u>	<u>1,798,890</u>
Current assets				
Inventories	58,779	53,351	0	0
Prepaid leases	0	12,762	0	0
Service concession receivables	49,271	49,271	0	0
Trade and other receivables	1,263,643	1,150,139	4,002	4,002
Contract assets	10,362	10,847	0	0
Other tax recoverable	172,998	142,492	0	0
Amounts due from related parties	262,606	306,458	0	0
Amounts due from joint ventures	450,470	453,695	0	0
Amount due from subsidiaries	0	0	2,759,372	2,757,408
Amounts due from non-controlling interests	55,145	74,807	0	0
Pledged bank deposits	556,923	513,737	312,133	318,145
Bank balances and cash	629,517	857,487	119,050	241,992
Total current assets	<u>3,509,714</u>	<u>3,625,046</u>	<u>3,194,557</u>	<u>3,321,547</u>
Total assets	<u>15,058,364</u>	<u>14,594,174</u>	<u>4,993,447</u>	<u>5,120,437</u>
Current liabilities				
Trade and other payables	1,533,580	1,298,966	6,006	6,006
Amounts due to related parties	103,645	125,181	0	0
Amount due to subsidiaries	0	0	61,021	65,389
Income tax liabilities	119,164	135,677	0	0
Other tax liabilities	81,294	60,870	0	0
Dividends payable	1,397	1,397	0	0
Borrowings	1,160,526	1,219,962	82,317	71,159
Current portion of lease liabilities	311,155	393,987	0	0
Deferred grant	8,455	8,420	0	0
Notes payable	16,005	40,209	16,005	40,209

Total current liabilities	3,335,221	3,284,669	165,349	182,763
Net current assets	174,493	340,377	3,029,208	3,138,784
Total assets less current liabilities	11,723,143	11,309,505	4,828,098	4,937,674
Non-current liabilities				
Borrowings	3,474,975	3,298,568	1,241,262	1,275,778
Notes payable	1,328,318	1,347,657	1,328,318	1,347,657
Lease liabilities	446,406	455,532	0	0
Deferred tax liabilities	439,413	425,314	0	0
Deferred grant	304,088	161,249	0	0
Provision for major overhauls	17,975	17,975	0	0
Total non-current liabilities	6,011,175	5,706,295	2,569,580	2,623,435
Net assets	5,711,968	5,603,210	2,258,518	2,314,239
Capital and reserves				
Share capital	95	95	95	95
Reserves	5,591,565	5,485,716	2,258,423	2,314,144
Equity attributable to owners of the company	5,591,660	5,485,811	2,258,518	2,314,239
Non-controlling interests	120,308	117,399	0	0
Total equity	5,711,968	5,603,210	2,258,518	2,314,239

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 Mar 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,486,156	1,530	1,652,628	1,530

Amount repayable after one year

As at 31 Mar 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
5,248,009	1,690	5,100,067	1,690

Details of any collateral

The borrowings are secured by the pledge of electricity tariffs receivables, certain property, plant and equipment, investment property, prepaid leases and intangible assets.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 1Q2019 RMB'000	Group 1Q2018 RMB'000
Operating activities		
Profit before tax	149,995	142,208
Adjustments for:		
Finance costs	71,250	60,790
Interest income	(12,335)	(8,157)
Depreciation of property, plant and equipment	87,414	74,361
Depreciation of investment property	228	-
Amortisation of prepaid leases	2,863	2,772
Amortisation of intangible assets	17,003	15,217
Deferred grant recognised	6,824	(4,400)
Foreign exchange gain	(34,523)	(42,184)
Share of (profit) loss of joint ventures	(1,778)	17
Operating cash flows before movements in working capital	286,941	240,624
Trade and other receivables	37,054	(175,571)
Service concession receivables	1,076	8,606
Other tax recoverable	(30,506)	(17,541)
Inventories	(5,428)	(12,445)
Contract costs	485	-
Intangible assets	(159,133)	(292,830)
Trade and other payables	150,447	277,240
Other tax liabilities	20,424	(25,499)
Amount due from related parties	67,919	90,821
Amount due from joint ventures	3,225	-
Amount due from non-controlling interests	11,408	(13,686)
Amount due to related parties	15,193	71,726
Deferred grants	136,050	6,369
Cash generated from operations	535,155	157,814
Income tax paid	(45,311)	(50,943)
Net cash from operating activities	489,844	106,871
Investing activities		
Interest received	1,094	535
Payments for property, plant and equipment	(576,859)	(712,125)
Payments for prepaid leases	(1,178)	(11,396)
Investment in joint ventures	-	(2,000)
Net cash used in investing activities	(576,943)	(724,986)
Financing activities		
Proceeds from borrowings	506,380	830,684

	Group 1Q2019 RMB'000	Group 1Q2018 RMB'000
Repayment of borrowings	(362,223)	(488,933)
Proceeds from lease liabilities	91,000	-
Repayment of lease liabilities	(206,646)	(104,064)
Payment of finance costs	(93,219)	(83,084)
Increase in pledged bank deposits for borrowings	(49,781)	(63,138)
Payment for notes issue costs	-	(2,190)
Prepayment to related parties	(24,067)	-
Repayment to related parties	-	(13,227)
Repayment from non-controlling interests	8,254	-
Net cash (used in) from financing activities	(130,302)	76,048
Net decrease in cash and cash equivalents	(217,401)	(542,067)
Cash and cash equivalents at beginning of the period	857,487	1,276,454
Effect of exchange rate fluctuations on cash held	(10,569)	(19,488)
Cash and cash equivalents at the end of the period	629,517	714,899

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Merger reserves	Statutory		Other reserves	Retained earnings	Subtotal	RMB'000		
					surplus reserve	Translation reserve						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Group												
At 1 January 2019	95	1,568,197	393,694	(67,642)	118,271	(8,913)	41,838	3,440,271	5,485,811	117,399	5,603,210	
Profit for the period	-	-	-	-	-	-	-	104,189	104,189	2,909	107,098	
Other comprehensive income for the period	-	-	-	-	-	1,660	-	-	1,660	-	1,660	
At 31 March 2019	95	1,568,197	393,694	(67,642)	118,271	(7,253)	41,838	3,544,460	5,591,660	120,308	5,711,968	
At 1 January 2018	81	1,391,627	393,694	(67,642)	103,962	(4,170)	28,152	2,889,591	4,735,295	155,898	4,891,193	
Profit for the period	-	-	-	-	-	-	-	100,847	100,847	1,907	102,754	
Other comprehensive income for the period	-	-	-	-	-	(10,610)	-	-	(10,610)	-	(10,610)	
At 31 March 2018	81	1,391,627	393,694	(67,642)	103,962	(14,780)	28,152	2,990,438	4,825,532	157,805	4,983,337	
At 1 April 2018	81	1,391,627	393,694	(67,642)	103,962	(14,780)	28,152	2,990,438	4,825,532	157,805	4,983,337	
Profit for the period	-	-	-	-	-	-	-	149,446	149,446	2,744	152,190	
Other comprehensive income for the period	-	-	-	-	-	805	-	-	805	-	805	

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserves RMB'000	Statutory			Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
					surplus reserve RMB'000	Translation reserve RMB'000	Translation reserve RMB'000					
<u>Transactions with owners, recognised directly in equity</u>												
Issue of shares	14	509,766	-	-	-	-	-	-	509,780	-	509,780	
Acquisition of non-controlling interests	-	-	-	-	-	-	12,105	-	12,105	(34,005)	(21,900)	
Dividends paid	-	(350,705)	-	-	-	-	-	-	(350,705)	-	(350,705)	
At 30 June 2018	95	1,550,688	393,694	(67,642)	103,962	(13,975)	40,257	3,139,884	5,146,963	126,544	5,273,507	
At 1 July 2018	95	1,550,688	393,694	(67,642)	103,962	(13,975)	40,257	3,139,884	5,146,963	126,544	5,273,507	
Profit for the period	-	-	-	-	-	-	-	128,482	128,482	1,548	130,030	
Other comprehensive income for the period	-	-	-	-	-	(785)	-	-	(785)	-	(785)	
At 30 September 2018	95	1,550,688	393,694	(67,642)	103,962	(14,760)	40,257	3,268,366	5,274,660	128,092	5,402,752	
At 1 October 2018	95	1,550,688	393,694	(67,642)	103,962	(14,760)	40,257	3,268,366	5,274,660	128,092	5,402,752	
Profit for the period	-	-	-	-	-	-	-	186,214	186,214	3,486	189,700	
Other comprehensive income for the period	-	-	-	-	-	5,847	-	-	5,847	-	5,847	
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	410	410	

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserves RMB'000	Statutory		Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
					surplus reserve RMB'000	Translation reserve RMB'000					
<u>Transactions with owners, recognised directly in equity</u>											
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,868)	(8,868)
Acquisition of non-controlling interests	-	-	-	-	-	-	1,581	-	1,581	(5,721)	(4,140)
Issue of shares	-	17,509	-	-	-	-	(11,814)	-	5,695	-	5,695
Share award expense	-	-	-	-	-	-	11,814	-	11,814	-	11,814
Appropriation to reserves	-	-	-	-	14,309	-	-	(14,309)	-	-	-
At 31 December 2018	95	1,568,197	393,694	(67,642)	118,271	(8,913)	41,838	3,440,271	5,485,811	117,399	5,603,210

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Company						
At 1 January 2019	95	1,568,197	1,057,112	-	(311,165)	2,314,239
Loss and total comprehensive loss for the period	-	-	-	-	(55,721)	(55,721)
At 31 March 2019	95	1,568,197	1,057,112	-	(366,886)	2,258,518
At 1 January 2018	81	1,391,627	1,057,112	-	(139,882)	2,308,938
Loss and total comprehensive loss for the period	-	-	-	-	(42,943)	(42,943)
At 31 March 2018	81	1,391,627	1,057,112	-	(182,825)	2,265,995
At 1 April 2018	81	1,391,627	1,057,112	-	(182,825)	2,265,995
Loss and total comprehensive loss for the period	-	-	-	-	(12,302)	(12,302)
<u>Transactions with owners, recognised directly in equity</u>						
Issue of shares	14	509,766	-	-	-	509,780
Dividends paid	-	(350,705)	-	-	-	(350,705)
At 30 June 2018	95	1,550,688	1,057,112	-	(195,127)	2,412,768
At 1 July 2018	95	1,550,688	1,057,112	-	(195,127)	2,412,768
Loss and total comprehensive loss for the period	-	-	-	-	(45,593)	(45,593)
At 30 September 2018	95	1,550,688	1,057,112	-	(240,720)	2,367,175
At 1 October 2018	95	1,550,688	1,057,112	-	(240,720)	2,367,175
Loss and total comprehensive loss for the period	-	-	-	-	(70,445)	(70,445)
<u>Transactions with owners, recognised directly in equity</u>						
Issue of shares	-	17,509	-	(11,814)	-	5,695
Share award expense	-	-	-	11,814	-	11,814
At 31 December 2018	95	1,568,197	1,057,112	-	(311,165)	2,314,239

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the share capital of the Company in 1Q2019.

The Company had no outstanding convertibles, treasury shares or subsidiary holdings as at 31 March 2019 and 31 December 2018.

1(d)(iii) Total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding financial year.

The total number of issued Shares as at 31 March 2019 and 31 December 2018 was 1,443,246,800. The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as the Company has no treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company has no subsidiary holdings.

(2) Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

(3) Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

(4) Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Apart from what is disclosed in paragraph (5) below, the same accounting policies and methods of computation have been applied in these unaudited financial statements as those applied in the most recently audited financial statements for the year ended 31 December 2018.

(5) If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all accounting standards that are effective from 1 January 2019 but the adopted changes have no material effect except for the adoption of IFRS 16 Leases as detailed below.

IFRS 16 introduces a single lease accounting model for lessees on the statement of financial position. The adoption of IFRS 16 results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Exceptions to this standard are short-term and low-value leases. The accounting for lessors was not changed significantly.

Under the standard, an asset (ROU asset) and a financial liability to pay rentals are recognised in the statement of financial position and depreciation charge on the ROU assets and interest expenses on the lease liabilities are recognised in profit or loss.

Lease liabilities are included as part of net debt and are taken in consideration when deriving the net debt to equity ratio.

The Group applied IFRS 16 on 1 January 2019, using the modified retrospective approach. The Group applied the practical expedient to grandfather the definition of a lease on transition. IFRS 16 will be applied to lease contracts entered before 1 January 2019 and are identified as leases in accordance with IAS 17 and IFRIC 4.

The adoption of IFRS 16 does not result in any adjustment to the opening balance of retained earnings at 1 January 2019 and there is no restatement of comparative information. The prepaid leases previously disclosed as line items on the statement of financial position under current assets and non-current assets are now classified as ROU assets included in property, plant and equipment. In addition, the Group has recognised ROU assets (included as part of property, plant and equipment) with corresponding lease liabilities under the principles of IFRS 16 on a lease-by-lease basis. Straight-line operating lease expenses are replaced with depreciation charges of ROU assets and interest expense on lease liabilities in profit or loss.

(6) Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1Q2019	1Q2018
Basic earnings per Share (RMB cents)	7.22	8.26
Weighted average number of Shares	1,443,246,800	1,221,581,000
Fully diluted earnings per Share (RMB cents)	7.22	8.26
Weighted average number of Shares	1,443,246,800	1,221,581,000

The earnings per Share for 1Q2019 and 1Q2018 was computed based on the weighted average number of Shares for the period.

The total number of issued Shares as at 31 March 2019 and 31 December 2018 was 1,443,246,800.

(7) Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Dec 2018
Net asset value per Share (RMB cents)	387.44	380.10	156.49	160.35
Number of Shares in issue at the end of the period	1,443,246,800	1,443,246,800	1,443,246,800	1,443,246,800

The net asset value per Share as at 31 March 2019 and 31 December 2018 was computed based on the number of Shares in issue at the end of the period.

The total number of issued Shares as at 31 March 2019 and 31 December 2018 was 1,443,246,800.

(8) A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Income Analysis

1Q2019 vs 1Q2018

Revenue

	1Q2019		1Q2018		Change
	RMB'000	%	RMB'000	%	%
Sales of electricity	226,437	32.5	205,634	27.2	10.1
Sales of steam	98,876	14.2	106,287	14.1	(7.0)
Revenue from waste treatment fees	153,069	21.9	140,024	18.6	9.3
Waste-to-energy business	478,382	68.6	451,945	59.9	5.8
Revenue from construction services provided under service concession agreements	160,078	23.0	260,648	34.5	(38.6)
Financial income under service concession agreements	11,241	1.6	7,622	1.0	47.5
Construction services	171,319	24.6	268,270	35.5	(36.1)
Project technical and management service and EMC business	47,323	6.8	34,653	4.6	36.6
Total	697,024	100.0	754,868	100.0	(7.7)

Revenue decreased 7.7% from RMB754.9 million in 1Q2018 to RMB697.0 million in 1Q2019, primarily due to the decrease in revenue from:-

Construction services provided under BOT concession agreements

Revenue from construction services provided under build-operate-transfer (“BOT”) concession agreements decreased by 36.1% from RMB268.3 million in 1Q2018 to RMB171.3 million in 1Q2019 due to a decrease in revenue from the provision of construction services under BOT concession agreements from RMB260.6 million in 1Q2018 to RMB160.1 million in 1Q2019, as there were fewer construction services provided under BOT concession agreements in 1Q2019 as compared to 1Q2018. In 1Q2019, BOT revenue was recorded for the Kunming Wuhua reconstruction project and the expansion of Wenling Green Energy WTE Facility whereas in 1Q2018, BOT revenue was recorded for Yinchuan Zhongke WTE Facility, Gaomi Lilangmingde WTE Facility and the WTE projects in India. Finance income increased from RMB7.6 million in 1Q2018 to RM11.2 million in 1Q2019.

This is offset by:

(a) Project technical and management services and EMC business

Revenue from project technical and management services and EMC business increased 36.6% from RMB34.7 million in 1Q2018 to RMB47.3 million in 1Q2019, due to an increase in revenue from technical and management services as a result of a larger number of contracts, following the Group's acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd.

(b) Our WTE business (excluding revenue from construction services provided under BOT concession agreements)

Revenue from our waste-to-energy (“WTE”) business (excluding revenue from construction services provided under BOT concession agreements) increased 5.8% from RMB451.9 million in 1Q2018 to RMB478.4 million in 1Q2019. The increase was attributable to (i) the partial completion of the ongoing expansion and upgrading of eight WTE facilities which markedly increased waste treatment capacity and boiler operation efficiency and resulted in a higher amount of waste treated

and electricity generated, which was partially offset by the effects of the cessation of operations of the Zibo Jinjiang WTE Facility in July 2018 and resulted in an increase in revenue by RMB5.0 million, (ii) a steady increase in output from Zhuji Bafang WTE Facility, which generated more electricity and steam after its upgrading resulting in a corresponding increase in revenue by RMB13.0 million and (iii) an increase in electricity tariffs for Hangzhou Xiaoshan WTE Facility.

Details of the electricity generated and supplied, steam supplied and waste treated for 1Q2019 and 1Q2018 are as follows:

	Group 1Q2019	Group 1Q2018	Change %
Electricity generated ('000 KWh)	610,203	515,379	18.4
On-grid electricity supplied ('000 KWh)	424,524	355,433	19.4
Steam supplied ('000 tonnes)	714	778	(8.2)
Waste treated ('000 tonnes)	2,195	2,005	9.5

On-grid electricity supplied and waste treated (including waste collection and transportation operations in India) increased 19.4% and 9.5% in 1Q2019 as compared to 1Q2018. This is due to the partial completion of the ongoing expansion and upgrading of eight WTE facilities, which increased the amount of waste treated and electricity generated, and the steady increase in output from Zhuji Bafang WTE Facility after its upgrading. Excluding waste collection and transportation operations in India, waste treated increased by 9.1% in 1Q2019 as compared to 1Q2018. The decrease in steam supplied is due to the cessation of operations of the Zibo Jinjiang WTE Facility in July 2018 and a decrease in the number of purchasers of steam for Tianjin Sunrise WTE Facility and Zibo Green Energy WTE Facility.

Cost of sales

Cost of sales decreased 11.6% from RMB544.3 million in 1Q2018 to RMB481.1 million in 1Q2019, due to an decrease in the cost of sales from:-

(a) Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements decreased 36.0% from RMB216.1 million in 1Q2018 to RMB138.2 million in 1Q2019 due to fewer construction services provided under BOT concession agreements in 1Q2019 as compared to 1Q2018, resulting in lower costs being recorded in 1Q2019. In 1Q2019, construction services were provided for the Kunming Wuhua reconstruction project and the expansion of Wenling Green Energy WTE Facility whereas in 1Q2018, construction services were provided for Yinchuan Zhongke WTE Facility, Gaomi Lilangmingde WTE Facility and the WTE projects in India.

(b) Project technical and management services and EMC business

The cost of sales from project technical and management services and our EMC business decreased 28.9% from RMB24.3 million in 1Q2018 to RMB17.3 million in 1Q2019, which was mainly a result of the implementation of stringent cost controls.

(c) Our WTE business (excluding revenue from construction services provided under BOT concession agreements)

The cost of sales from our WTE business (excluding cost of sales from construction services provided under BOT concession agreements) increased 7.1% from RMB303.9 million in 1Q2018 to RMB325.6 million in 1Q2019. The increase is due to (i) an increase of RMB15.0 million in operating costs, including depreciation, following the commencement of operations of upgraded facilities, (ii) an increase of RMB5.0 million in repair and maintenance costs and other charges arising from the higher volume of waste treated, (iii) an increase of approximately RMB6.3 million in costs due to the increased geographical coverage of the waste collection and transportation operations in India and (iv) an increase of RMB5.0 million in the costs of additional coal used following the commencement of operations of the additional coal-fired generation units of Zhuji Bafang WTE Facility, offset by a decrease of RMB11.0 million in coal costs due to lower coal usage in certain other WTE facilities as a result of waste having a higher calorific value through the usage of waste dehydrating equipment.

Gross profit and gross profit margin

	Gross Profit (RMB '000)		Gross Profit Margin	
	1Q2019	1Q2018	1Q2019	1Q2018
WTE business (excluding gross profit from construction services provided under BOT concession agreements)	152,740	147,999	31.9%	32.7%
Construction services provided under BOT concession agreements	21,835	44,591	13.6%	17.1%
Project technical and management services and EMC business	30,066	10,399	63.5%	30.0%
Financial income under service concession agreements	11,241	7,622	N.A.	N.A.
Total	215,882	210,611	31.0%	27.9%

As a result of the foregoing, the gross profit increased 2.5% from RMB210.6 million in 1Q2018 to RMB215.9 million in 1Q2019, which was driven by an increase in gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) and project technical and management services and our EMC business, and partially offset by a decrease in the gross profit from construction services provided under BOT concession agreements.

Gross profit and gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements)

The gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) increased 3.2% from RMB148.0 million in 1Q2018 to RMB152.7 million in 1Q2019. The gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) decreased from 32.7% in 1Q2018 to 31.9% in 1Q2019. The increase in depreciation charges accounted for a 3% drop in gross profit margin.

Gross profit and gross profit margin of project technical and management services and our EMC business

The gross profit from project technical and management services and our EMC business increased 189.1% from RMB10.4 million in 1Q2018 to RMB30.1 million in 1Q2019. The gross profit margin of project technical and management services and our EMC business increased from 30.0% in 1Q2018 to 63.5% in 1Q2019.

Gross profit and gross profit margin of construction services provided under BOT concession agreements

The gross profit from construction services provided under BOT concession agreements decreased 36.7% from RMB52.2 million in 1Q2018 to RMB33.1 million in 1Q2019. Gross profit decreased from RMB44.6 million in 1Q2018 to RMB21.8 million in 1Q2019 and finance income increased from RMB7.6 million in 1Q2018 to RMB11.2 million in 1Q2019. The gross profit margin decreased from 17.1% in 1Q2018 to 13.6% in 1Q2019.

Other income and other losses

	Group 1Q2019	Group 1Q2018	Increase / (Decrease)	Change
	RMB'000	RMB'000	RMB'000	+ / (-) %
Government grants and tax refund	16,706	9,133	7,573	82.9
Bank interest income	1,094	535	559	104.5
Gain on sales of scrap materials	16,303	6,964	9,339	134.1
Foreign exchange gains	34,523	42,184	(7,661)	(18.2)
Sludge outsourcing fee	2,159	2,712	(553)	(20.4)
Other income and other losses	70,785	61,528	9,257	15.0

Other income and other losses increased 15.0% from RMB61.5 million in 1Q2018 to RMB70.8 million in 1Q2019, mainly due to (i) an increase of RMB7.6 million in government subsidies and value added tax refund and (ii) an increase of RMB9.3 million in income from the disposal of scrap materials, which were partially offset by a decrease of RMB7.7 million in foreign exchange gains.

Administrative expenses

Administrative expenses decreased 2.8% from RMB69.1 million in 1Q2018 to RMB67.2 million in 1Q2019, arising from cost controls.

Finance costs

Finance costs increased 17.2% from RMB60.8 million in 1Q2018 to RMB71.3 million in 1Q2019, due primarily to an increase in bank borrowings.

Profit before tax

As a result of the foregoing, profit before tax increased 5.5% from RMB142.2 million in 1Q2018 to RMB150.0 million in 1Q2019.

Income tax expense

Income tax expense increased 8.7% from RMB39.5 million in 1Q2018 to RMB42.9 million in 1Q2019. This is computed based on the taxable profit of each individual entity.

Total comprehensive income for the period

As a result of the foregoing, total comprehensive income for the period increased 18.0% from RMB92.1 million in 1Q2018 to RMB108.8 million in 1Q2019.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Financial Position

	31 March 2019	31 December 2018	Increase / (Decrease)	Increase / (Decrease)
	RMB Million	RMB Million	RMB Million	%
Current assets	3,509.7	3,625.1	(115.4)	(3.2)
Non-current assets	11,548.7	10,969.1	579.6	5.3
Total assets	15,058.4	14,594.2	464.2	3.2
Current liabilities	3,335.2	3,284.7	50.5	1.5
Non-current liabilities	6,011.2	5,706.3	304.9	5.3
Total liabilities	9,346.4	8,991.0	355.4	4.0
Capital and reserves	5,712.0	5,603.2	108.8	1.9

Current assets

The decrease is due to (i) bank balances decreasing 26.6% by RMB228.0 million from RMB857.5 million as at 31 December 2018 to RMB629.5 million as at 31 March 2019 and (ii) the amount due from related parties and joint ventures, which includes interest-bearing advances made to joint ventures, decreasing 6.2% by RMB47.1 million from RMB760.2 million as at 31 December 2018 to RMB713.1 million as at 31 March 2019. This is offset by (i) pledged deposits increasing 8.4% by RMB43.2 million from RMB513.7 million as at 31 December 2018 to RMB556.9 million as at 31 March 2019 due to bank guarantees issued for local and overseas projects and (ii) trade and other receivables increasing 9.9% by RMB113.5 million from RMB1,150.1 million as at 31 December 2018 to RMB1,263.6 million as at 31 March 2019 due mainly to the increase in revenue from our WTE business, receivables of Hangzhou Zhenghui Construction Engineering Co., Ltd. after its acquisition by the Group and more prepayments made.

Non-current assets

The increase is attributable to new and BOT projects being constructed which resulted in increases in property, plant and equipment and intangible assets. Property, plant and equipment increased 11.9% by RMB838.0 million from RMB7,054.1 million as at 31 December 2018 to RMB7,892.1 million as at 31 March 2019 due to upgrading and expansion of facilities. Intangible assets increased 5.8% by RMB142.1 million from RMB2,445.9 million as at 31 December 2018 to RMB2,588.0 million as at 31 March 2019, arising from the Kunming Wuhua reconstruction project and the expansion of the Wenling Green Energy WTE

Facility. This is offset by other receivables decreasing from RMB435.1 million as at 31 December 2018 to RMB362.3 million as at 31 March 2019, as a result of the decrease in advances and prepayment for equipment for the upgrading of existing facilities and construction of new facilities.

Current liabilities

The increase is mainly due to trade and other payables increasing 18.1% by RMB234.6 million from RMB1,299.0 million as at 31 December 2018 to RMB1,533.6 million as at 31 March 2019 due to higher payables recorded in accordance with contractual payment terms and advance project payments. This is offset by (i) current borrowings decreasing 4.9% by RMB59.4 million from RMB1,220.0 million as at 31 December 2018 to RMB1,160.5 million as at 31 March 2019, (ii) current portion of lease liabilities decreasing 21.0% by RMB82.8 million from RMB394.0 million as at 31 December 2018 to RMB311.2 million as at 31 March 2019 due to reclassification of lease liabilities between current and non-current liabilities and (iii) amounts due to related parties decreasing 17.2% by RMB21.5 million from RMB125.2 million as at 31 December 2018 to RMB103.7 million as at 31 March 2019 due to repayments of the amounts due to related parties.

Non-current liabilities

The increase is mainly due to (i) non-current borrowings increasing 5.3% by RMB176.4 million from RMB3,298.6 million as at 31 December 2018 to RMB3,475.0 million as at 31 March 2019 due to new borrowings for the Tangshan Jiasheng and Shijiazhuang Jiasheng WTE Facilities and reclassification into short term borrowings, (ii) deferred tax liabilities increasing 3.3% by RMB14.1 million from RMB425.3 million as at 31 December 2018 to RMB439.4 million as at 31 March 2019 arising from construction services provided under the BOT concession agreements and (iii) deferred grant increasing 88.6% by RMB142.8 million from RMB161.3 million as at 31 December 2018 to RMB304.1 million as at 31 March 2019, arising mainly from the receipt of a RMB135.0 million government grant by the Kunming Wuhua reconstruction project in March 2019. This is offset by notes payable decreasing 1.4% by RMB19.3 million from RMB1,347.7 million as at 31 December 2018 to RMB1,328.3 million as at 31 March 2019 due to reclassification and exchange rate fluctuations.

Capital and reserves

The increase is due to the retained earnings for 1Q2019.

Cashflow Review

Operating cashflow increased from RMB106.9 million inflow in 1Q2018 to RMB489.8 million inflow in 1Q2019. This is due to (i) profit before tax before movements in working capital for 1Q2019 by RMB46.3 million, (ii) reduced investment in BOT projects by RMB133.7 million and (iii) increase in deferred grant by RMB129.7 million.

Investing cash outflow decreased from RMB725.0 million outflow in 1Q2018 to RMB576.9 million outflow in 1Q2019. This is due to investments in both fixed assets and intangible assets including (i) the ongoing upgrading of the eight existing operational WTE facilities, (ii) prepayment for equipment and construction for Shijiazhuang Jiasheng and Tangshan Jiasheng WTE Facilities and (iii) preparatory and project costs for both local and overseas projects.

Financing cashflow decreased from RMB76.0 million inflow in 1Q2018 to RMB130.3 million outflow in 1Q2019. This is due to repayment of borrowings and interest and prepayments to related parties.

Bank balances and cash as at 31 March 2019 is RMB629.5 million.

(9) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

(10) A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

(A) Economic Outlook and Environmental Policies in the PRC

The economy of the People's Republic of China ("PRC") started on a stable footing in the first quarter of 2019 and there are an increasing number of positive economic indicators. The PRC's gross domestic product (GDP) grew by 6.4% in the first quarter of 2019, which is on pace with the fourth quarter of 2018 but is 0.4% and 0.2% lower than the growth in the first quarter and the full year of 2018 respectively. Nonetheless, GDP growth in the first quarter falls within the reasonable range of between 6.4% to 7.0% seen in the past 16 consecutive quarters. With the continued stable and progressive overall development trend and increasing number of positive indicators, this lays down a good foundation for the stable and healthy development of the economy for the next 12 months.

Nevertheless, increasing external uncertainties may pose obstacles to the continued development of China's economy, with the reduced momentum of global economic growth and a slowdown in international trade expansion. In addition, as China faces an arduous task of implementing structural reforms with regard to the development of its domestic economy, there still remains downward pressure on the PRC's economy.

The Group operates in a stable regulatory environment where the PRC government encourages the development of the WTE industry. For example, the 13th Five-Year Plan of the PRC (i) targets the harmless treatment of over 95% of municipal solid waste and effectively disposing over 90% waste in rural areas, (ii) targets for more than 50% and 60% of harmless waste treatment in certain cities and the eastern region respectively, to be by way of incineration, (iii) seeks to achieve zero use of landfills for the disposal of municipal solid waste in eligible municipalities, planned cities and provincial capital cities (built-up area) by end-2020 and (iv) makes clean energy projects a priority.

(B) Operational Projects, Projects Under Construction, Pipeline Projects and Upgrading Projects in PRC

As at 31 March 2019, the Group has (i) twenty WTE facilities in commercial or trial operation and five operational resource recycling projects, with a total installed waste treatment capacity and installed electricity generation capacity of 29,240 t/d and 574 MW, (ii) six WTE projects under construction, which will add 8,670 t/d (including 220 tons of organic waste) and 219 MW to the Group's total installed waste treatment capacity and installed electricity generation capacity, respectively, and (iii) 17 domestic pipeline WTE projects actively undertaking preparation work as scheduled, which are expected to increase the Group's total installed waste treatment capacity and installed electricity generation capacity by 16,100 t/d and 326 MW, respectively.

The Group is still in the process of undertaking the upgrading project ("Upgrading Project") which commenced in the third quarter of 2017 and involves eight of the Group's operational WTE facilities which are older and have potential to handle a higher volume of waste requiring treatment. The Upgrading Project, which is expected to be completed by the end of 2019 as scheduled, will expand the waste treatment capacity of the Group by approximately 5,000 t/d, whilst also reducing emission levels and the proportion of coal used at the Group's WTE facilities. As at 31 March 2019, the upgrading of the Zibo Green Energy WTE Facility and Wuhan Jinjiang WTE Facility has been essentially completed. A portion of the boilers for the other six WTE facilities which are in the process of being upgraded will be put into operation in the second quarter of 2019, together with the remaining boilers that were upgraded and put into operation. The complementary waste resource recycling systems and upgrading of the waste depot are expected to be completed in the third and fourth quarters of 2019 respectively. Currently, the upgraded equipment that has been put into operation has resulted in a marked increase in waste treatment capacity and higher boiler operation efficiency. Accordingly, the adverse impact of the Upgrading Project on the Group's financial performance is less pronounced. As compared to the first quarter of 2018, in the first quarter of 2019, there has been a significant improvement in the amount of waste treated (9.1%), the amount of electricity generated (18.4%) and supplied (19.4%), and the revenue from the WTE business (excluding BOT construction revenue) (4.9%). While the Group expects to see a continued gradual improvement in the Group's WTE operational metrics and revenue in 2019, the Group will continue to prudently manage its cashflow with a view to meeting the needs of the Upgrading Project and its operations.

The Group is actively following up with the relevant local authorities on the closure or cessation of operations of the Zibo Jinjiang WTE Facility and Kunming Jinjiang WTE Facility. The Zibo Jinjiang WTE Facility had ceased incineration in July 2018. The local government in Zibo City, Shandong Province, has

appointed a third-party asset appraisal firm to carry out on-site asset appraisal work in respect of the Zibo Jinjiang WTE Facility, and the Group will negotiate with the local government regarding compensation payments thereafter. The waste previously treated by the Zibo Jinjiang WTE Facility is now treated by the Zibo New Energy WTE Facility which commenced trial operations in July 2018. The Kunming Jinjiang WTE Facility is currently operating as per normal, and the timeline for any closure or cessation of operations will be determined based on the progress of completion of Kunming Wuhua reconstruction project, which had started construction in the third quarter of 2018.

In the first quarter of 2019, the Group has worked steadily to push forward with project acquisition in accordance with its established plans. In March 2019, the Group successfully secured a resource recycling project in Gaobeidian City, Baoding, Hebei Province. Once this project is completed and put into operation, the refuse derived fuel generated will be transported to Shijiazhuang Jiasheng WTE Facility in Hebei Province for usage. The Gaobeidian project is the Group's ninth domestic waste treatment facility in Hebei Province and is of great significance for the overall strategic layout and coordinated regional development in Hebei Province. In March 2019, the Group also signed the service concession agreement for the Bayannao'er WTE Project in Inner Mongolia Autonomous Region.

The Group is also committed to actively liaising with the relevant government departments at different levels. Through sustained communication with the relevant local government, the increase in the waste treatment fee for the Xiaoshan Jinjiang WTE Facility in Hangzhou, Zhejiang Province from RMB70.2 per ton to RMB113 per ton was approved and the settlement subsidy price for fly ash disposal has been raised from RMB1,300 per ton to RMB1,645 per ton.

In addition, the Group's subsidiary, Hangzhou Kesheng Energy Technology Co., Ltd., has been awarded the title of "National High-Tech Enterprise" and has secured certification as a national key scientific and technological enterprise for a period of three years from 1 January 2018 to 31 December 2020, which enables it to enjoy preferential income tax rates during such period. In March 2019, the Kunming Wuhua reconstruction project received a RMB135.0 million grant from the funds from central government budget under a subsidy scheme targeted at infrastructural projects located in key areas in the midwestern region of the PRC.

(C) Overseas Projects and Opportunities

The Group intends to leverage on the "One-Belt-One-Road" initiative through bidding for projects and mergers and acquisitions in overseas markets with a focus on the South-east Asian region and other developing countries. While the Group may encounter some challenges and the usual teething problems associated with expansion into new overseas markets, it remains firmly committed towards achieving its long-term goal of being internationally recognised as a renowned global waste management company.

The Group has secured a total of five overseas projects, with three projects located in Lucknow, Gwalior and Gurgaon, India. The Gurgaon project is currently under construction and preparatory work is underway for the construction of the Lucknow and Gwalior facilities. The timeline for undertaking the relevant preparatory work for the pipeline WTE projects in Barueri, São Paulo, Brazil and Palembang, Indonesia which the Group secured in 2018 will be determined depending on the Group's cashflow position and availability of capital resources.

Taking into consideration all its projects in operation, under construction and in the planning phase, both in the PRC and overseas, the Group's total installed waste treatment capacity is expected to reach 67,106 t/d upon the completion of these projects.

(D) EMC Business and Other Services

The Group has continued the steady expansion of its EMC and project technical and management consulting and project design services business in its efforts to provide a more comprehensive and integrated waste management service offering to its customers. As at 31 March 2019, a total of 129 business contracts have been implemented, which comprises (i) 35 EMC projects including 7 EMC projects undergoing construction, (ii) 82 project technical and management consulting projects and (iii) 12 design services projects. With the exception of the 7 EMC projects undergoing construction, 15 ongoing project technical and management consulting projects and 12 ongoing design services projects, all other projects have enjoyed the benefits arising from energy saving, consulting or design services.

(E) Capital Management and Cashflow

The Group aims to (i) maintain a suite of diversified financing options through adopting flexible financing policies, (ii) maintain its 30:70 equity:debt capital structure for WTE projects, (iii) adjust capital expenditure in accordance with work plans and continually reassess and carefully monitor overseas expansion plans, (iv) adopt a phased approach to the commencement of operations of new projects to reduce the burden on the Group's statement of financial position and (v) explore strategic partnerships to consolidate its industry leading position and achieve a win-win situation through leveraging on complementary resources and cooperation. Through prudent capital management policies such as the above, the Group can ensure steady cash flow and maintain its total liabilities to total assets ratio at the target range of about 60-65%.

(11) If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends have been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Books closure date

Not applicable.

(12) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for that decision.

No dividend has been recommended for the current reporting period. Dividends, if any, will usually be recommended in the announcement of the full year financial statements.

(13) If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	RMB'000	RMB'000
Purchases of coal from:		
Hangzhou Huawang Shiye Group Co., Ltd.	-	13,510
Project technical and management services provided to:		
Shanxi Xiaoyi Xing'an Chemical Co., Ltd.	-	21,713
Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd.	-	2,765
Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd.	-	2,651
Kunshan Zhiqimei Materials Technology Co., Ltd.	-	24
Energy management contracting services provided to:		
Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd.	-	1,224
Total	-	41,887

Note: For purchases of coal, the framework agreement signed between the parties only indicates the unit price of coal and the value of each transaction is determined only when orders are placed. For energy management contracting services, the aggregate value of each project can be determined only after the service has been provided and the Group's share of the energy savings for that particular project has been computed. Accordingly, for these categories of transactions, disclosure of the aggregate value is based on the actual amount incurred for the period.

(14) Negative Confirmation by the Board pursuant to Rule 705(5).

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the first quarter ended 31 March 2019 to be false or misleading in any material respect.

(15) Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Zhang Chao
Executive Director and Chief Executive Officer
15 May 2019