



**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 QUERIES REGARDING UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2021**

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 7 March 2022 regarding the Company’s announcement dated 28 February 2022 of its unaudited results for the fourth quarter and full year ended 31 December 2021 (the “**FY2021 Results Announcement**”). The Company sets out the SGX-ST’s queries and its responses as follows:

**Question 1: Please disclose the nature and breakdown of the non-current other receivables of RMB 152.4 million and the Board’s assessment, including bases of assessment, of the recoverability of the non-current other receivables.**

**Response:** The non-current other receivables of RMB 152.4 million comprise advances to suppliers of RMB126.4 million and long-term prepayments of RMB26.0 million.

The aforesaid advances to suppliers comprise the prepayments agreed in the Group’s equipment procurement contracts and project construction contracts for its projects under construction. 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.

The aforesaid long-term prepayments comprise 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 have an amortization period of more than 1 year.

Considering the nature of each item as aforesaid and the fact that they are in the ordinary course of business, the Board is of the view that the non-current other receivables of RMB 152.4 million are recoverable and not impaired.

**Question 2: Given the Group's significant short term borrowing of RMB 4,706.4 million and noting that the Group only has RMB 387.8 million cash and cash equivalents, please disclose:**

- a. the Board's assessment on the Company's ability to meet its debt covenants; and**
- b. how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.**

Response:

- a. The Board believes that the Company is able to meet its debt covenants (save in respect of an ongoing technical non-compliance with the Financial Covenant as set out below) and will be able to continue as a going concern as disclosed on page 9 of the FY2021 Results Announcement, after considering the following:
  - (A) the Board has reviewed the cashflow forecast prepared by management for the 16 months from 1 January 2022 up to 30 April 2023, which 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, based on the following factors:
    - (i) the Group has generated positive cash flows from its operations of RMB322 million and RMB429 million for the years ended 31 December 2021 ("**FY2021**") and 31 December 2020 ("**FY2020**") respectively; and
    - (ii) as at the date of the FY2021 Results Announcement, the Group has RMB1,600 million of undrawn credit facilities;
  - (B) the Company had on 20 October 2021 announced that it had submitted an application to the Shenzhen Stock Exchange ("**SZSE**") for the proposed issuance of up to RMB1 billion in aggregate principal amount of Asset-Backed Securities ("**ABS**") for the repayment of short-term borrowings. The application has been accepted by, and is currently under the review of, the SZSE;
  - (C) management is exploring various proposals including but not limited to, issuing asset-backed products that meet the Company's needs to qualified investors in the PRC and introduction of strategic investors at the company project level;
  - (D) the financial support, credit support and loans which Zhejiang Provincial Energy Group Co., Ltd. ("**Zheneng Group**") has provided in its capacity as the Group's largest controlling shareholder, as follows:
    - (i) as of 31 December 2021, the Group has obtained loans of RMB840 million, comprising a working capital loan of RMB540 million (drawn down from the credit line of RMB900 million obtained from Zhejiang Provincial Energy Group Finance Co., Ltd. ("**Zheneng Finance**"), as announced by the Company on 24 May 2021), RMB100 million in project financing and factoring financing of RMB200 million from Zheneng Group. Out of the total loans of RMB840 million obtained, RMB751 million has been included in current liabilities as at 31 December 2021;

(ii) the credit assessment and credit approval process of the Group's bankers generally involves the relevant banks assessing the Group's credit based on their credit assessment of Zheneng Group, and the relevant banks would typically earmark credit lines to be extended to the Group out of the overall credit lines and limits extended to Zheneng Group; and

(iii) Management will continue to actively seek an even greater degree of support from 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 broadening the Group's financing channels and reduce financing costs in relation to the Group's future fund-raising plans, so as to strengthen the working capital position and the relevant financial ratios of the Group.

The Company will continue to prudently monitor its cashflow to meet its operational needs as well as to service its debt obligations as and when they fall due.

As disclosed on page 16 of the FY2021 Results Announcement, under the terms of the Group's syndicated term loan facility arranged by Standard Chartered Bank of up to US\$270 million (the "**Facility**") under which RMB1,395.5 million was outstanding as at 31 December 2021, the Company has to ensure, among other things, that the ratio of its consolidated net debt to consolidated total equity (the "**Net Gearing Ratio**") does not exceed 125% for the period from 1 January 2021 to 31 December 2021 and 100% for the periods from 1 January 2022 to 31 December 2022 and 1 January 2023 to 23 July 2023 (the "**Financial Covenant**"). As at 31 December 2021, the Net Gearing Ratio had exceeded 125% resulting in technical non-compliance by the Company of the Financial Covenant.

Due to the non-compliance of the Financial Covenant, the banks are contractually entitled to request immediate repayment of the outstanding borrowing amount. Under the terms of the Facility, the agent of the Facility may, at its discretion and if so directed by lenders representing two-thirds of the total commitments under the Facility, by notice call for repayment ahead of the stipulated repayment dates. **As of the date of this announcement, the Group has not received any notice for the accelerated repayment from the agent.**

To avoid any impact on the Group's cash flow and operations which would result from a demand for accelerated repayment, the Company has submitted a written request to the agent for a waiver of the aforesaid technical non-compliance of the Financial Covenant and is in continued discussions with the agent to ensure the continuation of the Facility notwithstanding the technical non-compliance.

**For the avoidance of doubt, the non-compliance of the Financial Covenant is not indicative of any cashflow impact to the Group and the Company is expected to be in a position to make principal and interest payments on the Facility as and when such principal and interest payments are due, and the Company has been making principal and interest payments in accordance with the terms of the loan agreement.**

b. The Group has full clarity over the repayment schedule for its significant payment obligations and has been and is making all repayments in accordance with the relevant repayment schedules. The Group has not entered into any debt repayment plan.

The Company intends to fulfil its significant payment obligations in the next 12 months through the following avenues:

1) Rollover of existing debt and drawdown of new debts

The Group has commenced the relevant procedures for the rollover of its existing debt. As of the date of this announcement, the Group has successfully rolled over RMB150 million in debt which will now mature after March 2023, and the rolling over of the remaining amounts amounting to approximately RMB1,550 million are expected to be completed before the respective maturity dates. The Group has completed the relevant procedures to secure new credit facilities of RMB490 million.

2) Continued financial support from Zheneng Group, the largest controlling shareholder of the Company

The aforesaid working capital loan of RMB540 million provided by Zheneng Finance has been included in short term loan as at 31 December 2021 and the Group plans to rollover this loan before the maturity date. Should any liquidity shortfalls arise, the Group will continue to actively seek a greater degree of support from Zheneng Group.

3) Asset-Backed Securities

The proposed issuance of up to RMB1 billion in aggregate principal amount of ABS for the repayment of short-term borrowings.

4) Undrawn credit facilities

As at the date of the FY2021 Results Announcement, the Group has RMB1,600 million of undrawn credit facilities.

5) Operating cash flows

The Group's positive cash flows from its operations, which amounted to RMB322 million and RMB429 million for FY2021 and FY2020 respectively, can be used to service its debt obligations as and when they fall due.

The Company will continue to prudently monitor its cashflow to meet its operational needs as well as to service its debt obligations as and when they fall due. The Board will provide updates to shareholders via SGXNET as and when there are material developments on the aforementioned matters.

**BY ORDER OF THE BOARD**

Wei Dongliang  
Executive Chairman

10 March 2022