



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(5) AND 705(2) OF THE LISTING MANUAL

(1) EMPHASIS OF MATTER BY INDEPENDENT AUDITORS

(2) QUARTERLY REPORTING

1. EMPHASIS OF MATTER BY INDEPENDENT AUDITORS

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 Company's audited financial statements for the financial year ended 31 December (“**FY**”) 2021 (“**Audited Financial Statements**”). Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), the Board wishes to announce that the Company's independent auditors (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 2.2 to the Audited Financial Statements indicates, among other things, that the Group’s current liabilities exceeded its current assets by approximately RMB2,130,907,000. Furthermore, included in the current liabilities of the Group are outstanding borrowings of RMB1,395,508,030, that are without pledged bank deposits and that the banks are contractually entitled to request for immediate repayment as a result of the non-compliance of a financial covenant as disclosed in Note 30 to the Audited Financial Statements and the consequential cross default in relation to other borrowings. Note 30 to the Audited Financial Statements indicates, among other things, that under the terms of the syndicated term loan facility arranged by Standard Chartered Bank (Hong Kong) Limited of up to US\$270,000,000 (the “**Facility**”), the Company has to ensure that the ratio of its consolidated net debt to consolidated total equity does not exceed 125% for the period from 1 January 2021 to 31 December 2021 (the “**Financial Covenant**”). The aforesaid ratio had exceeded 125% for FY2021 resulting in 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 for immediate repayment of the outstanding borrowings with covenant breaches. Accordingly, the non-current portion of the borrowings with covenant breaches of the Group amounting to RMB1,184,002,000 were reclassified as current liabilities.

As stated in Note 2.2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns, and whether the Group will be able to continue as a going concern would depend upon one or more of the following:

- (a) the lenders of the borrowings will not call for the repayment ahead of the stipulated repayment dates;

- (b) the Group is successful in its efforts to obtain or timely execute the financing as set out below before the stipulated repayment dates;
- (c) the Group continues to generate positive cash flows from its operations; and/or
- (d) the Group is able to obtain timely and sufficient financial support from its single largest shareholder when needed.

The consolidated financial statements of the Company have nevertheless been prepared on a going concern basis as the directors and management have assessed that it is appropriate to do so after considering the following:

- (i) the lenders of the borrowings have not called on the repayment of the borrowings mentioned above and the Group has maintained communication with relevant banks and financial institutions to explain changes in the financial conditions;
- (ii) the Group's ability to finalise and obtain additional financing including:
 - (AA) additional credit facilities from financial institutions subsequent to year-end; and
 - (BB) proposed issuance of up to RMB1 billion in aggregate principal amount of Asset-Backed Securities which is currently under review for approval by the Shenzhen Stock Exchange;
- (iii) the Group's ability to generate positive cash flows from its operations; and
- (iv) as disclosed in Note 30 to the Audited Financial Statements, the Group had obtained loans of RMB840 million as of 31 December 2021 from subsidiaries of its single largest shareholder, Zhejiang Provincial Energy Group Co., Ltd. ("**Zheneng Group**"), which is a state-owned provincial energy enterprise with great financial strength and good credit standing and will continue to actively seek financial support from Zheneng Group.

A copy of the Independent Auditors' Report and an extract of Notes 2.2 and 30 to the Audited Financial Statements is attached to this announcement.

As at the date of this announcement, the Company has not received any notice for accelerated repayment from the agent of the Facility. 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.

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 has 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 FY2021, which has been released via the SGXNET and on the Company's corporate website at <http://znjihj.com/info.html> on 8 April 2022. Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor's Report and the Company's annual report for FY2021 and to read the aforementioned documents in their entirety.

2. QUARTERLY REPORTING

Under Rule 705(2) of the Listing Manual, an issuer is required to announce its financial statements on a quarterly basis ("**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.

3. 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

8 April 2022

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