



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 Second Quarter And Half Year Financial Statements For The Period Ended 30 June 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 second quarter (“2Q”) and half year (“1H”) ended 30 June 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

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

| | Group 2Q2019 RMB'000 | Group 2Q2018 RMB'000 | Change +/(-) % | Group 1H2019 RMB'000 | Group 1H2018 RMB'000 | Change +/(-) % |
|--|-------------------------------------|-------------------------------------|---------------------------|-------------------------------------|-------------------------------------|---------------------------|
| Revenue | 935,963 | 680,321 | 37.6 | 1,632,987 | 1,435,189 | 13.8 |
| Cost of sales | (631,877) | (343,748) | 83.8 | (1,113,019) | (888,005) | 25.3 |
| Gross profit | 304,086 | 336,573 | (9.7) | 519,968 | 547,184 | (5.0) |
| Other income and other losses | (14,425) | (9,865) | 46.2 | 56,360 | 51,663 | 9.1 |
| Share of gain (loss) of joint ventures | 1,218 | (181) | N.M. | 2,996 | (198) | N.M. |
| Administrative expenses | (54,987) | (48,254) | 14.0 | (122,187) | (117,378) | 4.1 |
| Finance costs | (60,284) | (63,719) | (5.4) | (131,534) | (124,509) | 5.6 |
| Profit before tax | 175,608 | 214,554 | (18.2) | 325,603 | 356,762 | (8.7) |
| Income tax expense | (21,584) | (62,364) | (65.4) | (64,481) | (101,818) | (36.7) |
| Profit for the period | 154,024 | 152,190 | 1.2 | 261,122 | 254,944 | 2.4 |
| Other comprehensive gain (loss) | | | | | | |
| Foreign currency translation | 8,045 | 805 | 899.4 | 9,705 | (9,805) | N.M. |

| | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Total comprehensive income for the period | <u>162,069</u> | <u>152,995</u> | 5.9 | <u>270,827</u> | <u>245,139</u> | 10.5 |
| Profit for the period attributable to: | | | | | | |
| - owners of the Company | 149,628 | 149,446 | 0.1 | 253,817 | 250,293 | 1.4 |
| - non-controlling interests | <u>4,396</u> | <u>2,744</u> | 60.2 | <u>7,305</u> | <u>4,651</u> | 57.1 |
| | <u>154,024</u> | <u>152,190</u> | 1.2 | <u>261,122</u> | <u>254,944</u> | 2.4 |
| Total comprehensive income for the period attributable to: | | | | | | |
| - owners of the Company | 157,673 | 150,251 | 4.9 | 263,522 | 240,488 | 9.6 |
| - non-controlling interests | <u>4,396</u> | <u>2,744</u> | 60.2 | <u>7,305</u> | <u>4,651</u> | 57.1 |
| | <u>162,069</u> | <u>152,995</u> | 5.9 | <u>270,827</u> | <u>245,139</u> | 10.5 |
| | Group | Group | | Group | Group | |
| | 2Q2019 | 2Q2018 | Change | 1H2019 | 1H2018 | Change |
| | RMB'000 | RMB'000 | +/(-) % | RMB'000 | RMB'000 | +/(-) % |
| Profit before tax has been arrived at after charging (crediting): | | | | | | |
| Staff costs (including directors' emoluments) | 55,426 | 49,071 | 13.0 | 118,688 | 114,310 | 3.8 |
| Cost of inventories recognised as expense | 101,581 | 88,705 | 14.5 | 193,538 | 186,569 | 3.7 |
| Depreciation of property, plant and equipment | 88,526 | 68,207 | 29.8 | 175,940 | 142,568 | 23.4 |
| Depreciation of investment property | 244 | - | N.M. | 472 | - | N.M. |
| Amortisation of prepaid leases | 2,863 | 2,772 | 3.3 | 5,726 | 5,544 | 3.3 |
| Amortisation of intangible assets | <u>16,570</u> | <u>15,141</u> | 9.4 | <u>33,573</u> | <u>30,358</u> | 10.6 |
| Total depreciation and amortisation | <u>108,203</u> | <u>86,120</u> | 25.6 | <u>215,711</u> | <u>178,470</u> | 20.9 |
| Overprovision of tax in the prior years | (26,463) | (13,173) | 100.9 | (28,872) | (13,173) | 119.2 |

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 30 Jun 2019 RMB'000 | Group As at 31 Dec 2018 RMB'000 | Company As at 30 Jun 2019 RMB'000 | Company As at 31 Dec 2018 RMB'000 |
|--|--|--|--|--|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 8,007,670 | 7,054,149 | 0 | 0 |
| Prepaid leases | 0 | 328,301 | 0 | 0 |
| Intangible assets | 2,866,595 | 2,445,878 | 0 | 0 |
| Investment property | 26,786 | 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 | 194,851 | 191,855 | 5,039 | 5,039 |
| Service concession receivables | 472,224 | 474,377 | 0 | 0 |
| Other receivables | 669,689 | 435,110 | 9,771 | 2,972 |
| Total non-current assets | 12,250,015 | 10,969,128 | 1,805,689 | 1,798,890 |
| Current assets | | | | |
| Inventories | 60,733 | 53,351 | 0 | 0 |
| Prepaid leases | 0 | 12,762 | 0 | 0 |
| Service concession receivables | 49,271 | 49,271 | 0 | 0 |
| Trade and other receivables | 1,257,476 | 1,150,139 | 4,002 | 4,002 |
| Contract assets | 8,844 | 10,847 | 0 | 0 |
| Other tax recoverable | 198,149 | 142,492 | 0 | 0 |
| Amounts due from related parties | 203,349 | 306,458 | 0 | 0 |
| Amounts due from joint ventures | 499,643 | 453,695 | 0 | 0 |
| Amount due from subsidiaries | 0 | 0 | 2,843,764 | 2,757,408 |
| Amounts due from non-controlling interests | 57,988 | 74,807 | 0 | 0 |
| Pledged bank deposits | 572,547 | 513,737 | 324,379 | 318,145 |
| Bank balances and cash | 729,202 | 857,487 | 56,941 | 241,992 |
| Total current assets | 3,637,202 | 3,625,046 | 3,229,086 | 3,321,547 |
| Total assets | 15,887,217 | 14,594,174 | 5,034,775 | 5,120,437 |
| Current liabilities | | | | |
| Trade and other payables | 1,493,322 | 1,298,966 | 6,276 | 6,006 |
| Amounts due to related parties | 113,088 | 125,181 | 0 | 0 |
| Amount due to subsidiaries | 0 | 0 | 58,052 | 65,389 |
| Income tax liabilities | 104,428 | 135,677 | 0 | 0 |
| Other tax liabilities | 65,872 | 60,870 | 0 | 0 |
| Dividends payable | 1,397 | 1,397 | 0 | 0 |
| Borrowings | 1,271,482 | 1,219,962 | 67,235 | 71,159 |
| Current portion of lease liabilities | 467,487 | 393,987 | 0 | 0 |
| Deferred grant | 12,955 | 8,420 | 0 | 0 |
| Notes payable | 39,944 | 40,209 | 39,944 | 40,209 |
| Total current liabilities | 3,569,975 | 3,284,669 | 171,507 | 182,763 |
| Net current assets | 67,227 | 340,377 | 3,057,579 | 3,138,784 |
| Total assets less current liabilities | 12,317,242 | 11,309,505 | 4,863,268 | 4,937,674 |
| Non-current liabilities | | | | |
| Borrowings | 3,652,732 | 3,298,568 | 1,286,692 | 1,275,778 |
| Notes payable | 1,356,173 | 1,347,657 | 1,356,173 | 1,347,657 |
| Lease liabilities | 654,946 | 455,532 | 0 | 0 |
| Deferred tax liabilities | 462,215 | 425,314 | 0 | 0 |
| Deferred grant | 299,164 | 161,249 | 0 | 0 |
| Provision for major overhauls | 17,975 | 17,975 | 0 | 0 |
| Total non-current liabilities | 6,443,205 | 5,706,295 | 2,642,865 | 2,623,435 |
| Net assets | 5,874,037 | 5,603,210 | 2,220,403 | 2,314,239 |

Capital and reserves

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Share capital | 95 | 95 | 95 | 95 |
| Reserves | 5,767,483 | 5,485,716 | 2,220,308 | 2,314,144 |
| Equity attributable to owners of the company | 5,767,578 | 5,485,811 | 2,220,403 | 2,314,239 |
| Non-controlling interests | 106,459 | 117,399 | 0 | 0 |
| Total equity | 5,874,037 | 5,603,210 | 2,220,403 | 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 30 Jun 2019 | | As at 31 Dec 2018 | |
|-------------------|-----------|-------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 1,776,268 | 2,645 | 1,652,628 | 1,530 |

Amount repayable after one year

| As at 30 Jun 2019 | | As at 31 Dec 2018 | |
|-------------------|-----------|-------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 5,663,276 | 575 | 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 2Q2019 RMB'000 | Group 2Q2018 RMB'000 | Group 1H2019 RMB'000 | Group 1H2018 RMB'000 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Operating activities | | | | |
| Profit before tax | 175,608 | 214,554 | 325,603 | 356,762 |
| Adjustments for: | | | | |
| Finance costs | 60,284 | 63,719 | 131,534 | 124,509 |
| Bank interest income | (1,433) | (1,196) | (2,527) | (1,731) |
| BOT financial income | (11,241) | (7,621) | (22,482) | (15,243) |
| Depreciation of property, plant and equipment | 88,526 | 68,207 | 175,940 | 142,568 |
| Depreciation of investment property | 244 | - | 472 | - |
| Amortisation of prepaid leases | 2,863 | 2,772 | 5,726 | 5,544 |
| Amortisation of intangible assets | 16,570 | 15,141 | 33,573 | 30,358 |
| Deferred grant recognised | (1,511) | (37,088) | 5,313 | (41,488) |
| Gain on disposal of subsidiary | - | (7,700) | - | (7,700) |
| Gain on re-measurement of subsidiary on disposal | - | (4,240) | - | (4,240) |
| Foreign exchange losses | 42,246 | 53,701 | 7,723 | 11,517 |
| Share of (profit) loss of joint ventures | (1,218) | 181 | (2,996) | 198 |
| Operating cash flows before movements in working capital | 370,938 | 360,430 | 657,879 | 601,054 |
| Trade and other receivables | 54,608 | 84,580 | 91,662 | (90,991) |
| Service concession receivables | 1,077 | 8,604 | 2,153 | 17,210 |
| Other tax recoverable | (25,151) | (40,704) | (55,657) | (58,245) |
| Inventories | (1,954) | (15,936) | (7,382) | (28,381) |
| Contract costs | 1,518 | - | 2,003 | - |
| Intangible assets | (295,157) | (37,925) | (454,290) | (330,755) |
| Trade and other payables | (46,730) | (197,441) | 103,717 | 79,799 |
| Other tax liabilities | (15,422) | 20,478 | 5,002 | (5,021) |
| Amount due from related parties | 14,257 | (105,275) | 82,176 | (14,454) |
| Amount due from joint ventures | (49,173) | - | (45,948) | - |
| Amount due from non-controlling interests | (2,843) | (5,476) | 8,565 | (19,162) |
| Amount due to related parties | (303) | (4,198) | 14,890 | 67,528 |
| Deferred grants | 1,087 | 7,300 | 137,137 | 13,669 |
| Cash generated from operations | 6,752 | 74,437 | 541,907 | 232,251 |
| Income tax paid | (13,518) | (28,579) | (58,829) | (79,522) |
| Net cash (used in) from operating activities | (6,766) | 45,858 | 483,078 | 152,729 |

| | | | | |
|---|------------------|------------------|------------------|--------------------|
| Investing activities | | | | |
| Interest received | 1,433 | 1,196 | 2,527 | 1,731 |
| Payments for property, plant and equipment | (401,453) | (576,316) | (978,312) | (1,288,441) |
| Payment for acquisition of non-controlling interests | - | (21,900) | - | (21,900) |
| Payment for acquisition of subsidiaries | - | (7,711) | - | (7,711) |
| Payment for prepaid leases | - | (6,555) | (1,178) | (17,951) |
| Proceeds from disposal of subsidiary | - | 25,410 | - | 25,410 |
| Investment in joint ventures | - | (8,944) | - | (10,944) |
| Net cash used in investing activities | (400,020) | (594,820) | (976,963) | (1,319,806) |
| Financing activities | | | | |
| Proceeds from borrowings | 408,751 | 818,799 | 915,131 | 1,649,483 |
| Repayment of borrowings | (132,918) | (299,047) | (495,141) | (787,980) |
| Proceeds from lease liabilities | 560,000 | 290,254 | 651,000 | 290,254 |
| Repayment of lease liabilities | (272,413) | (85,809) | (479,059) | (189,873) |
| Payment of finance costs | (92,716) | (81,919) | (185,935) | (165,003) |
| Increase in pledged bank deposits for borrowings | (1,000) | (75,000) | (50,781) | (138,138) |
| Proceeds from issue of shares | - | 509,780 | - | 509,780 |
| Payment for notes issue costs | - | - | - | (2,190) |
| Dividends paid | - | (350,705) | - | (350,705) |
| Prepayment from related parties | 45,000 | 276,136 | 20,933 | 276,136 |
| Repayment to related parties | - | - | - | (13,227) |
| Repayment from non-controlling interests | - | - | 8,254 | - |
| Net cash from financing activities | 514,704 | 1,002,489 | 384,402 | 1,078,537 |
| Net increase (decrease) in cash and cash equivalents | 107,918 | 453,527 | (109,483) | (88,540) |
| Cash and cash equivalents at beginning of the period | 629,517 | 714,899 | 857,487 | 1,276,453 |
| Effect of exchange rate fluctuations on cash held Cash and cash equivalents at the end of the period | (8,233) | 28,314 | (18,802) | 8,827 |
| | 729,202 | 1,196,740 | 729,202 | 1,196,740 |

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 | | | | | | | | Subtotal RMB'000 | Non- controlling interests RMB'000 | Total RMB'000 |
|--|---------------------------------------|-----------------------------|-------------------------------|-------------------------------|--|-----------------------------------|------------------------------|---------------------------------|---------------------|---|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Merger reserves RMB'000 | Statutory surplus reserve RMB'000 | Translation reserve RMB'000 | Other reserves RMB'000 | Retained earnings 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 April 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 |
| Profit for the period | - | - | - | - | - | - | - | 149,628 | 149,628 | 4,396 | 154,024 |
| Other comprehensive income for the period | - | - | - | - | - | 8,045 | - | - | 8,045 | - | 8,045 |
| <u>Transactions with owners, recognised directly in equity</u> | | | | | | | | | | | |
| Effect of capital contribution in a subsidiary | - | - | - | - | - | - | 18,245 | - | 18,245 | (18,245) | - |
| At 30 June 2019 | 95 | 1,568,197 | 393,694 | (67,642) | 118,271 | 792 | 60,083 | 3,694,088 | 5,767,578 | 106,459 | 5,874,037 |
| 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 |

| | | | | | | | | | | | |
|--|-----------|------------------|----------------|-----------------|----------------|-----------------|---------------|------------------|------------------|----------------|------------------|
| <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 |
| <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 April 2019 | 95 | 1,568,197 | 1,057,112 | - | (366,886) | 2,258,518 |
| Loss and total comprehensive loss for the period | - | - | - | - | (38,115) | (38,115) |
| At 30 June 2019 | 95 | 1,568,197 | 1,057,112 | - | (405,001) | 2,220,403 |
| 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 1H2019.

The Company had no outstanding convertibles, treasury shares or subsidiary holdings as at 30 June 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 30 June 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 | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2Q2019 | 2Q2018 | 1H2019 | 1H2018 |
| Basic earnings per Share (RMB cents) | 10.37 | 11.48 | 17.59 | 19.84 |
| Weighted average number of Shares | 1,443,246,800 | 1,301,537,044 | 1,443,246,800 | 1,261,779,895 |
| Fully diluted earnings per Share (RMB cents) | 10.37 | 11.48 | 17.59 | 19.84 |
| Weighted average number of Shares | 1,443,246,800 | 1,301,537,044 | 1,443,246,800 | 1,261,779,895 |

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

The total number of issued Shares as at 30 June 2019 and 31 December 2018 were 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 30 Jun 2019 | As at 31 Dec 2018 | As at 30 Jun 2019 | As at 31 Dec 2018 |
| Net asset value per Share (RMB cents) | 399.63 | 380.10 | 153.85 | 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 30 June 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 30 June 2019 and 31 December 2018 were 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

2Q2019 vs 2Q2018

Revenue

| | 2Q2019 | | 2Q2018 | | Change |
|---|----------------|-------|----------------|-------|---------|
| | RMB'000 | % | RMB'000 | % | % |
| Sales of electricity | 318,243 | 34.0 | 208,289 | 30.6 | 52.8 |
| Sales of steam | 93,812 | 10.0 | 100,113 | 14.7 | (6.3) |
| Revenue from waste treatment fees | <u>171,923</u> | 18.4 | <u>136,614</u> | 20.1 | 25.8 |
| Waste-to-energy business | <u>583,978</u> | 62.4 | <u>445,016</u> | 65.4 | 31.2 |
| Revenue from construction services provided under service concession agreements | 301,800 | 32.2 | 27,111 | 4.0 | 1,013.2 |
| Financial income under service concession agreements | <u>11,241</u> | 1.2 | <u>7,621</u> | 1.1 | 47.5 |
| Construction services | <u>313,041</u> | 33.4 | <u>34,732</u> | 5.1 | 801.3 |
| Project technical and management service and EMC business | <u>38,944</u> | 4.2 | <u>200,573</u> | 29.5 | (80.6) |
| Total | <u>935,963</u> | 100.0 | <u>680,321</u> | 100.0 | 37.6 |

Revenue increased 37.6% from RMB680.3 million in 2Q2018 to RMB936.0 million in 2Q2019, primarily due to an increase in revenue from construction services provided under BOT concession agreements and an increase in revenue from WTE business (excluding revenue from construction services provided under BOT concession agreements), offset by a decrease in revenue from project technical and management services and EMC business.

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 31.2% from RMB445.0 million in 2Q2018 to RMB584.0 million in 2Q2019. The increase was attributable to (i) the expansion and upgrading of seven of the eight WTE facilities being substantially completed by the end of 2Q2019 which markedly increased waste treatment capacity and boiler operation efficiency and resulted in a higher amount of waste treated and electricity generated by RMB52.5 million, (ii) an increase in revenue from the other WTE Facilities, which was partially offset by the effects of the cessation of operations of the Zibo Jinjiang WTE Facility in July 2018 by RMB34.0 million, (iii) 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 RMB19.0 million and (iv) an increase in electricity tariffs for Hangzhou Xiaoshan WTE Facility and retrospective payments by the relevant government authorities in respect of waste treatment fees for prior years for Wuhua WTE Facility which totalled RMB22.5 million.

Details of the electricity generated and supplied, steam supplied and waste treated for 2Q2019 and 2Q2018 are as follows:

| | Group 2Q2019 | Group 2Q2018 | Change % |
|---|-------------------------|-------------------------|---------------------|
| Electricity generated ('000 KWh) | 682,489 | 553,649 | 23.3 |
| On-grid electricity supplied ('000 KWh) | 501,246 | 390,099 | 28.5 |
| Steam supplied ('000 tonnes) | 689 | 717 | (3.9) |
| Waste treated ('000 tonnes) | 2,471 | 2,043 | 20.9 |

On-grid electricity supplied and waste treated (excluding waste collection and transportation operations in India) increased 28.5% and 20.9% in 2Q2019 as compared to 2Q2018, due to the expansion and upgrading of seven of the eight WTE facilities being substantially completed by the end of 2Q2019 which resulted in a higher amount of waste treated and electricity generated and the steady increase in output from Zhuji Bafang WTE Facility. Excluding waste collection and transportation operations in India, waste treated increased by 19.2% in 2Q2019 as compared to 2Q2018. The decrease in steam supplied is due to cessation of operations of the Zibo Jinjiang WTE Facility in July 2018 and a reduction in the number of customers for Tianjin Sunrise and Zibo Green Energy WTE Facilities.

Construction services provided under BOT concession agreements

Revenue from construction services provided under build-operate-transfer (“BOT”) concession agreements increased by 801.3% from RMB34.7 million in 2Q2018 to RMB313.0 million in 2Q2019 due to an increase in revenue from the provision of construction services under BOT concession agreements from RMB27.1 million in 2Q2018 to RMB301.8 million in 2Q2019. In 2Q2019, BOT revenue was recorded for the Kunming Wuhua reconstruction project and the expansion of Wenling Green Energy WTE Facility whereas in 2Q2018, BOT revenue was recorded for Yinchuan Zhongke WTE Facility and the WTE projects in India. Financial income increased from RMB7.6 million in 2Q2018 to RMB11.2 million in 2Q2019.

Project technical and management services and our EMC business

Revenue from project technical and management services and our EMC business decreased 80.6% from RMB200.6 million in 2Q2018 to RMB38.9 million in 2Q2019. This is due to a reduction in the equipment selection and sales services, following an adjustment made to the business after Hangzhou Kesheng had obtained the national high-tech enterprise status. In addition, the reduction in the profit sharing ratio in the later stages of the EMC contracts also caused to the decrease in revenue.

Cost of sales

Cost of sales increased 83.8% from RMB343.8 million in 2Q2018 to RMB631.9 million in 2Q2019, due to an increase in the cost of sales from:-

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 31.4% from RMB258.9 million in 2Q2018 to RMB340.3 million in 2Q2019. The increase is due to (i) an increase of RMB22.0 million in operating costs, including depreciation, following the commencement of operations of upgraded facilities, (ii) an increase of RMB49.0 million in repair and maintenance costs, environmental protection auxiliary materials and other charges arising from the higher volume of waste treated and (iii) an increase of RMB11.0 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 RMB6.0 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.

Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements increased 1,039.1% from RMB22.9 million in 2Q2018 to RMB260.6 million in 2Q2019 due to more construction services under BOT concession agreements in 2Q2019, and hence more costs were recorded. In 2Q2019, BOT revenue was recorded for the Kunming Wuhua reconstruction project and the expansion of Wenling Green Energy WTE Facility whereas in 2Q2018, BOT revenue was recorded for Yinchuan Zhongke WTE Facility and the WTE projects in India.

Project technical and management services and our EMC business

The cost of sales from project technical and management services and our EMC business decreased 50.1% from RMB61.9 million in 2Q2018 to RMB30.9 million in 2Q2019 due to a decrease in revenue from technical and management services including equipment selection and sales.

Gross profit and gross profit margin

| | Gross Profit (RMB '000) | | Gross Profit Margin | |
|---|------------------------------------|----------------|----------------------------|---------------|
| | 2Q2019 | 2Q2018 | 2Q2019 | 2Q2018 |
| WTE business (excluding gross profit from construction services provided under BOT concession agreements) | 243,650 | 186,068 | 41.7% | 41.8% |
| Construction services provided under BOT concession agreements | 41,165 | 4,231 | 13.6% | 15.6% |
| Project technical and management service and EMC business | 8,030 | 138,653 | 20.6% | 69.1% |
| Financial income under service concession agreements | 11,241 | 7,621 | N.A. | N.A. |
| Total | <u>304,086</u> | <u>336,573</u> | 32.5% | 49.5% |

As a result of the foregoing, the gross profit decreased 9.7% from RMB336.6 million in 2Q2018 to RMB304.1 million in 2Q2019.

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 by 31.0% from RMB186.1 million in 2Q2018 to RMB243.7 million in 2Q2019. The gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) decreased from 41.8% in 2Q2018 to 41.7% in 2Q2019. The increase in depreciation charges accounted for a 3.7% drop in gross profit margin.

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

Gross profit increased from RMB4.2 million in 2Q2018 to RMB41.2 million in 2Q2019 and finance income increased from RMB7.6 million in 2Q2018 to RMB11.2 million in 2Q2019. The gross profit margin decreased from 15.6% in 2Q2018 to 13.6% in 2Q2019.

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 decreased 94.2% from RMB138.7 million in 2Q2018 to RMB8.0 million in 2Q2019. The gross profit margin of project technical and management services and our EMC business decreased from 69.1% in 2Q2018 to 20.6% in 2Q2019.

Other income and other losses

| | Group 2Q2019 RMB'000 | Group 2Q2018 RMB'000 | Increase / (Decrease) RMB'000 | Change +/(-) % |
|----------------------------------|-------------------------------------|-------------------------------------|--|---------------------------|
| Gain on disposal of subsidiary | - | 11,940 | (11,940) | (100.0) |
| Government grants and tax refund | 11,559 | 15,165 | (3,606) | (23.8) |
| Bank interest income | 1,433 | 1,196 | 237 | 19.8 |
| Gain on sales of scrap materials | 13,422 | 13,408 | 14 | 0.1 |
| Foreign exchange gains (losses) | (42,246) | (53,701) | 11,455 | (21.3) |
| Sludge outsourcing fee | 1,407 | 2,127 | (720) | (33.9) |
| Other income and other losses | <u>(14,425)</u> | <u>(9,865)</u> | <u>(4,560)</u> | 46.2 |

Other income and other losses increased 46.2% from a loss of RMB9.9 million in 2Q2018 to a loss of RMB14.4 million in 2Q2019, due primarily to a decrease in gain on disposal of 70% stake in Hohhot Jiasheng New Energy WTE Facility by RMB11.9 million and a decrease in government grants and tax refund by RMB3.6 million, offset by a lower foreign exchange loss arising from the exchange rate fluctuations between Chinese Renminbi and United States Dollars by RMB11.5 million.

Administrative expenses

Administrative expenses increased 14.0% from RMB48.3 million in 2Q2018 to RMB55.0 million in 2Q2019, due to more expenses in 2Q2019 as compared to 2Q2018.

Finance costs

Finance costs decreased 5.4% from RMB63.7 million in 2Q2018 to RMB60.3 million in 2Q2019, due to the decrease in short term and project bank borrowings for facilities in operation, leading to less finance costs being expensed off.

Profit before tax

As a result of the foregoing, profit before tax decreased 18.2% from RMB214.6 million in 2Q2018 to RMB175.6 million in 2Q2019.

Income tax expense

Income tax expense decreased 65.4% from RMB62.4 million in 2Q2018 to RMB21.6 million in 2Q2019 due to overprovision of tax in prior years and various preferential tax treatments and refunds.

Profit for the period

As a result of the foregoing, profit for the period increased 1.2% from RMB152.2 million in 2Q2018 to RMB154.0 million in 2Q2019.

1H2019 vs 1H2018

Revenue

| | 1H2019 | | 1H2018 | | Change |
|---|------------------|----------|------------------|----------|---------------|
| | RMB'000 | % | RMB'000 | % | % |
| Sales of electricity | 544,680 | 58.2 | 413,923 | 60.8 | 31.6 |
| Sales of steam | 192,688 | 20.6 | 206,400 | 30.3 | (6.6) |
| Revenue from waste treatment fees | <u>324,992</u> | 34.7 | <u>276,638</u> | 40.7 | 17.5 |
| Waste-to-energy business | <u>1,062,360</u> | 113.5 | <u>896,961</u> | 131.8 | 18.4 |
| Revenue from construction services provided under service concession agreements | 461,878 | 49.3 | 287,759 | 42.3 | 60.5 |
| Financial income under service concession agreements | <u>22,482</u> | 2.4 | <u>15,243</u> | 2.2 | 47.5 |
| Construction services | <u>484,360</u> | 51.7 | <u>303,002</u> | 44.5 | 59.9 |
| Project technical and management service and EMC business | <u>86,267</u> | 9.2 | <u>235,226</u> | 34.6 | (63.3) |
| Total | <u>1,632,987</u> | 174.5 | <u>1,435,189</u> | 211.0 | 13.8 |

Revenue increased 13.8% from RMB1,435.2 million in 1H2018 to RMB1,633.0 million in 1H2019, primarily due to an increase in revenue from construction services provided under BOT concession agreements and an increase in revenue from WTE business (excluding revenue from construction services provided under BOT concession agreements), offset by a decrease in revenue from project technical and management services and EMC business.

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

Revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) increased 18.4% from RMB897.0 million in 1H2018 to RMB1,062.4 million in 1H2019. The increase was attributable to (i) the expansion and upgrading of seven of the eight WTE facilities being substantially completed by the end of 1H2019 which markedly increased waste treatment capacity and boiler operation efficiency and resulted in a higher amount of waste treated and electricity generated by RMB80.0 million, (ii) an increase in revenue from the other WTE Facilities, excluding Zhuji Bafang WTE Facility, which was partially offset by the effects of the cessation of operations of the Zibo Jinjiang WTE Facility in July 2018 by RMB25.0 million, (iii) 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 RMB32.0 million, (iv) an increase in electricity tariffs for Hangzhou Xiaoshan and Zhengzhou Xingjin WTE Facilities and retrospective payments by the relevant government authorities in respect of waste treatment fees for prior years for Wuhua WTE Facility by RMB26.0 million and (v) an increase in waste treated following the commencement of waste collection and transportation operations in India by RMB2.2 million.

Details of the electricity generated and supplied, steam supplied and waste treated for 1H2019 and 1H2018 are as follows:

| | Group 1H2019 | Group 1H2018 | Change % |
|---|-------------------------|-------------------------|---------------------|
| Electricity generated ('000 KWh) | 1,292,692 | 1,069,028 | 20.9 |
| On-grid electricity supplied ('000 KWh) | 925,770 | 745,532 | 24.2 |
| Steam supplied ('000 tonnes) | 1,403 | 1,495 | (6.2) |
| Waste treated ('000 tonnes) | 4,665 | 4,048 | 15.2 |

On-grid electricity supplied and waste treated (excluding waste collection and transportation operations in India) increased 24.2% and 15.2% in 1H2019 as compared to 1H2018, due to the expansion and upgrading of seven of the eight WTE facilities being substantially completed by the end of 1H2019 which resulted in a higher amount of waste treated and electricity generated and the steady increase in

output from Zhuji Bafang WTE Facility. Excluding waste collection and transportation operations in India, waste treated increased by 14.3% in 1H2019 as compared to 1H2018. The decrease in steam supplied is due to cessation of operations of the Zibo Jinjiang WTE Facility in July 2018 and reduce in the number of customers for Tianjin Sunrise and Zibo Green Energy WTE Facilities.

Construction services provided under BOT concession agreements

Revenue from construction services provided under build-operate-transfer (“BOT”) concession agreements increased by 59.9% from RMB303.0 million in 1H2018 to RMB484.4 million in 1H2019 due to an increase in revenue from the provision of construction services under BOT concession agreements from RMB287.8 million in 1H2018 to RMB461.9 million in 1H2019. In 1H2019, BOT revenue was recorded for the Kunming Wuhua reconstruction project and the expansion of Wenling Green Energy WTE Facility whereas in 1H2018, BOT revenue was recorded for Yinchuan Zhongke and Gaomi Lilangmingde WTE Facilities and the WTE projects in India. Financial income increased from RMB15.2 million in 1H2018 to RMB22.5 million in 1H2019.

Project technical and management services and our EMC business

For the half year ended 30 June 2019, there were a total of 165 new business contracts secured, including 6 EMC contracts, 147 project technical and management consulting contracts and 12 design services contracts. A total of 241 business contracts have been implemented in 1H2019 comprising (i) 40 EMC projects including 9 EMC projects undergoing construction, (ii) 189 project technical and management consulting projects and (iii) 12 design services projects. With the exception of the 9 EMC projects undergoing construction, 15 ongoing project technical and management consulting projects and 5 ongoing design services projects, all other projects have enjoyed the benefits arising from energy saving, consulting or design services.

Despite the above, the revenue from project technical and management services and our EMC business decreased 63.3% from RMB235.2 million in 1H2018 to RMB86.3 million in 1H2019. This is due to a reduction in the equipment selection and sales services, following an adjustment made to the business after Hangzhou Kesheng had obtained the national high-tech enterprise status. In addition, the reduction in the profit sharing ratio in the later stages of the EMC contracts also caused to the decrease in revenue.

Cost of sales

Cost of sales increased 25.3% from RMB888.0 million in 1H2018 to RMB1,113.0 million in 1H2019, due to an increase in the cost of sales from:-

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 18.3% from RMB562.9 million in 1H2018 to RMB666.0 million in 1H2019. The increase is due to (i) an increase of RMB37.0 million in operating costs, including depreciation, following the commencement of operations of upgraded facilities, (ii) an increase of RMB56.0 million in repair and maintenance costs, environmental protection auxiliary materials, labour costs and other charges arising from the higher volume of waste treated, (iii) an increase of RMB16.0 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 and (iv) an increase of approximately RMB5.4 million in costs due to the increased geographical coverage of the waste collection and transportation operations in India, offset by a decrease of RMB17.0 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.

Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements increased 66.9% from RMB238.9 million in 1H2018 to RMB398.9 million in 1H2019 due to more construction services provided under BOT concession agreements in 1H2019, and hence higher costs were recorded. In 1H2019, BOT revenue was recorded for the Kunming Wuhua reconstruction project and the expansion of Wenling Green Energy WTE Facility whereas in 1H2018, BOT revenue was recorded for Yinchuan Zhongke and Gaomi Lilangmingde WTE Facilities and the WTE projects in India.

Project technical and management services and EMC business

The cost of sales from project technical and management services and our EMC business decreased 44.1% from RMB86.2 million in 1H2018 to RMB48.2 million in 1H2019 due to a decrease in revenue from technical and management services including equipment selection and sales.

Gross profit and gross profit margin

| | Gross Profit (RMB '000) | | Gross Profit Margin | |
|---|------------------------------------|---------------|----------------------------|---------------|
| | 1H2019 | 1H2018 | 1H2019 | 1H2018 |
| WTE business (excluding gross profit from construction services provided under BOT concession agreements) | 396,390 | 334,026 | 37.3% | 37.2% |
| Construction services provided under BOT concession agreements | 63,000 | 48,859 | 13.6% | 17.0% |
| Project technical and management service and EMC business | 38,096 | 149,056 | 44.2% | 63.4% |
| Financial income under service concession agreements | 22,482 | 15,243 | N.A. | N.A. |
| Total | 519,968 | 547,184 | 31.8% | 38.1% |

As a result of the foregoing, the gross profit decreased 5.0% from RMB547.2 million in 1H2018 to RMB520.0 million in 1H2019.

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 by 18.7% from RMB334.0 million in 1H2018 to RMB396.4 million in 1H2019. The gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) increased from 37.2% in 1H2018 to 37.3% in 1H2019. The increase in depreciation charges accounted for a 3.5% drop in gross profit margin.

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

Gross profit increased from RMB48.8 million in 1H2018 to RMB63.0 million in 1H2019 and finance income increased from RMB15.2 million in 1H2018 to RMB22.5 million in 1H2019. The gross profit margin decreased from 17.0% in 1H2018 to 13.6% in 1H2019.

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 decreased 74.4% from RMB149.1 million in 1H2018 to RMB38.1 million in 1H2019. The gross profit margin of project technical and management services and our EMC business decreased from 63.4% in 1H2018 to 44.2% in 1H2019.

Other income and other losses

| | Group 1H2019 RMB'000 | Group 1H2018 RMB'000 | Increase / (Decrease) RMB'000 | Change + / (-) % |
|----------------------------------|-------------------------------------|-------------------------------------|--|-----------------------------|
| Gain on disposal of subsidiary | - | 11,940 | (11,940) | (100.0) |
| Government grants and tax refund | 28,265 | 24,298 | 3,967 | 16.3 |
| Bank interest income | 2,527 | 1,731 | 796 | 46.0 |
| Gain on sales of scrap materials | 29,725 | 20,372 | 9,353 | 45.9 |
| Foreign exchange gains (losses) | (7,723) | (11,517) | 3,794 | (32.9) |
| Sludge outsourcing fee | 3,566 | 4,839 | (1,273) | (26.3) |
| Other income and other losses | <u>56,360</u> | <u>51,663</u> | <u>4,697</u> | <u>9.1</u> |

Other income and other losses increased 9.1% from RMB51.7 million in 1H2018 to RMB56.4 million in 1H2019, due to (i) an increase in government grants and tax refund by RMB4.0 million, (ii) an increase in sales of scrap materials by RMB9.4 million and (iii) lower foreign exchange loss arising from the exchange rate fluctuations between Chinese Renminbi and United States Dollars by RMB3.8 million, offset by a decrease in gain on disposal of 70% stake in Hohhot Jiasheng New Energy WTE Facility by RMB11.9 million.

Administrative expenses

Administrative expenses increased 4.1% from RMB117.4 million in 1H2018 to RMB122.2 million in 1H2019. The increase in 1H2019 is less than 5% as compared to 1H2018.

Finance costs

Finance costs increased 5.6% from RMB124.5 million in 1H2018 to RMB131.5 million in 1H2019, due to increase in bank borrowings.

Profit before tax

As a result of the foregoing, profit before tax decreased 8.7% from RMB356.8 million in 1H2018 to RMB325.6 million in 1H2019.

Income tax expense

Income tax expense decreased 36.7% from RMB101.8 million in 1H2018 to RMB64.5 million in 1H2019 due to overprovision of tax in prior years and various preferential tax treatments and refunds.

Profit for the period

As a result of the foregoing, profit for the period increased 2.4% from RMB254.9 million in 1H2018 to RMB261.1 million in 1H2019.

(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

| | 30 June 2019 RMB Million | 31 December 2018 RMB Million | Increase / (Decrease) RMB Million | Increase / (Decrease) % |
|-------------------------|--------------------------------|------------------------------------|---|-------------------------------|
| Current assets | 3,637.2 | 3,625.0 | 12.2 | 0.3 |
| Non-current assets | 12,250.0 | 10,969.1 | 1,280.9 | 11.7 |
| Total assets | 15,887.2 | 14,594.2 | 1,293.0 | 8.9 |
| Current liabilities | 3,570.0 | 3,284.7 | 285.3 | 8.7 |
| Non-current liabilities | 6,443.2 | 5,706.3 | 736.9 | 12.9 |
| Total liabilities | 10,013.2 | 8,991.0 | 1,022.2 | 11.4 |
| Capital and reserves | 5,874.0 | 5,603.2 | 270.8 | 4.8 |

Current assets

The increase is due to (i) pledged deposits increasing 11.4% by RMB58.8 million from RMB513.7 million as at 31 December 2018 to RMB572.5 million as at 30 June 2019 due to bank guarantees issued for local and overseas projects and (ii) trade and other receivables increasing 9.3% by RMB107.3 million from RMB1,150.1 million as at 31 December 2018 to RMB1,257.5 million as at 30 June 2019 due mainly to the increase in revenue from our WTE business and more prepayments made. This is offset by (i) bank balances decreasing 15.0% by RMB128.3 million from RMB857.5 million as at 31 December 2018 to RMB729.2 million as at 30 June 2019 and (ii) the amount due from related parties and joint ventures, which includes interest-bearing advances made to joint ventures for the construction of WTE facilities, decreasing 7.5% by RMB57.2 million from RMB760.2 million as at 31 December 2018 to RMB703.0 million as at 30 June 2019.

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 13.5% by RMB953.5 million from RMB7,054.1 million as at 31 December 2018 to RMB8,007.7 million as at 30 June 2019 due to upgrading and expansion of facilities. Intangible assets increased 17.2% by RMB420.7 million from RMB2,445.9 million as at 31 December 2018 to RMB2,866.6 million as at 30 June 2019, arising from the Kunming Wuhua reconstruction project and the expansion of the Wenling Green Energy WTE Facility. Other receivables increased from RMB435.1 million as at 31 December 2018 to RMB669.7 million as at 30 June 2019, as a result of the increase 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 (i) current borrowings increasing 4.2% by RMB51.5 million from RMB1,220.0 million as at 31 December 2018 to RMB1,271.5 million as at 30 June 2019, and (ii) current portion of lease liabilities increasing 18.7% by RMB73.5 million from RMB394.0 million as at 31 December 2018 to RMB467.5 million as at 30 June 2019, due to reclassification of borrowings and lease liabilities between current and non-current liabilities. Trade and other payables increased 15.0% by RMB194.4 million from RMB1,299.0 million as at 31 December 2018 to RMB1,493.3 million as at 30 June 2019 due to higher payables recorded in accordance with contractual payment terms and advance project payments. This is offset by amounts due to related parties decreasing 9.7% by RMB12.1 million from RMB125.2 million as at 31 December 2018 to RMB113.1 million as at 30 June 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 10.7% by RMB354.2 million from RMB3,298.6 million as at 31 December 2018 to RMB3,652.7 million as at 30 June 2019 due to new borrowings for the Kunming Wuhua reconstruction project and Wenling Green Energy and Shijiazhuang Jiasheng WTE Facilities, offset by reclassification into short term borrowings, (ii) deferred tax liabilities increasing 8.7% by RMB36.9 million from RMB425.3 million as at 31 December 2018 to RMB462.2

million as at 30 June 2019 arising from construction services provided under the BOT concession agreements, (iii) deferred grant increasing 85.5% by RMB137.9 million from RMB161.3 million as at 31 December 2018 to RMB299.2 million as at 30 June 2019, arising mainly from the receipt of a RMB135.0 million government grant by the Kunming Wuhua reconstruction project, (iv) non-current lease liabilities increasing 43.8% by RMB199.4 million from RMB455.5 million as at 31 December 2018 to RMB654.9 million as at 30 June 2019 due to new leases for the Zhengzhou Xingjin, Xiaoshan Jinjiang and Wuhan Jinjiang WTE Facilities, offset by reclassification into short term lease liabilities, and (v) notes payable increasing 0.6% by RMB8.5 million from RMB1,347.7 million as at 31 December 2018 to RMB1,356.2 million as at 30 June 2019 due to reclassification and exchange rate fluctuations.

Capital and reserves

The increase from RMB5,603.2 million as at 31 December 2018 to RMB5,874.0 million as at 30 June 2019 is due to the retained earnings for 1H2019.

Cashflow Review

| | Group 2Q2019 RMB Million | Group 1H2019 RMB Million | Increase / (Decrease) RMB Million |
|--|---|---|--|
| Net cash (used in) from operating activities | (6.8) | 483.1 | (489.8) |
| Net cash used in investing activities | (400.0) | (977.0) | 576.9 |
| Net cash from financing activities | 514.7 | 384.4 | 130.3 |
| Cash and cash equivalents at beginning of the period | 629.5 | 857.5 | (228.0) |
| Effect of exchange rate fluctuations on cash held | (8.2) | (18.8) | 10.6 |
| Cash and cash equivalents at the end of the period | <u>729.2</u> | <u>729.2</u> | - |

In 2Q2019, operating cash outflow is RMB6.8 million. This is due to (i) collections arising from trade and other receivables and payables and related parties and (ii) increased investment in BOT projects, offset by profit before tax before movements in working capital for 2Q2019.

In 1H2019, operating cash inflow is RMB483.1 million. This is due to (i) collections arising from trade and other receivables and payables and related parties and (ii) profit before tax before movements in working capital for 1H2019, offset by increased investment in BOT projects and payment of income tax.

In 2Q2019, investing cash outflow is RMB400.0 million. 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.

In 1H2019, investing cash outflow is RMB977.0 million. 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.

In 2Q2019, operating cash inflow is RMB514.7 million. This is due to new borrowings for the Kunming Wuhua reconstruction project and leases for the Xiaoshan Jinjiang and Wuhan Jinjiang WTE Facilities and prepayments from related parties, offset by repayment of borrowings and interest.

In 1H2019, operating cash inflow is RMB384.4 million. This is due to new borrowings for the Kunming Wuhua reconstruction project and Wenling Green Energy and Shijiazhuang Jiasheng WTE Facilities and leases for the Xiaoshan Jinjiang and Wuhan Jinjiang WTE Facilities, offset by repayment of borrowings and interest and prepayments.

Bank balances and cash as at 30 June 2019 is RMB729.2 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

In the first half of 2019, the PRC's gross domestic product (GDP) grew by 6.3% which is 0.5% and 0.3% lower than the growth in the first half and the full year of 2018 respectively.

Nevertheless, with the current complex domestic and global economic situation, reduced momentum of global economic growth and increasing external uncertainties, the business environment is expected to be challenging. The volatility of Chinese Renminbi may also have an impact on the results for the next 12 months.

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 certain municipalities, cities and the built-up area of provincial capital cities by end-2020 and (iv) makes clean energy projects a priority.

In June 2019, the Ministry of Housing, Urban and Rural Construction and other departments issued the "Notice on the Comprehensive Development of Domestic Waste Classification in Cities of Prefecture level and above in the PRC". The Notice requires 46 key cities to complete the construction of waste sorting and treatment systems by the end of 2020. For Cities of Prefecture level and above, the requirement is to commence construction in 2019 and complete construction before the end of 2025. Industry experts therefore believe that the PRC has entered into the era of compulsory waste sorting, and there will be accelerated expansion of the market space in the solid waste industry chain. For enterprises in the WTE space, waste sorting will reduce the proportion of wet waste, resulting in increase in calorific value and power generation and hence leading to higher profitability.

(B) Operational Matters

As at 30 June 2019, the Group has (i) 21 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 30,540 t/d and 632 MW, (ii) five WTE projects under construction, which will add 7,470 t/d (including 220 tons of organic waste) and 182 MW to the Group's total installed waste treatment capacity and installed electricity generation capacity, respectively, and (iii) 14 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 13,300 t/d and 276 MW, respectively.

As at 30 June 2019, the Group has substantially completed the upgrading project ("Upgrading Project") for seven of the eight WTE facilities involved, which commenced in the third quarter of 2017. The Upgrading Project 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. The aforesaid seven WTE facilities which have been upgraded are in the process of constructing complementary waste resource recycling systems and upgrading their waste storage pits, which are expected to be completed in the third and fourth quarters of 2019 respectively. In order to ensure that the demand for heating is met as well as to achieve stability in production, Lianyungang Sunrise WTE Facility in Jiangsu Province, has constructed a new boiler before the upgrading of number 1 and 2 boilers under the Upgrading project. The approval is expected to be obtained in 2019 and all will be

completed and put into operation in 2020. 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 second quarter of 2018, in the second quarter of 2019, there has been a significant improvement in the amount of waste treated (20.9%), the amount of electricity generated (23.3%) and supplied (28.5%), and the revenue from the WTE business (excluding BOT construction revenue) (31.2%).

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 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 local government in Zibo City, Shandong Province, has appointed a third-party asset appraisal firm which has submitted a formal appraisal review report. The group will actively negotiate with the local government regarding compensation payments and other matters. 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.

While cultivating the domestic market, the Group concurrently leverages 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. Currently, the Group has secured a total of five overseas projects, with three projects located in Lucknow, Gwalior and Gurgaon, India, and one project in each of Barueri, São Paulo, Brazil and Palembang, Indonesia. 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.

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 64,406 t/d upon the completion of these projects.

(C) Investment by Quality Investor

As announced by the Company on 10 June 2019, a controlling shareholder of the Company, China Green Energy Limited ("China Green Energy") had entered into a conditional sale and purchase agreement with Zhejiang Energy International Limited (浙江能源国际有限公司) and Zheneng Capital Holdings Co., Ltd. (浙能资本控股有限公司) (collectively, the "Purchasers") relating to the proposed disposal by China Green Energy of 430,000,000 ordinary shares in the capital of the Company held by China Green Energy, representing approximately 29.79% of the entire issued share capital of the Company (excluding treasury shares) to the Purchasers. Completion of the proposed transaction is expected to take place by 10 September 2019, subject to the satisfaction or waiver of all conditions precedent. The Company was also informed that the Purchasers intend to nominate two executive directors to the Board upon completion. Upon completion, Mr. Dou Zhenggang and his associates are expected to be the second largest controlling shareholders of the Company, each deemed interested in approximately 25.82% of the shares in the Company.

(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) RMB'000 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) RMB'000 |
|---|---|---|
| Purchases of coal from: | | |
| Hangzhou Huawang Shiye Group Co., Ltd. | - | 16,003 |
| Project technical and management services provided to: | | |
| Xiaoyi Xing'an Chemical Co., Ltd. | - | 1,284 |
| Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd. | - | 2,124 |
| Guangxi Tiandong Jinsheng Chemical Engineering Co., Ltd. | - | 900 |
| Energy management contracting services provided to: | | |
| Xiaoyi Xing'an Chemical Co., Ltd. | - | 42,217 |
| Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd. | - | 3,229 |
| Total | - | 65,757 |

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 second quarter and half year ended 30 June 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
14 August 2019