



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)

Unaudited Condensed Interim Financial Statements For The Half Year Ended 30 June 2023

Condensed Interim Consolidated Statement of Comprehensive Income

		Group Half year ended 30 June 2023 RMB'000	Group Half year ended 30 June 2022 RMB'000
	Note		
Revenue	3	1,992,180	1,839,303
Cost of sales		(1,407,641)	(1,324,336)
Gross profit		<u>584,539</u>	<u>514,967</u>
Other income			
- Interest		20,318	8,093
- Others		111,439	77,503
Other gains and losses, net		(16,707)	(110,204)
Expenses			
- Administrative		(121,900)	(114,120)
- Finance		(212,557)	(202,791)
Share of loss of joint ventures		(163)	(265)
Profit before income tax		<u>364,969</u>	<u>173,183</u>
Income tax expense		(84,592)	(72,120)
Profit for the period	4	<u>280,377</u>	<u>101,063</u>
Other comprehensive income/(loss)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising from consolidation		16,379	(1,401)
Other comprehensive income/(loss), net of tax		<u>16,379</u>	<u>(1,401)</u>
Total comprehensive income for the period		<u>296,756</u>	<u>99,662</u>
Profit for the period attributable to:			
- equity holders of the Company		266,309	93,489
- non-controlling interests		14,068	7,574
		<u>280,377</u>	<u>101,063</u>
Total comprehensive income for the period attributable to:			
- equity holders of the Company		282,688	92,088
- non-controlling interests		14,068	7,574
		<u>296,756</u>	<u>99,662</u>
Earnings per share attributable to the equity holders of the Company: (RMB cents per share)			
Basic and diluted earnings per share	12	<u>18.32</u>	<u>6.43</u>

Condensed Interim Statement of Financial Position

	Note	Group As at 30.06.23 RMB'000	Group As at 31.12.22 RMB'000	Company As at 30.06.23 RMB'000	Company As at 31.12.22 RMB'000
Assets					
Current assets					
Cash and cash equivalents		379,429	627,047	44,583	11,623
Pledged bank deposits		1,286,230	1,281,047	66,267	86,160
Trade and other receivables	5	2,921,006	2,789,208	-	-
Amounts due from related parties	6	256,459	248,674	799	658
Service concession receivables	7	68,088	68,088	-	-
Inventories		98,365	108,371	-	-
Total current assets		5,009,577	5,122,435	111,649	98,441
Non-current assets					
Other receivables	5	238,719	159,877	2,989,072	2,995,972
Service concession receivables	7	736,365	743,373	-	-
Property, plant and equipment	8	10,377,496	10,402,440	-	-
Investment in associates		13,755	13,755	-	-
Investment in joint ventures		287,472	295,115	5,039	5,039
Investment in subsidiaries		-	-	1,799,828	1,798,280
Investment property		27,205	27,013	-	-
Intangible assets	9	4,824,506	4,708,883	-	-
Total non-current assets		16,505,518	16,350,456	4,793,939	4,799,291
Total assets		21,515,095	21,472,891	4,905,588	4,897,732
Current liabilities					
Trade and other payables		1,828,041	2,094,340	1,999,735	761,330
Amounts due to related parties	6	39,760	37,405	-	-
Borrowings and lease liabilities	10	3,737,987	4,903,709	842,783	1,942,533
Income tax liabilities		135,142	130,362	-	-
Total current liabilities		5,740,930	7,165,816	2,842,518	2,703,863
Net current liabilities		(731,353)	(2,043,381)	(2,730,869)	(2,605,422)
Non-current liabilities					
Trade and other payables		345,728	357,515	-	-
Borrowings and lease liabilities	10	7,519,697	6,344,903	279,655	370,313
Deferred tax liabilities		744,368	701,525	-	-
Provision for major overhauls		28,425	28,425	-	-
Total non-current liabilities		8,638,218	7,432,368	279,655	370,313
Total liabilities		14,379,148	14,598,184	3,122,173	3,074,176
NET ASSETS		7,135,947	6,874,707	1,783,415	1,823,556
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	11	96	96	96	96
Share premium		1,601,100	1,601,100	1,601,100	1,601,100
Other reserves		594,329	548,817	1,057,112	1,057,112
Retained profits / (accumulated losses)		4,828,305	4,561,996	(874,893)	(834,752)
		7,023,830	6,712,009	1,783,415	1,823,556
Non-controlling interests		112,117	162,698	-	-
Total equity		7,135,947	6,874,707	1,783,415	1,823,556

Condensed Interim Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Group											
At 1 January 2023	96	1,601,100	393,694	(67,642)	234,282	(67,689)	56,172	4,561,996	6,712,009	162,698	6,874,707
Profit for the period	-	-	-	-	-	-	-	266,309	266,309	14,068	280,377
Other comprehensive income for the period	-	-	-	-	-	16,379	-	-	16,379	-	16,379
Total comprehensive income for the year	-	-	-	-	-	16,379	-	266,309	282,688	14,068	296,756
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,200	2,200
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,875)	(2,875)
<u>Changes in ownership interests in subsidiaries</u>											
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	29,133	-	29,133	(52,776)	(23,643)
Winding up of a subsidiary	-	-	-	-	-	-	-	-	-	(11,198)	(11,198)
At 30 June 2023	96	1,601,100	393,694	(67,642)	234,282	(51,310)	85,305	4,828,305	7,023,830	112,117	7,135,947
At 1 January 2022	96	1,601,100	393,694	(67,642)	191,243	(57,577)	56,172	4,280,013	6,397,099	141,388	6,538,487
Profit for the period	-	-	-	-	-	-	-	93,489	93,489	7,574	101,063
Other comprehensive loss for the period	-	-	-	-	-	(1,401)	-	-	(1,401)	-	(1,401)
At 30 June 2022	96	1,601,100	393,694	(67,642)	191,243	(58,978)	56,172	4,373,502	6,489,187	148,962	6,638,149

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Foreign currency translation reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Group											
At 1 July 2022	96	1,601,100	393,694	(67,642)	191,243	(58,978)	56,172	4,373,502	6,489,187	148,962	6,638,149
Profit for the period	-	-	-	-	-	-	-	231,533	231,533	12,320	243,853
Other comprehensive loss for the period	-	-	-	-	-	(8,711)	-	-	(8,711)	-	(8,711)
Total comprehensive income for the year	-	-	-	-	-	(8,711)	-	231,533	222,822	12,320	235,142
<u>Transactions with owners, recognised directly in equity</u>											
Appropriation to other reserves	-	-	-	-	43,039	-	-	(43,039)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	5,735	5,735
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(4,319)	(4,319)
At 31 December 2022	96	1,601,100	393,694	(67,642)	234,282	(67,689)	56,172	4,561,996	6,712,009	162,698	6,874,707

Condensed Interim Statement of Changes in Equity

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Company					
At 1 January 2023	96	1,601,100	1,057,112	(834,752)	1,823,556
Loss and total comprehensive loss for the period	-	-	-	(40,141)	(40,141)
At 30 June 2023	96	1,601,100	1,057,112	(874,893)	1,783,415
At 1 January 2022	96	1,601,100	1,057,112	(752,041)	1,906,267
Loss and total comprehensive loss for the period	-	-	-	(18,583)	(18,583)
At 30 June 2022	96	1,601,100	1,057,112	(770,624)	1,887,684
At 1 July 2022	96	1,601,100	1,057,112	(770,624)	1,887,684
Loss and total comprehensive loss for the period	-	-	-	(64,128)	(64,128)
At 31 December 2022	96	1,601,100	1,057,112	(834,752)	1,823,556

Condensed Interim Consolidated Statement of Cash Flows

	Group Half year ended 30 June 2023 RMB'000	Group Half year ended 30 June 2022 RMB'000
Cash flows from operating activities		
Profit before tax	364,969	173,183
Adjustments for:		
- Amortisation of intangible assets	92,340	82,902
- Deferred grant recognised	(21,991)	(22,645)
- Depreciation of investment property	452	473
- Depreciation of property, plant and equipment	243,439	192,528
- Depreciation of right-of-use assets	8,271	42,646
- Finance expenses	212,557	202,791
- Foreign exchange losses	6,323	118,561
- Financial income under service concession arrangements	(21,984)	(21,301)
- Bank interest income	(20,318)	(8,093)
- Loss/(Gain) on disposal of property, plant and equipment	179	(130)
- Gain on disposal of shares of an associate	-	(421)
- Gain on disposal of shares of a joint venture	(2,260)	-
- Share of loss of joint ventures	163	265
	<u>862,140</u>	<u>760,759</u>
Change in working capital		
- Trade and other receivables	(141,735)	(228,063)
- Service concession receivables	7,008	3,779
- Inventories	10,006	(20,089)
- Intangible assets	(207,365)	(293,627)
- Trade and other payables	(87,572)	3,484
- Amount due from related parties	(7,785)	141,967
- Amount due to related parties	7,999	(1,763)
Cash generated from operations	<u>442,696</u>	<u>366,447</u>
Income tax paid	(34,422)	(33,006)
Net cash generated from operating activities	<u>408,274</u>	<u>333,441</u>
Cash flows from investing activities		
Interest received	20,318	8,093
Additions to property, plant and equipment	(477,732)	(513,551)
Additions to intangible assets - software	-	(1,255)
Investment in joint venture	-	(62,107)
Proceeds from disposal shares of an associate	-	2,241
Proceeds from disposal of a joint venture	9,740	-
Proceeds from disposal of subsidiaries	-	114,255
Receipt of non-trade amounts due from joint ventures	-	182,154
Change in bank deposits pledged	(3,953)	788
Proceed from disposal of property, plant and equipment	183	291
Net cash used in investing activities	<u>(451,444)</u>	<u>(269,091)</u>
Cash flows from financing activities		
Proceeds from borrowings	5,411,906	3,622,079
Repayment of borrowings	(5,394,584)	(3,453,628)
Payment of finance costs	(232,674)	(211,037)
Capital contribution from non-controlling interests	2,200	-
Dividends paid to non-controlling interests	(2,875)	-
Pledged bank deposits for borrowings	(1,230)	65,631
Repayment of lease liabilities	(1,813)	(4,334)
Net cash (used in)/generated from financing activities	<u>(219,070)</u>	<u>18,711</u>
Net (decrease)/ increase in cash and cash equivalents	(262,240)	83,061
Cash and cash equivalents		
Cash and cash equivalents at beginning of the period	627,047	387,801
Effects of currency translation on cash and cash equivalents	14,622	7,806
Cash and cash equivalents at the end of the period	<u>379,429</u>	<u>478,668</u>

Notes to the Condensed Interim Consolidated Financial Statements

These notes form an integral part of the condensed interim financial statements.

1. General information

Zheneng Jinjiang Environment Holding Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) was incorporated as an exempt company with limited liability in Cayman Islands on 8 September 2010.

The Company was listed on the Mainboard of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 3 August 2016.

The single largest shareholder is Zhejiang Provincial Energy Group Co., Ltd. (“**Zheneng Group**”), which is controlled by State-owned Assets Supervision and Administration Commission of the People’s Government of Zhejiang Province.

These condensed interim consolidated financial statements as at and for the half year (“**1H**”) ended 30 June 2023 comprise the Company and the Group. The principal activity of the Company is that of an investment holding company. The Group is mainly engaged in the generation and sales of electricity and steam, operation of waste-to-energy plants and project management, technical consulting and advisory services and energy management contracting business, principally in the People’s Republic of China (the “**PRC**”).

The condensed interim financial statements have not been audited or reviewed by auditors.

2. Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements as at and for the half year ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2022. The condensed interim financial statements do not include all the information required for complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), except for the adoption of new and amended standards as set out in Note 2.4.

2.2 Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except as otherwise disclosed.

The condensed interim financial statements are presented in Renminbi (“**RMB**”), which is the Company’s functional currency. All financial information presented in RMB have been rounded to the nearest thousand, unless otherwise stated.

2.3 Working capital position

As of 30 June 2023, the Group was in a negative working capital position with the current liabilities of the Group exceeding the current assets by approximately RMB731 million. This is mainly due to borrowings due for repayment within the next 12 months.

Notwithstanding the above, the Board of Directors of the Company believes that the Company and the Group will be able to continue as a going concern, and have prepared the interim financial statements on a going concern basis, after considering the following:

- (A) the Group's ability to finalise and obtain additional financing, including additional credit facilities from financial institutions subsequent to 30 June 2023;
- (B) the Group has continued to generate operating profits in half year ended 30 June 2023 and been able to generate positive cash flows from its operations;
- (C) as at the date of this announcement, the Group has RMB4,470 million of undrawn credit facilities;
- (D) the Company had received a no-objection letter from Shenzhen Stock Exchange ("**SZSE**") on 23 December 2022 to the establishment of an asset-backed securities ("**ABS**") scheme under which up to RMB1 billion in aggregate principal amount of ABS will be issued, in respect of which the Company intends to submit the application for the listing of the ABS within 12 months from the date of the no-objection letter and upon receiving the necessary approval, the proceeds from the issuance of the ABS will be mainly used for the repayment of the current borrowings, enhance working capital and others, and will help optimize the Group's financing structure;
- (E) the Group has continued to receive financial support, credit support and loans from its largest shareholder, the Zheneng Group, as follows:
 - (i) as of 30 June 2023, the Group has obtained and re-financed working capital loan of RMB540 million (drawn down from the new credit line of RMB900 million obtained from Zhejiang Provincial Energy Group Finance Co., Ltd. in 2023, as announced by the Company on 6 May 2023) from Zheneng Group. RMB540 million has been included in current liabilities as at 30 June 2023;
 - (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. The Board will provide updates to shareholders via SGXNET as and when there are material developments on the aforementioned matters.

2.4 New and amended standards adopted by the Group

A number of new standards and amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.5 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are included in the following notes:

- Note 3 – Service concession arrangements
- Note 8 – Impairment of property, plant and equipment

3. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements for the year ended 31 December 2022. An analysis of revenue is as follows:

Disaggregation of revenue from contracts with customers

	Group 1H2023 RMB'000	Group 1H2022 RMB'000
Waste-to-energy project construction and operation		
<u>Waste-to-energy business</u>		
- Sales of electricity	815,915	723,816
- Sales of steam	405,797	333,521
- Revenue from waste treatment	495,097	458,532
	<u>1,716,809</u>	<u>1,515,869</u>
<u>Construction services provided under BOT concession agreements</u>		
- Revenue from construction services provided under service concession agreements (Notes 7 and 9)	191,332	293,626
- Financial income under service concession agreements (Note 7)	21,984	21,301
	<u>213,316</u>	<u>314,927</u>
Total	<u>1,930,125</u>	<u>1,830,796</u>
Project technical and management service, equipment selection and sale and EMC business	62,055	8,507
Total revenue	<u>1,992,180</u>	<u>1,839,303</u>

Timing of revenue recognition

	Group 1H2023 RMB'000	Group 1H2022 RMB'000
<u>At a point in time</u>		
- Sales of electricity	815,915	723,816
- Sales of steam	405,797	333,521
- Equipment selection and sale	55,247	-
	<u>1,276,959</u>	<u>1,057,337</u>
<u>Over time</u>		
- Revenue from waste treatment	495,097	458,532
- Revenue from construction services provided under service concession agreements (Notes 7 and 9)	191,332	293,626
- Project technical and management service and EMC business	6,808	8,507
	<u>693,237</u>	<u>760,665</u>
- Financial income under service concession agreements (Note 7)	21,984	21,301
Total revenue	<u>1,992,180</u>	<u>1,839,303</u>

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Profit for the period

The following significant items have been included in arriving at profit for the period:

	Group 1H2023 RMB'000	Group 1H2022 RMB'000
Profit for the period has been arrived at after charging/(crediting):		
Amortisation of intangible assets	92,340	82,902
Cost of inventories recognised as expense	432,197	343,076
Depreciation of investment property	452	473
Depreciation of property, plant and equipment	243,439	192,528
Depreciation of right-of-use assets	8,271	42,646
Employee compensation	182,784	172,811
Foreign exchange losses	20,945	110,755
Government grants	(21,991)	(22,645)
Value added tax refund	(33,697)	(13,128)
Loss/(Gain) on disposal of property, plant and equipment	179	(130)
Gain on disposal of shares of an associate	-	(421)
Gain on disposal of shares of a joint venture	(2,260)	-
Overprovision of tax in prior years	(2,015)	(1,861)

5. Trade and other receivables

	Group As at 30 June 2023 RMB'000	Group As at 31 December 2022 RMB'000
Trade receivables – third parties	2,146,710	2,041,584
Less: Loss allowance	(31,673)	(31,673)
Bills receivables	45,078	19,959
	<u>2,160,115</u>	<u>2,029,870</u>
Amount due from non-controlling interests - trade	13,976	13,773
Total trade and bills receivables	<u>2,174,091</u>	<u>2,043,643</u>
Advances to suppliers (Note (i))	252,595	219,258
Other receivables (Note (ii))	402,505	367,696
Less: Loss allowance	(42,356)	(42,356)
Sub-total of other receivables	<u>360,149</u>	<u>325,340</u>
Amount due from non-controlling interests - non-trade	-	11,030
Other tax recoverable		
- Value added tax recoverable	312,671	311,574
- Others	1,015	1,054
Prepayments	36,189	37,186
Contract assets	23,015	-
Total trade and other receivables	<u>3,159,725</u>	<u>2,949,085</u>
Analysed for reporting purposes as:		
- Current assets	2,921,006	2,789,208
- Non-current assets	238,719	159,877
	<u>3,159,725</u>	<u>2,949,085</u>

- (i) Advances to suppliers comprise the prepayments agreed in the Group's equipment procurement contracts and project construction contracts for its projects under construction and are unsecured and interest free.
- (ii) Other receivables include staff advances, refundable deposits, compensation receivable on closure of WTE plant and others.

6. Related party balances and transactions

Zheneng Group is the largest shareholder of the Group whilst Hangzhou Jinjiang Group Co., Ltd. (“**Jinjiang Group**”) is the second largest shareholder of the Group (collectively known as the “**major shareholders**”).

- (a) In addition to the information disclosed in Note 10 on borrowings from Zheneng Group, the following transactions took place between the Group and its related parties at terms agreed between the parties.

	Group 1H2023 RMB'000	Group 1H2022 RMB'000
Companies in which Zheneng Group has control over:		
- Purchases of materials	3,328	60,797
- Interest expense	10,751	8,331
	<hr/>	<hr/>
Companies in which Jinjiang Group has control over:		
- Purchases of materials	-	10,610
- Revenue from EMC business	(61)	(3,761)
- Rendering of technical and management services	(1,378)	(514)
	<hr/>	<hr/>
Joint ventures:		
- Interest income	(6,024)	(11,477)
	<hr/>	<hr/>

- (b) The Group had the following balances with related parties:

	Group As at 30 June 2023 RMB'000	Group As at 31 December 2022 RMB'000
Trade:		
Amounts due from companies in which the major shareholders have control over	16,014	13,181
Amounts due from joint ventures	7,290	7,215
	<hr/>	<hr/>
	23,304	20,396
Non-trade:		
Amounts due from a joint venture	233,155	228,278
	<hr/>	<hr/>
	256,459	248,674
	<hr/>	<hr/>
Trade:		
Amounts due to companies in which the major shareholders have control over	38,536	35,505
Amounts due to joint ventures	21	51
	<hr/>	<hr/>
	38,557	35,556
	<hr/>	<hr/>
Non-trade:		
Amounts due to companies in which the major shareholders have control over	767	1,414
Amounts due to joint ventures	436	435
	<hr/>	<hr/>
	1,203	1,849
	<hr/>	<hr/>
	39,760	37,405
	<hr/>	<hr/>

The non-trade amounts due from a joint venture are the interest-bearing advances to the joint venture, Zibo Green New Energy Co., Ltd., for financing the construction and operating costs of their WTE facilities.

7. Service concession receivables

	Group As at 30 June 2023 RMB'000	Group As at 31 December 2022 RMB'000
Service concession receivables	804,453	811,461
Less: Amount due within one year shown under current assets	(68,088)	(68,088)
Service concession receivables due after one year	<u>736,365</u>	<u>743,373</u>
Expected collection schedule is analysed as follows		
Within 1 year	68,088	68,088
Within 2 to 5 years	232,485	232,485
Over 5 years	503,880	510,888
	<u>804,453</u>	<u>811,461</u>

8. Property, plant and equipment

<u>Group</u>	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost			
At 1 January 2022	10,586,362	2,377,274	12,963,636
Additions	866,815	14,666	881,481
Transfer	1,777,592	(1,777,592)	-
Disposals/Written off	(5,421)	-	(5,421)
Exchange difference	(4,729)	(282)	(5,011)
At 31 December 2022	<u>13,220,619</u>	<u>614,066</u>	<u>13,834,685</u>
Additions	214,452	546	214,998
Disposals/Written off	(3,098)	-	(3,098)
Exchange difference	14,040	837	14,877
At 30 June 2023	<u>13,446,013</u>	<u>615,449</u>	<u>14,061,462</u>
Accumulated depreciation			
At 1 January 2022	(2,048,342)	(856,391)	(2,904,733)
Depreciation for the year	(419,753)	(85,454)	(505,207)
Transfer	(806,986)	806,986	-
Disposals/Written off	4,387	-	4,387
Exchange difference	798	-	798
At 31 December 2022	<u>(3,269,896)</u>	<u>(134,859)</u>	<u>(3,404,755)</u>
Depreciation for the year	(243,439)	(8,271)	(251,710)
Disposals/Written off	2,358	-	2,358
Exchange difference	(2,369)	-	(2,369)
At 30 June 2023	<u>(3,513,346)</u>	<u>(143,130)</u>	<u>(3,656,476)</u>
Accumulated impairment			
At 1 January 2022,			
At 31 December 2022/30 June 2023	<u>(27,490)</u>	-	<u>(27,490)</u>
Carrying values			
At 30 June 2023	<u>9,905,177</u>	<u>472,319</u>	<u>10,377,496</u>
At 31 December 2022	<u>9,923,233</u>	<u>479,207</u>	<u>10,402,440</u>

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indicators of impairment and recognises an impairment loss if the recoverable amount of an asset is lower than its carrying amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. Where there are indicators of impairment, management assess the recoverable amount based on the higher of value in use and fair value less costs to sell.

Based on the impairment assessment carried out by management, no impairment loss was recognised for the half year ended 30 June 2023 and 30 June 2022.

9. Intangible assets

	Group As at 30 June 2023 RMB'000	Group As at 31 December 2022 RMB'000
Software	13,603	14,487
Service concession arrangement (Note (a))	4,810,903	4,694,396
	<u>4,824,506</u>	<u>4,708,883</u>
 (a) Service concession arrangement		
Cost		
At 1 January 2023/1 January 2022	5,447,482	4,876,119
Additions	207,365	571,363
At 30 June 2023/31 December 2022	<u>5,654,847</u>	<u>5,447,482</u>
Accumulated amortisation		
At 1 January 2023/1 January 2022	(722,884)	(565,836)
Amortisation	(90,858)	(157,048)
At 30 June 2023/31 December 2022	<u>(813,742)</u>	<u>(722,884)</u>
Accumulated impairment		
At 1 January 2023/1 January 2022,		
At 30 June 2023/31 December 2022	<u>(30,202)</u>	<u>(30,202)</u>
Net book value	<u>4,810,903</u>	<u>4,694,396</u>

The Group entered into service concession agreements with the local government authorities, pursuant to the design, construction, operation and maintenance of waste-to-energy plants during the concession period ranging from 21 years to 30 years, starting from the commencement date of commercial operation.

Service concession construction revenue (as detailed in Note 3) recorded in 2023 and 2022 represents the revenue recognised during the construction stage of the service concession period.

The right that the Group has received to charge for the sale of electricity and waste treatment has been recognised as an intangible asset at the fair value of the construction services provided and is amortised over the operating period of the waste-to-energy plant on a straight-line basis from the date on which the waste-to-energy plant commences operation.

10. Borrowings and lease liabilities

	Group As at 30 June 2023 RMB'000	Group As at 31 December 2022 RMB'000
Amount repayable within one year or less, or on demand		
- Secured borrowings	1,990,164	2,381,652
- Unsecured borrowings	1,745,107	2,519,600
- Lease liabilities	2,716	2,457
	3,737,987	4,903,709
Amount repayable after one year		
- Secured borrowings	6,052,576	5,744,593
- Unsecured borrowings	1,467,121	600,310
	7,519,697	6,344,903
Total borrowings and lease liabilities, net of transaction costs	11,257,684	11,248,612

The carrying amount of borrowings approximate their fair value. The borrowings are secured by the pledge of certain property, plant and equipment, trade receivables, shares of a subsidiary, bank deposits, investment property, right-of-use assets and intangible assets.

Included in the borrowings of the Group are borrowings with an aggregate principal amount of RMB540,000,000 (31 December 2022: RMB540,000,000) from subsidiaries of Zheneng Group, namely Zhejiang Provincial Energy Group Finance Co., Ltd.

Included in the borrowings of the Group as at 31 December 2022 was an amount of RMB1,224,480,000 under a syndicated term loan facility arranged by Standard Chartered Bank (Hong Kong) Limited (the "Agent") of up to US\$270,000,000 (the "Facility"), which has been fully repaid by the Company as of the end of February 2023, ahead of the scheduled maturity date. Before the full repayment, under the terms of the Facility, the Company had to ensure that the ratio of its consolidated net debt to consolidated total equity did not exceed 100% for the period from 1 January 2022 to 31 December 2022 ("Financial Covenant"). The aforesaid ratio had exceeded 100% for the financial year ended 31 December 2022 resulting in non-compliance by the Company of the Financial Covenant. Due to the non-compliance of the Financial Covenant, the banks were contractually entitled to request for immediate repayment of the outstanding borrowing with covenant breaches. Nevertheless, the Group had not received any notice for the accelerated repayment from the Agent prior to the Company's full repayment of the outstanding amount.

11. Share capital

	Group and Company	
	No. of ordinary shares	Share Capital RMB'000
Fully paid ordinary shares		
As at 1 January 2022, as at 31 December 2022 and as at 30 June 2023	1,454,024,700	96

Fully paid ordinary shares have a par value of US\$0.00001 (2022: US\$0.00001), carry one vote per share and carry a right to dividend, amounting to equivalent RMB96,000 (2022: RMB96,000).

There were no changes in the share capital of the Company in the half year ended 30 June 2023.

The total number of issued Shares as at 30 June 2023 and 31 December 2022 was 1,454,024,700.

The Company had no convertibles, treasury shares or subsidiary holdings as at 30 June 2023 and 30 June 2022.

12. Earnings per share

	Group 1H2023	Group 1H2022
Basic and fully diluted earnings per share (RMB cents)	18.32	6.43
Weighted average number of shares	1,454,024,700	1,454,024,700

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 2023 and 30 June 2022 was 1,454,024,700.

13. Net asset value

	Group As at 30 June 2023	Group As at 31 December 2022	Company As at 30 June 2023	Company As at 31 December 2022
Assets				
Net asset value per share (RMB cents)	490.77	472.81	122.65	125.41
Number of shares in issue at the end of the period	1,454,024,700	1,454,024,700	1,454,024,700	1,454,024,700

The net asset value per share as at 30 June 2023 and 31 December 2022 were 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 2023 and 31 December 2022 was 1,454,024,700.

14. Fair value measurements

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

Management has assessed that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the condensed interim financial statements approximate their fair values at the end of the reporting period.

15. Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associates and investments in joint ventures, are as follows:

	Group As at 30 June 2023 RMB'000	Group As at 31 December 2022 RMB'000
Property, plant and equipment	368,282	253,393

16. Segment information

The Group's reportable and operating segments are as follows:

- (1) Waste-to-energy project construction and operation comprise sales of electricity and steam, waste treatment and construction services provided and financial income under service concession.
- (2) Project technical and management service, equipment selection and sale and EMC business comprise service income.

	Waste-to-energy project construction and operation RMB '000	Project technical and management service, equipment selection and sale and EMC business RMB '000	Total RMB '000
1 January 2023 to 30 June 2023			
Segment revenue			
External revenue	1,930,125	62,055	1,992,180
Inter-segment revenue	-	9,659	9,659
	1,930,125	71,714	2,001,839
Elimination	-	(9,659)	(9,659)
Revenue	1,930,125	62,055	1,992,180
Segment profit			
Government grants and VAT refund	578,674	5,865	584,539
Loss on disposal on property, plant and equipment	55,326	362	55,688
Gain on disposal of shares of a joint venture	(179)	-	(179)
Foreign exchange loss			2,260
Other income			(20,945)
Administrative expenses			78,226
Finance costs			(121,900)
Share of loss of joint ventures			(212,557)
Profit before tax			(163)
			364,969
As at 30 June 2023			
Assets and Liabilities			
Segment assets	18,466,629	534,739	19,001,368
Unallocated			2,513,727
Consolidated total assets			21,515,095
Segment liabilities	12,929,853	487,754	13,417,607
Unallocated			961,541
Consolidated total liabilities			14,379,148
1 January 2023 to 30 June 2023			
Other segment information			
Depreciation and amortisation	335,803	8,699	344,502
Additions to non-current assets	400,181	936	401,117

	Waste-to-energy project construction and operation RMB '000	Project technical and management service, equipment selection and sale and EMC business RMB '000	Total RMB '000
1 January 2022 to 30 June 2022			
Segment revenue			
External revenue	1,830,796	8,507	1,839,303
Inter-segment revenue	-	184,704	184,704
	1,830,796	193,211	2,024,007
Elimination	-	(184,704)	(184,704)
Revenue	1,830,796	8,507	1,839,303
Segment profit			
Government grants and VAT refund	512,154	2,813	514,967
Gain on disposal of property, plant and equipment	35,048	725	35,773
Gain on disposal of shares of an associate	130	-	130
Foreign exchange loss			421
Other income			(110,755)
Administrative expenses			49,823
Finance costs			(114,120)
Share of loss of joint ventures			(202,791)
Profit before tax			(265)
			173,183
As at 31 December 2022			
Assets and Liabilities			
Segment assets	18,006,210	697,781	18,703,991
Unallocated			2,768,900
Consolidated total assets			21,472,891
Segment liabilities	13,005,918	674,232	13,680,150
Unallocated			918,034
Consolidated total liabilities			14,598,184
1 January 2022 to 30 June 2022			
Other segment information			
Depreciation and amortisation	313,205	5,344	318,549
Additions to non-current assets	977,858	2,933	980,791

All assets are allocated to reportable segments other than investments in joint ventures and associates, other tax recoverable, pledged bank deposits, cash and cash equivalents and the non-trade related balances due from related parties and non-controlling interests.

All liabilities are allocated to reportable segments other than income tax liabilities, other tax liabilities, deferred tax liabilities and the non-trade related balances due to related parties.

Geographical information

Most of the Group's revenue is generated from sales and the provision of services in the PRC based on where products are sold or services are rendered, and most of the Group's identifiable assets and liabilities are located in the PRC.

Information about major customers

For the half year ended 30 June 2023 and 2022, there was no single customer that accounted for 10% or more of the Group's revenue for the two reportable and operating segments.

Other Information Required Under Appendix 7.2 of the Listing Manual of the SGX-ST

1. Review of performance of the Group

Consolidated Statement of Comprehensive Income

1H2023 vs 1H2022

Revenue

	1H2023		1H2022		Change
	RMB'000	%	RMB'000	%	%
Waste-to-energy project construction and operation					
<u>Waste-to-energy business</u>					
- Sales of electricity	815,915	41.0	723,816	39.4	12.7
- Sales of steam	405,797	20.3	333,521	18.1	21.7
- Revenue from waste treatment	495,097	24.9	458,532	24.9	8.0
	<u>1,716,809</u>	<u>86.2</u>	<u>1,515,869</u>	<u>82.4</u>	<u>13.3</u>
<u>Construction services provided under BOT concession agreements</u>					
- Revenue from construction services provided under service concession agreements	191,332	9.6	293,626	16.0	-34.8
- Financial income under service concession agreements	21,984	1.1	21,301	1.2	3.2
	<u>213,316</u>	<u>10.7</u>	<u>314,927</u>	<u>17.1</u>	<u>-32.3</u>
Total	<u>1,930,125</u>	<u>96.9</u>	<u>1,830,796</u>	<u>99.5</u>	<u>5.4</u>
Project technical and management service, equipment selection and sale and EMC business	62,055	3.1	8,507	0.5	>100
Total revenue	<u>1,992,180</u>	<u>100.0</u>	<u>1,839,303</u>	<u>100.0</u>	<u>8.3</u>

Details of the electricity generated and supplied, steam supplied and waste treated for 1H2023 and 1H2022 are as follows:

	Group 1H2023	Group 1H2022	Change %
Electricity generated ('000 KWh)	1,942,785	1,692,628	14.8
On-grid electricity supplied ('000 KWh)	1,508,709	1,299,544	16.1
Steam supplied ('000 tonnes)	2,125	1,655	28.4
Waste treated ('000 tonnes)	6,387	5,655	12.9

Gross profit and gross profit margin

	Gross Profit (RMB '000)		Gross Profit Margin	
	1H2023	1H2022	1H2023	1H2022
WTE business (excluding gross profit from construction services provided under BOT concession agreements)	530,592	450,802	30.91%	29.74%
Construction services provided under BOT concession agreements	26,098	40,051	13.64%	13.64%
Financial income under service concession agreements	21,984	21,301	N.A	N.A
Project technical and management service and EMC business	5,865	2,813	9.45%	33.07%
Total	<u>584,539</u>	<u>514,967</u>	<u>29.34%</u>	<u>28.00%</u>

The increase in gross profit by RMB69.5 million from RMB515.0 million in 1H2022 to RMB584.5 million in 1H2023 and the increase in gross profit margin by 1.34% are mainly attributable to:

WTE business (excluding gross profit from construction services provided under BOT concession agreements)

Revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) increased RMB200.9 million or 13.3% from RMB1,515.9 million in 1H2022 to RMB1,716.8 million in 1H2023. This was mainly attributable to (i) waste treated (including waste collection and transportation operations in India) increasing by 12.9% in 1H2023 as compared to 1H2022, which was due to commencement of operations of the Baishan Green Energy WTE Facility in Jilin Province, Zhongwei Green Energy WTE Facility in Ningxia Hui Autonomous Region, Expansion Project of Xishan Green Energy WTE Facility in Yunnan Province, and the technical transformation and optimization of the power plant management, which resulted in revenue from waste treatment and sales of electricity increasing by RMB128.7 million, and (ii) increase in steam supplied at Zhuji Bafang Facility in Zhejiang Province in 1H2023 as compared to 1H2022 and the expansion of existing power plant steam supply business, which resulted the increase in sales of steam by a total of RMB72.3 million.

The gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) increased by RMB79.8 million or 17.7% from RMB450.8 million in 1H2022 to RMB530.6 million in 1H2023, which is mainly due to:

1. The gross profit of WTE plants put into trial operation and commencement of operations of WTE plants (includes Baishan Green Energy WTE Facility in Jilin Province, Zhongwei Green Energy WTE Facility in Ningxia Hui Autonomous Region, and others) increased by RMB12.5 million in 1H2023 as compared to 1H2022.
2. Zhuji Bafang Facility's cogeneration business is heavily influenced by the fluctuation of coal price, with coal to be purchased in advance and the steam prices being linked to market coal prices. In 1H2023, coal prices were on a downward trend, but profits have reduced due to the higher inventory coal price. The gross profit of Zhuji Bafang Facility in Zhejiang Province increased by RMB6.2 million in 1H2023 as compared to 1H2022, mainly due to (i) increase of RMB17.0 million in gross profit due to the increase in steam supplied, and offset by the (ii) decrease of RMB2.6 million in gross profit from the coal-fired unit mainly due to (a) decrease of RMB35.6 million due to the fluctuation of inventory coal price and steam price, which was partially offset by (b) the increase of RMB28.6 million due to the increase in steam supply, and (c) increase of RMB4.4 million due to the increase in electricity supplied, (iii) decrease of RMB3.0 million in gross profit due to increase in depreciation, and (iv) decrease of RMB5.2 million in gross profit due to increase in the cost of implementing overhaul and material consumption in 1H2023 as compared to 1H2022.
3. The gross profit of the other WTE facilities increased by RMB61.1 million in 1H2023 as compared to 1H2022. The increase is mainly due to (i) increase of RMB14.8 million in gross profit due to the increase in contribution per waste treatment unit and increase in waste treatment capacity after the optimization of the power plant management and upgrading of the WTE facilities, (ii) increase of RMB16.2 million in gross profit due to increase in volume of waste collected and power supplied for waste incineration, (iii) increase of RMB9.3 million in gross profit due to the difference in the implementation of overhaul in 1H2023 as compared to 1H2022, which resulted in a decrease in power plant overhaul costs, and (iv) increase of RMB22.3 million in gross profit due to increase in revenue from the expansion of steam supply business.

The gross profit margin increased from 29.74% in 1H2022 to 30.91% in 1H2023. As mentioned above, this is mainly due to (i) the increase in gross profit after the technical transformation and optimization of the power plant management, and (ii) the increase in gross profit caused by the increase in steam supplied in existing facilities and Zhuji Bafang Facility.

Construction services provided under BOT concession agreements

The gross profit from construction services provided under BOT concession agreements (including financial income) decreased RMB13.3 million from RMB61.4 million in 1H2022 to RMB48.1 million in 1H2023. The gross profit from the construction services provided under BOT concession agreements decreased RMB14.0 million and the gross profit from financial income under service concession agreements increased by RMB0.7 million. The increase in the proportion of revenue from financial income under service concession agreements led to a 3.1% increase in the gross margin in 1H2023 as compared to 1H2022.

Project technical and management services, equipment selection and sale and EMC business

The gross profit from project technical and management services, equipment selection and sale and EMC business increased RMB3.1 million from RMB2.8 million in 1H2022 to RMB5.9 million in 1H2023. This was mainly due to the increase in gross profit of equipment selection and sales in 1H2023 as compared to 1H2022.

Other income

	Group 1H2023 RMB'000	Group 1H2022 RMB'000	Increase / (Decrease) RMB'000	Change +/(-) %
Bank interest income	20,318	8,093	12,225	>100
Government grants	21,991	22,645	(654)	(2.9)
Value added tax refund	33,697	13,128	20,569	>100
Gain on sales of scrap materials	49,727	30,253	19,474	64.4
Interest income from joint ventures	6,024	11,477	(5,453)	(47.5)
Other income	<u>131,757</u>	<u>85,596</u>	46,161	53.9

Other income increased RMB46.2 million or 53.9% from RMB85.6 million in 1H2022 to RMB131.8 million in 1H2023, mainly due to (i) increase of RMB12.2 million in bank interest income in line with the increase in bank deposits and interest rates, (ii) increase of RMB20.6 million in value added tax refund, and (iii) increase of RMB19.5 million in gain on sales of scrap materials in 1H2023 due to the Group's retendering of the slag sales contracts due to expire in 2022 and beyond to increase the unit price of the sales, and the increase in the volume of scrap materials. The increase in other income was partially offset by the decrease of RMB5.5 million in interest income from joint venture in 1H2023 following the receipt of non-trade amounts due from a joint venture, Hohhot Jiasheng New Energy Co., Ltd in second quarter of 2022.

Other gains and losses, net

	Group 1H2023 RMB'000	Group 1H2022 RMB'000	Increase / (Decrease) RMB'000	Change +/(-) %
Foreign exchange losses	(20,945)	(110,755)	89,810	N.A
(Loss)/Gain on disposal of property, plant and equipment	(179)	130	(309)	N.A
Gain on disposal of shares of an associate	-	421	421	N.A
Gain on disposal of shares of a joint venture	2,260	-	2,260	N.A
Others	2,157	-	2,157	N.A
Other gains and losses, net	<u>(16,707)</u>	<u>(110,204)</u>	93,497	N.A

Other gains and losses, net decreased RMB93.5 million from other losses of RMB110.2 million in 1H2022 to other losses of RMB16.7 million in 1H2023, mainly due to the decrease of RMB89.8 million in foreign exchange losses. The decrease in foreign exchange losses was mainly due to (i) the full repayment of syndicated term loan facility of US\$146 million partially funded by RMB financing obtained from the internal restructuring exercise of the Group in February 2023 when the United States Dollar exchange rate was lower, resulting in the exchange gain of RMB17 million in 1H2023, and (ii) the appreciation of the United States Dollar against the Chinese Renminbi is relatively small in 1H2023 as compared to 1H2022. The decrease in other gains and losses also partially attributable to the gain on disposal of shares of a joint venture, Yulin Green New Energy Co., Ltd., of RMB2.3 million in 1H2023.

Administrative expenses

Administrative expenses increased RMB7.8 million from RMB114.1 million in 1H2022 to RMB121.9 million in 1H2023, mainly due to the official commencement of operations of Baishan Green Energy WTE Facility in Jilin Province and Zhongwei Green Energy WTE Facility in Ningxia Hui Autonomous Region.

Finance costs

Finance costs increased RMB9.8 million from RMB202.8 million in 1H2022 to RMB212.6 million in 1H2023, mainly due to the increase in interest expenses after the commencement of operations of Baishan Green Energy WTE Facility in Jilin Province and Zhongwei Green Energy WTE Facility in Ningxia Hui Autonomous Region, for which the interest expenses were previously capitalized.

Profit before tax

As a result of the foregoing, profit before tax increased RMB191.8 million or 110.7% from RMB173.2 million in 1H2022 to RMB365.0 million in 1H2023.

Income tax expense

Income tax expenses increased RMB12.5 million to RMB84.6 million in 1H2023 as compared to 1H2022 mainly due to the increase in profit before foreign exchange effect. In 1H2023, Group's high-tech enterprises continued to enjoy tax incentives and some of the Group's WTE facilities continued to enjoy preferential tax rates during the exemptions period.

Total comprehensive income for the period

As a result of the foregoing, total comprehensive income for the period increased from RMB99.7 million in 1H2022 to RMB296.8 million in 1H2023.

Statement of Financial Position

	30 June 2023	31 December 2022	Increase / (Decrease)	Increase / (Decrease)
	RMB Million	RMB Million	RMB Million	%
Current assets	5,009.6	5,122.4	(112.8)	(2.2)
Non-current assets	16,505.5	16,350.5	155.0	0.9
Total assets	21,515.1	21,472.9	42.2	0.2
Current liabilities	5,740.9	7,165.8	(1,424.9)	(19.9)
Non-current liabilities	8,638.3	7,432.4	1,205.9	16.2
Total liabilities	14,379.2	14,598.2	(219.0)	(1.5)
Capital and reserves	7,135.9	6,874.7	261.2	3.8

Current assets

The decrease is mainly due to (i) cash and cash equivalents decreasing RMB247.7 or 39.5% from RMB627.1 million as at 31 December 2022 to RMB379.4 million as at 30 June 2023, mainly due to Company's utilization of the corporate overdraft facility to reduce the cost of holding funds, (ii) amount due from non-controlling interests decreasing RMB10.8 million or 43.6% from RMB24.8 million as at 31 December 2022 to RMB14.0 million as at 30 June 2023, which was partially offset by (iii) the increase of RMB118.6 million or 4.9% in trade and other receivables and contract assets from RMB2,451.8 million as at 31 December 2022 to RMB2,570.3 million as at 30 June 2023.

Non-current assets

The increase is attributable to an increase in property, plant and equipment and intangible assets recognized according to the construction progress of new and BOT projects. In particular, (i) intangible assets increased RMB115.6 million or 2.5% from RMB4,708.9 million as at 31 December 2022 to RMB4,824.5 million as at 30 June 2023 due to the BOT projects such as Expansion Project of Yunnan Green Energy WTE Facility and Jinghong Jiasheng WTE Project in Xishuangbanna Dai Autonomous Prefecture, Yunnan Province and others being carried out on schedule, and (iii) this was partially offset by the decrease of RMB24.9 million in property, plant and equipment from RMB10,402.4 million as at 31 December 2022 to RMB10,377.5 million as at 30 June 2023 due to the depreciation of assets and partially offset by the additions in cost of the renovation and expansion of certain power plants.

Current liabilities

The decrease is mainly due to (i) current borrowings and lease liabilities decreasing RMB1,165.7 million or 23.8% from RMB4,903.7 million as at 31 December 2022 to RMB3,738.0 million as at 30 June 2023 mainly due to the debt restructuring such as repayment of syndicated term loan facility partially funded by the financing obtained from the internal restructuring exercise of the Group, and (ii) trade and other payables decreasing RMB266.3 million or 12.7% from RMB2,094.3 million as at 31 December 2022 to RMB1,828.0 million as at 30 June 2023 due to decrease in payables recorded in accordance with contractual payment terms.

Non-current liabilities

The increase is mainly due to non-current borrowings increasing RMB1,174.8 million or 18.5% from RMB6,344.9 million as at 31 December 2022 to RMB7,519.7 million as at 30 June 2023 due to the changes in the maturity dates of loans after the repayment of syndicated term loan facility partially funded by the financing obtained from the internal restructuring exercise of the Group.

Capital and reserves

The increase of RMB261.2 million or 3.8% from RMB6,874.7 million as at 31 December 2022 to RMB7,135.9 million as at 30 June 2023 is due to the retained earnings for 1H2023.

Consolidated Statement of Cashflows

	Group 1H2023 RMB Million
Net cash from operating activities	408.3
Net cash used in investing activities	(451.4)
Net cash used in financing activities	(219.1)
Cash and cash equivalents at beginning of the period	627.0
Effects of currency translation on cash and cash equivalents	14.6
Cash and cash equivalents at the end of the period	<u>379.4</u>

In 1H2023, operating cash inflow was RMB408.3 million. This is due to (i) operating cash inflow before movements in working capital of RMB862.1 million after deducting abnormal gains and losses without cash flow, (ii) cash outflow due to the increase in trade and other receivables and decrease in trade and other payables, (iii) increase in activities for the construction of BOT projects (which includes, Expansion Project of Yunnan Green Energy WTE Facility in Kunming City, Yunnan Province, Jinghong Jiasheng WTE Facility in Xishuangbanna Dai Autonomous Prefecture, Yunnan Province, Zhongwei Green Energy WTE Facility in Ningxia Hui Autonomous Region, and others) resulting in operating cash outflow of RMB179.4 million, and (iv) payment of income tax resulting a cash outflow of RMB34.4 million.

In 1H2023, investing cash outflow was RMB451.4 million. This is due to (i) investments in property, plant and equipment of RMB477.7 million which includes the payment for equipment and construction for the Tianjin Sunrise WTE Facility, Zhuji Bafang Facility in Zhejiang Province, Baishan Green Energy WTE Facility in Jilin Province, and others, which was partially offset by (ii) receipt of proceeds from disposal of Yulin Green New Energy Co., Ltd. of RMB9.74 million and interest received of RMB20.3 million from bank deposits.

In 1H2023, financing cash outflow was RMB219.1 million. This is due to (i) repayment or early repayment of borrowings and interest of RMB5,627.3 million, which was partially offset by (ii) the new borrowings amounting to RMB5,411.9 million, including the repayment of syndicated term loan facility partially funded by the financing obtained from the internal restructuring exercise of the Group, renewal of loans, new borrowings, project financing and new leases.

Bank balances and cash as at 30 June 2023 was RMB379.4 million.

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

Not applicable.

3. 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 1H2023, in the face of a challenging international environment and the arduous tasks of reform, development and stability within China, the Chinese government prioritised stability while pursuing progress, accelerated the establishment of a new paradigm of development with a focus on quality and achieving balance between domestic and international situations, epidemic prevention and control and economic and social development, and progress and security. The overall economic performance has picked up and improved. The national economy achieved a 5.5% year-on-year growth in nominal gross domestic product in 1H2023. However, considering the increasing complexities and challenges arising from the international environment, and that the prospects for domestic economic recovery are still uncertain, the Chinese government continues to adhere to the general principle of prioritising stability while pursuing progress and fully, accurately and comprehensively implement the new development concept, with a focus on the primary task of high-quality development and the strategic task of building a new paradigm of development, striving to achieve qualitative and effective economic improvement and reasonable quantitative growth.

2023 is the opening year to fully implement the spirit of the 20th Congress of the Communist Party of China. Under the backdrop of "Carbon Neutrality and Carbon Peaking", the government's policy to encourage the development of the WTE industry and the entire environmental protection industry remains unchanged.

In February 2023, the National Development and Reform Commission, the Ministry of Finance, and the National Energy Administration issued the Notice on Matters Related to the Participation of Central Government-Subsidised Green Electricity Projects in Green Electricity Trading (Fagaitiwei [2023] No. 75), setting out the "steady promotion of the participation of green electricity projects enjoying national renewable energy subsidies in green electricity trading", and giving priority to subsidies for these power generation projects. The actual transaction price is set by bilateral negotiation and centralized matching between power generation enterprises and power users. Transaction prices for green electricity products purchased from power grid enterprises are set by means of listing and centralized bidding. The #1 and #2 units of Xiaoshan Jinjiang WTE Facility in Zhejiang Province, #1 and #2 units of Zhuji Bafang Facility, and #2 unit of Tianjin Sunrise WTE Facility, in respect of which the national subsidies have expired, and the #3 unit of Yunnan Green Energy WTE Facility which has been newly put into operation has not yet received national subsidies, can participate in green electricity trading. The relevant facilities have kickstarted early involvement to take advantage of favorable opportunities. At the same time, for projects that are about to receive their full quota of national subsidies, they also have the conditions for active participation in green electricity related transactions.

In March 2023, Zhejiang Provincial Department of Ecology and Environment issued the Recommended List of General Industrial Solid Waste Incineration Facilities for Collaborative Disposal (First Batch) (Draft for Consultation), which was officially released in July, and a variety of industrial solid waste was included in the recommended list. The use of existing WTE facilities to burn industrial solid waste can effectively utilise the capacity of domestic waste incineration facilities and also synergistically dispose of industrial solid waste. All of the Company's projects in Zhejiang Province are well equipped to mix a certain proportion of solid waste, which provides strong support for the further diversification of income sources, the expansion of multiple lines of operations and the optimisation of production capacity.

In July 2023, the Ministry of Ecology and Environment ("MEE") issued the Notice on the Solicitation of Public Opinions on the "Management Measures for the Trading and Reduction in Voluntary Emission of Greenhouse Gases (Trial)". This means that following the relaunch of the carbon trading quota trading market in 2021, the pace of the relaunch of China Certified Emission Reductions (CCER) by the MEE continues to accelerate. Upon the relaunch of CCER, environmental enterprises that can actively participate in the declaration of relevant emission reduction indicators have the potential to increase their income source on top of their existing business models.

(B) Operational Matters

The operating enterprises of the Group, on the basis of ensuring normal and stable operation, also focus on market development to enhance the overall market competitiveness and contribute to the high-quality development of the Group. In 1H2023, the expansion of projects under the Group's umbrella is progressing in an orderly manner in accordance with the established program objectives. In order to meet the overall planning and development requirements of Xingyang City, Zhengzhou City, Henan Province, Xingjin WTE Facility has obtained the approval of the relocation project (Zhengfagaishenchengshi [2023] No. 16) to construct two boilers and one turbine, with a daily waste treatment capacity of 1000 tonnes. Wuhan Jinjiang WTE Facility in Hubei Province has obtained the approval of the expansion project (Xiaxingshenhezhun [2023] No. 8) to construct four boilers and two turbines, with a daily waste treatment capacity of 3,000 tonnes, supported with sludge and biogas residue treatment, as part of the development plan of Wuhan Urban Ecological Industrial Park in Hubei province. Gaobeidian WTE Facility in Hebei Province successfully signed a service concession agreement to construct two boilers and one turbine, with a daily waste treatment capacity of 1,200 tonnes.

At the same time, the Group pays attention to resource expansion and adjustment of waste treatment fee. In 1H2023, the waste treatment fee of Tangshan Jiasheng WTE Facility in Hebei Province was adjusted upwards from RMB60 per tonne to RMB100 per tonne, and the Gaobeidian Resource Recycling project in Hebei Province signed the Zhuozhou Waste Terminal Disposal Agreement, expanding the scope of its waste treatment services.

The Group's project construction is progressing on schedule in an orderly manner. The Jinghong Jiasheng WTE Facility in Xishuangbanna, Yunnan Province passed "72+24"¹ hours of full load trial operation, increasing the operational waste treatment capacity by 750 tonnes/day. The unit of expansion project of Hohhot Jiasheng WTE Facility in Inner Mongolia has been put into operation, increasing the installed capacity in operation by 12MW.

In addition, the Company observes that some Chinese enterprises have been facing challenges for their businesses in India and that led to a more cautious approach being adopted by lenders and insurance companies when reviewing project financing in India. The Company has also been facing difficulties with the financing and management of its power plant projects in India and is currently reviewing the commercial feasibility of continuing with its India investments and evaluating available options and will update shareholders of any material development. The Group is also continuing to follow up on the progress of compensation for the closure of the Old Kunming Wuhua WTE Facility in Kunming, Yunnan Province. The local government has engaged a third-party asset appraisal company to conduct an overall appraisal of the assets of the Old Kunming Wuhua WTE Facility. The Group is still in negotiation with the local government on the compensation for the closure of the Old Kunming Wuhua WTE Facility, and will endeavour to sign the compensation agreement as soon as possible.

Overall, as of 30 June 2023, the Group has invested in 26 operational WTE facilities, 2 kitchen waste treatment facilities and 9 waste resource recycling facilities in the PRC with a total installed waste treatment capacity of 42,705 tonnes per day. Furthermore, the Group has 3 WTE projects under construction and 16 WTE projects, 3 kitchen waste treatment projects and 1 waste resources project in the preparatory stage in the PRC and overseas, which are undergoing active preparatory work. Taking into consideration all its projects in operation, under construction and in the planning phase, the Group's total installed waste treatment capacity is expected to reach 62,220 tonnes per day upon the completion of these projects.

4. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: -

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable as the Group's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

¹ 96 hours of continuous full load operation (or 72 hours of continuous full load operation + 24 hours of restarted full load operation after shutdown to address defects)

5. 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) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

6. 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.

7. Interested Person Transactions

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).

Name of interested person	Nature of Relationship	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 materials from: Zhejiang Petroleum Integrated Energy Sales Co., Ltd	Associate of Zheneng Group	-	2,674
Engineering, procurement and construction services from: Zhejiang Tiandi Environmental Protection Technology Co., Ltd.	Associate of Zheneng Group	-	14,398

Name of interested person	Nature of Relationship	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
Interest expenses to:			
Zhejiang Provincial Energy Group Finance Co., Ltd.	Associate of Zheneng Group	19,888	-
Revenue from waste treatment and sales of steam:			
Lianyuangang Jinchí Bio-technology Co., Ltd	Associate of Mr. Dou Zhenggang, a controlling shareholder of the Company ("Mr. Dou")	-	503
WTE project consulting services from:			
Hangzhou Deyi Investment Management Co., Ltd.	Associate of Mr. Dou	1,000	-
Total		<u>20,888</u>	<u>17,575</u>

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.

8. 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 half year ended 30 June 2023 to be false or misleading in any material aspect.

9. 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

Wei Dongliang
Executive Chairman
9 August 2023