NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL INFORMATION

Zheneng Jinjiang Environment Holding Company Limited was incorporated on 8 September 2010 as an exempt company with limited liability in Cayman Islands with its registered office presently at Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands and principal place of business at 1 Yinxiu Road, Level 19, Tower A, Hangyue Commercial Center, Gongshu District, Hangzhou City, Zhejiang Province, the People's Republic of China (the "PRC"). The single largest shareholder is Zhejiang Provincial Energy Group Co., Ltd., which is 100% controlled by State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province.

The Company was listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") on 3 August 2016.

The consolidated financial statements are expressed in Renminbi ("RMB"), which is the Company's functional currency.

During the current financial year, the Company changed its name from China Jinjiang Environment Holding Company Limited to Zheneng Jinjiang Environment Holding Company Limited.

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. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 27, 28 and 29 to the consolidated financial statements respectively.

As at the end of the reporting period, the Group's and the Company's current liabilities exceeded its current assets by RMB3,414.7 million and RMB2,679.0 million respectively mainly due to the following:

- A principal amount of US$200 million (equivalent to RMB1.4 billion) 6.0% senior unsecured notes which are due and payable on 27 July 2020. The Group and the Company are in the advance stage of discussion with the lenders to finalise additional syndicated loan facilities to repay the senior notes that are maturing.

- Reclassification of guaranteed borrowings of the Group and the Company amounting to approximately RMB1,265.5 million and RMB1,180.3 million from non-current liabilities to current liabilities as the Group and the Company have not met a financial covenant as disclosed in Note 30 to the consolidated financial statements. As of the date of authorisation of these financial statements, the lenders have not called on the repayment of the borrowings.

This exposed the Group and the Company to liquidity risk if the Group and the Company could not fulfil their financial obligations.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, the validity of which is premised on:

a. the Group's and the Company's ability to secure additional overseas syndicated loan facilities prior to the maturity of the 6.0% senior unsecured notes;

b. the Group's and the Company's ability in issuing asset-backed securities to qualified investors in the People's Republic of China to provide further liquidity to the Group;

c. the guaranteed borrowing of the Group and the Company amounting to RMB1,265.5 million and RMB1,180.3 million respectively not being recalled by its lenders ahead of the stipulated repayment dates within the loan agreement; and

d. the Group's ability to generate positive cash flows from its operations.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as going concerns. If the additional syndicated loan facilities is not timely executed, or the existing lenders recalled the loan mentioned in (c) above, these could have an impact on the Group's and Company's ability to remain going concerns and to meet its debt obligations as and when they fall due. Hence, the classification of assets and liabilities, and the Group's and Company's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements could be affected.

1. GENERAL INFORMATION (cont'd)

Notwithstanding the above, the directors and management have assessed the going concern basis for the preparation of the accompanying financial statements is appropriate, after considering the following:

(A) the cashflow forecast prepared by management for the next 12 months to 31 December 2020 indicates that the Group has sufficient cash and cash equivalents and adequate bank facilities to support its operations and meet its payment obligations as and when they fall due, and is based on the following key assumptions:

(I) completion of the refinancing of certain borrowings and lease liabilities that are due for repayment within the next 12 months up to 31 December 2020 amounting to approximately RMB900 million and securing of new borrowings and lease liabilities amounting to approximately RMB700 million; and

(II) the successful completion of the refinancing proposals set out in (B) below;

(B) management is actively pursuing various proposals to refinance the notes mainly through, among others, (i) securing additional overseas syndicated loan facilities amounting to approximately US$270 million by early July 2020 with a view to effecting drawdowns by the middle of July 2020 for repayment by 27 July 2020, in tandem with which Zhejiang Provincial Energy Group Co., Ltd as an applicant, with the Company as a borrower, has sought the relevant approvals from the National Development and Reform Commission and (ii) issuing asset-backed securities amounting to approximately RMB1 billion, to qualified investors in the PRC; and

(C) the Group will continue to actively seek the support of the Group's largest shareholder Zhejiang Provincial Energy Group Co., Ltd., 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 the Group's financing channels and reduce financing costs in relation to the Group's current and future fund-raising plans, so as to strengthen the working capital of the Group.

Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and Company were unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 9 June 2020.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current financial year, the Group has adopted all the new and revised IFRSs and amendments to IFRSs issued by the IASB that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019.

The adoption of these new/revised IFRSs does not result in changes to the Group's and Company's accounting policies except as follows:

IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's and Company's financial statements is described below.