



**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)

**RESPONSE TO SGX-ST QUERIES REGARDING ANNUAL REPORT**

The Board of Directors (the "**Board**") of Zheneng Jinjiang Environment Holding Company Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") dated 19 June 2020 regarding the Company's Annual Report for the financial year ended 31 December 2019 (the "**2019 Annual Report**"). The Company sets out the SGX-ST's queries and its responses as follows:

**Question 1: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.**

**We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.**

Response: As disclosed on page 85 of the 2019 Annual Report, the Company adopts a performance-based remuneration system for employees, including its executive directors and key management personnel. A significant and appropriate proportion of the remuneration of executive directors and key management personnel is structured so as to link rewards with the achievement of corporate and individual performance targets in an objective and equitable way and reflects the degree of responsibility held by each employee. The Group seeks to ensure that the variable component is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

To ensure that the level and structure of remuneration is proportionate to the sustained performance and value creation of the Group, the Company has put in place a framework of remuneration for its executive directors and key management personnel. The key areas of focus of the remuneration framework and details of the implementation within the Group are set out below:

Key Areas of Focus	Details
Pay for performance	<ul style="list-style-type: none"> <li>• Instil and drive a pay-for-performance culture</li> <li>• Ensure that remuneration is closely linked to annual and long-term business objectives</li> <li>• Set, communicate and monitor key performance targets and indicators</li> <li>• Adjust the proportion of fixed and variable remuneration to emphasise sustainable performance that is aligned with the Group's strategic objectives, considering qualitative and quantitative factors</li> </ul>
Competitive remuneration	<ul style="list-style-type: none"> <li>• Benchmark total remuneration against other organisations of similar size and standing in the Group's industry</li> </ul>
Accountability and Risk-taking	<ul style="list-style-type: none"> <li>• Focus on achieving risk-adjusted returns that are consistent with prudent risk taking and capital management as well as emphasis on long-term sustainable outcomes</li> <li>• Design remuneration structure to align incentive payments with the long-term performance of the Group through deferred vesting of incentives</li> </ul>

**Question 2:** The external auditors, Deloitte and Touche LLP (“Deloitte”), during the course of the audit of the Group’s financial statements, had identified certain deficiencies in internal controls, which have been reported to the ARMC and management. Please disclose what were the deficiencies in internal controls identified by Deloitte and what action plans were initiated to address the weaknesses and deficiencies identified.

Response: To clarify, the external auditors, Deloitte & Touche LLP (“**Deloitte**”), did not identify any significant deficiencies in internal controls during the course of their audit of the Group’s financial statements. Deloitte had in the course of their audit identified several possible improvements to the relevant procedures, controls and other aspects, which were presented to the Audit and Risk Management Committee of the Company for consideration. For the avoidance of doubt, Deloitte’s recommendations do not in any way modify their audit opinion. The Company’s management has noted Deloitte’s observations and recommendations and is taking the necessary steps to implement Deloitte’s recommendations.

**Question 3:** Under SFA, SFR and the SGX Listing Rules, the Company will be required to disclose further information on the shareholders' interests in its Annual Report going forward given that the controlling shareholder Zheneng Group is a state-owned enterprise. Please disclose accordingly.

**Response:** Details of the interests of Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集团有限公司) (“**Zheneng Group**”) and its respective associates and shareholder under the Securities and Futures Act (Chapter 289) of Singapore (“**SFA**”) had been disclosed under the section entitled “Statistics of Shareholdings” on page 194 of the 2019 Annual Report.

As disclosed in the 2019 Annual Report, each of Zhejiang Energy International Limited (浙江能源国际有限公司), Zheneng Capital Holdings Co., Ltd. (浙能资本控股有限公司) and Zheneng Group are deemed to have an interest in the Shares in which Zhejiang Energy Hong Kong Holding Limited (浙江能源香港控股有限公司) has an interest by virtue of Section 4 of the SFA.

For the avoidance of doubt, Zheneng Group is regarded as a “controlling shareholder” of the Company for the purposes of the Listing Manual of the SGX-ST (“**Listing Manual**”) and accordingly, Zheneng Group and its associates (as defined under Chapter 9 of the Listing Manual) are considered interested persons of the Company under Chapter 9 of the Listing Manual.

#### **BY ORDER OF THE BOARD**

Wei Dongliang  
Executive Chairman

23 June 2020

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#### **For further information, please contact:**

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