



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)

RESPONSES TO THE SGX-ST'S QUERIES REGARDING UNAUDITED RESULTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2023

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 25 March 2024 regarding the Company's announcement dated 28 February 2024 of its unaudited results for the six months and full year ended 31 December 2023 (the "**FY2023**"). The Company sets out the SGX-ST's queries and its responses as follows:

Question 1: The Company stated that during FY2023, an impairment loss of RMB167.8 million was recognised on intangible assets due to difficulties and uncertainty encountered in the progress of the power plant of the BOT projects in Lucknow and Gurgaon, India. In this regard, please disclose the following information:

- (a) further details on the difficulties and uncertainty faced that led to the impairment of the intangible assets;
- (b) the nature of the intangible assets that were impaired;
- (c) how the amount of impairment was determined;
- (d) whether any valuation was conducted on the impaired assets; and
- (e) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment.

Response: (a) As at 31 December 2023, the Group had two integrated waste management projects in India which were under construction or in the preparatory stage, with one project located in Lucknow, Uttar Pradesh, India (the "**Lucknow Project**") and the other project located in Gurgaon, Haryana, India (the "**Gurgaon Project**", and together with the Lucknow Project, the "**Projects**"). Both of the Projects adopt the Build-Operate-Transfer (BOT) model, whereby after the expiration of the concession period, the relevant facilities would be transferred back to the relevant local governmental authorities which granted the concessions. The concessions for the Lucknow Project and the Gurgaon Project were secured in May 2017 and July 2017 respectively.

As announced by the Company on 9 August 2023, the Company had observed 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 credit insurance companies when reviewing project financing in India. The Group has been facing difficulties and uncertainty in relation to the financing, the collection and transportation of municipal solid waste, and the progress of construction of its projects in India. In particular, its projects in India resulted in negative cashflow arising from the back-loading of some waste treatment fees to after commencement of operations of the waste treatment facilities, the high cost of waste collection and transportation and certain cash deductions made by the local governmental authorities due to inadequate coverage of waste collection, which resulted in the relevant local governmental authorities taking over part of the waste collection and transportation operations. The Group was also unable to reach mutual agreement with the relevant local governmental authorities over various matters in the course of the Group's efforts to progress the development and construction of the Projects, including the collection of payment for the collection and transportation of municipal solid waste.

Given the aforesaid difficulties and uncertainty faced by the Group in relation to the Projects, the Company is currently reviewing the commercial feasibility of terminating its investments in India and evaluating various options for achieving this.

- (b) The intangible assets that were impaired arose under the service concession arrangements entered into with the local governmental authorities, and are recognised when the Company has the right to charge for usage in relation to the BOT concession arrangements of the Projects.
- (c) The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of intangible asset is higher than its recoverable amount (the higher of the fair value less costs of disposal and the value in use). Due to the difficulties and uncertainty faced by the Group in relation to the Projects, the Company assessed the expected future economic benefits will be nil, and the Company has, on ground of prudence, provided the impairment loss in full on the service concession arrangements during the reporting period.
- (d) Since full impairment loss on the intangible assets has been provided, the issue of technical valuation methodology does not arise.
- (e) Having considered the foregoing, the Board concurred with the management's methodology, assessment and conclusion on the full impairment loss recognised in FY2023 as set out in (c) above. As part of the audit of the Group's financial statements for the financial year ended 31 December 2023, the Group's external auditors have reviewed management's assessment on the amount of impairment loss to be recognised in relation to the Projects.

Question 2: The Company explained that the RMB167.8 million reported under "Other expenses" arose due to difficulties and uncertainty encountered in the progress of the power plant of the BOT projects in Lucknow and Gurgaon, India.

- (a) To provide details of the difficulties, the size of the contract, and the details of the expenses incurred; and
- (b) To provide an update on the Lucknow and Gurgaon projects, its commencement and expected completion date and the significant factors that will affect the project in the next quarter and the next 12 months.

Response:

- (a) See the response to question 1(a) above for the details of the difficulties and uncertainty encountered by the Group in relation to the Projects. The total designed waste treatment capacity of the Gurgaon Project and the Lucknow Project is 1,165 tonnes/day and 1,500 tonnes/day respectively. The total estimated investment amounts for the Gurgaon Project and the Lucknow Project, at the time of securing the concessions, was approximately INR3,857.0 million (equivalent to approximately S\$62.2 million) and RMB300.0 million (equivalent to approximately S\$56.7 million), respectively. The RMB167.8 million reported under "Other expenses" represents the impairment loss recognised on the intangible assets (which represent the right to charge for usage in relation to the BOT concession arrangements) associated with the service concession arrangements relating to the Projects.
- (b) See the response to question 1(a) above for the dates when the Group originally secured the concession for the Projects. As stated in the response to question 1(a) above, the Group has been facing difficulties and uncertainty in relation to the Projects and the Company is currently reviewing the commercial feasibility of terminating its investments in India and evaluating various options for achieving this. The Group intends to initiate arbitration proceedings in accordance with the relevant agreements to seek compensation in the event it ceases its involvement in the Projects, and has notified the relevant local governmental authorities accordingly.

The Company will release further announcements as and when there are material developments.

BY ORDER OF THE BOARD

Wei Dongliang
Executive Chairman
28 March 2024