



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 2018

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 2018.

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 2Q2018 RMB'000	Group 2Q2017 RMB'000	Change +/(-) %	Group 1H2018 RMB'000	Group 1H2017 RMB'000	Change +/(-) %
Revenue	680,321	718,454	(5.3)	1,435,189	1,276,033	12.5
Cost of sales	(343,748)	(426,795)	(19.5)	(888,005)	(746,686)	18.9
Gross profit	336,573	291,659	15.4	547,184	529,347	3.4
Other income and other gains and losses	(9,865)	37,358	(126.4)	51,663	63,486	(18.6)
Share of loss of a joint venture	(181)	-	N.M.	(198)	-	N.M.
Administrative expenses	(48,254)	(47,857)	0.8	(117,378)	(97,846)	20.0
Finance costs	(63,719)	(38,720)	64.6	(124,509)	(74,307)	67.6
Profit before tax	214,554	242,440	(11.5)	356,762	420,680	(15.2)
Income tax expense	(62,364)	(74,338)	(16.1)	(101,818)	(126,173)	(19.3)
Profit for the period	152,190	168,102	(9.5)	254,944	294,507	(13.4)
Other comprehensive gain (loss)						
Foreign currency translation	805	-	N.M.	(9,805)	-	N.M.
Total comprehensive income for the period	152,995	168,102	(9.0)	245,139	294,507	(16.8)

Profit for the period attributable to:

- owners of the Company	149,446	168,289	(11.2)	250,293	295,734	(15.4)
- non-controlling interests	2,744	(187)	(1,567.4)	4,651	(1,227)	(479.1)
	<u>152,190</u>	<u>168,102</u>	(9.5)	<u>254,944</u>	<u>294,507</u>	(13.4)

Total comprehensive income for the period attributable to:

- owners of the Company	150,251	168,289	(10.7)	240,488	295,734	(18.7)
- non-controlling interests	2,744	(187)	(1,567.4)	4,651	(1,227)	(479.1)
	<u>152,995</u>	<u>168,102</u>	(9.0)	<u>245,139</u>	<u>294,507</u>	(16.8)

	Group 2Q2018 RMB'000	Group 2Q2017 RMB'000	Change + / (-) %	Group 1H2018 RMB'000	Group 1H2017 RMB'000	Change + / (-) %
Profit before tax has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments)	49,071	49,839	(1.5)	114,310	102,632	11.4
Cost of inventories recognised as expense	88,705	103,897	(14.6)	186,569	216,608	(13.9)
Depreciation of property, plant and equipment	68,207	65,711	3.8	142,568	143,619	(0.7)
Amortisation of prepaid leases	2,772	2,799	(1.0)	5,544	5,712	(2.9)
Amortisation of intangible assets	15,141	14,402	5.1	30,358	22,035	37.8
Total depreciation and amortisation	<u>86,120</u>	<u>82,912</u>	3.9	<u>178,470</u>	<u>171,366</u>	4.1
Underprovision of tax in the prior years	(13,173)	(5,913)	122.8	(13,173)	(5,913)	122.8
Gain on disposal of subsidiary	7,700	-	N.M.	7,700	-	N.M.
Gain on re-measurement of subsidiary on disposal	4,240	-	N.M.	4,240	-	N.M.
Government grants and tax refund	15,165	13,659	11.0	24,298	32,967	(26.3)
Bank interest income	1,196	2,077	(42.4)	1,731	2,268	(23.7)
Gain (Loss) on sales of scrap materials	13,408	(906)	(1,579.9)	20,372	7,033	189.7
Foreign exchange (losses) gains	(53,701)	8,010	(770.4)	(11,517)	6,700	(271.9)
Sludge outsourcing fee	2,127	14,518	(85.3)	4,839	14,518	(66.7)
Other income and other gains and losses	<u>(9,865)</u>	<u>37,358</u>	(126.4)	<u>51,663</u>	<u>63,486</u>	(18.6)

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 2018 RMB'000	Group As at 31 Dec 2017 RMB'000	Company As at 30 Jun 2018 RMB'000	Company As at 31 Dec 2017 RMB'000
Assets				
Non-current assets				
Property, plant and equipment	6,170,378	5,699,242	-	-
Prepaid leases	306,390	254,759	-	-
Intangible assets	2,320,723	2,020,819	-	-
Investment in associates	53,804	53,804	-	-
Investment in subsidiaries	-	-	1,790,880	1,790,640
Investment in joint ventures	62,005	14,019	4,841	5,039
Service concession receivables	314,849	316,816	-	-
Other receivables	210,491	145,263	-	-
Total non-current assets	<u>9,438,640</u>	<u>8,504,722</u>	<u>1,795,721</u>	<u>1,795,679</u>
Current assets				
Inventories	78,187	58,791	-	-
Prepaid leases	12,233	11,228	-	-
Service concession receivables	34,421	34,421	-	-
Trade and other receivables	790,230	766,163	9,565	9,868
Other tax recoverable	172,678	124,694	-	-
Amounts due from related parties	188,249	354,557	-	-
Amounts due from non-controlling interests	47,138	27,976	-	-
Amounts due from subsidiaries	-	-	1,996,752	1,224,314
Pledged bank deposits	479,118	340,980	297,950	239,556
Bank balances and cash	1,176,402	1,123,446	323,323	364,360
Assets classified as held for sale	<u>1,339,852</u>	<u>1,397,312</u>	<u>-</u>	<u>-</u>
Total current assets	<u>4,318,508</u>	<u>4,239,568</u>	<u>2,627,590</u>	<u>1,838,098</u>
Total assets	<u>13,757,148</u>	<u>12,744,290</u>	<u>4,423,311</u>	<u>3,633,777</u>

Current liabilities

Trade and other payables	1,117,542	1,198,941	58,684	12,482
Amounts due to related parties	92,182	115,368	-	-
Amount due to subsidiaries	-	-	1,947	1,947
Income tax liabilities	99,295	102,565	-	-
Other tax liabilities	41,426	49,812	-	-
Dividends payable	1,397	1,397	-	-
Borrowings	1,040,738	1,208,678	-	-
Obligations under finance leases	436,187	385,895	-	-
Deferred grant	6,313	36,157	-	-
Notes payable	44,271	38,201	44,271	38,201
Liabilities directly associated with assets held for sale	723,053	665,937	-	-
Total current liabilities	3,602,404	3,802,951	104,902	52,630
Net current assets	716,104	436,617	2,522,688	1,785,468
Total assets less current liabilities	10,154,744	8,941,339	4,318,409	3,581,147

Non-current liabilities

Borrowings	2,392,676	1,601,790	661,660	-
Notes payable	1,243,981	1,272,209	1,243,981	1,272,209
Obligations under finance leases	632,228	591,387	-	-
Deferred tax liabilities	423,597	398,030	-	-
Deferred grant	166,558	164,533	-	-
Provision for major overhauls	22,197	22,197	-	-
Total non-current liabilities	4,881,237	4,050,146	1,905,641	1,272,209
Net assets	5,273,507	4,891,193	2,412,768	2,308,938

Capital and reserves

Share capital	95	81	95	81
Reserves	5,146,868	4,735,214	2,412,673	2,308,857
Equity attributable to owners of the company	5,146,963	4,735,295	2,412,768	2,308,938
Non-controlling interests	126,544	155,898	-	-
Total equity	5,273,507	4,891,193	2,412,768	2,308,938

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 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
1,519,256	1,940	1,630,834	1,940

Amount repayable after one year

As at 30 Jun 2018		As at 31 Dec 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
4,265,665	3,220	3,462,166	3,220

Details of any collateral

The borrowings are secured by the pledge of electricity tariffs receivables, certain property, plant and equipment, 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 2Q2018 RMB'000	Group 2Q2017 RMB'000	Group 1H2018 RMB'000	Group 1H2017 RMB'000
Operating activities				
Profit before tax	214,554	242,440	356,762	420,680
Adjustments for:				
Finance costs	63,719	38,720	124,509	74,307
Interest income	(8,817)	(7,595)	(16,974)	(13,144)
Depreciation of property, plant and equipment	68,207	65,711	142,568	143,619
Amortisation of prepaid leases	2,772	2,799	5,544	5,712
Amortisation of intangible assets	15,141	14,402	30,358	22,035
Deferred grant recognised	(37,088)	(24)	(41,488)	(4,980)
Gain on disposal of subsidiary	(7,700)	-	(7,700)	-
Gain on re-measurement of subsidiary on disposal	(4,240)	-	(4,240)	-
Share of loss of a joint venture	181	-	198	-
Foreign exchange losses (gains)	53,701	(8,010)	11,517	(6,700)
Operating cash flows before movements in working capital	360,430	348,443	601,054	641,529
Decrease (Increase) in trade and other receivables	84,580	(119,922)	(90,991)	(258,723)
Decrease in service concession receivables	8,604	3,520	17,210	1,918
(Increase) Decrease in other tax recoverable	(40,704)	14,391	(58,245)	(6,843)
Increase in inventories	(15,936)	(13,727)	(28,381)	(7,422)
Increase in intangible assets	(37,925)	(185,708)	(330,755)	(213,588)
(Decrease) Increase in trade and other payables	(197,441)	25,078	79,799	41,298
Increase (Decrease) in other tax liabilities	20,478	(13,471)	(5,021)	(3,682)
Increase in amounts due from related parties	(105,275)	(17,884)	(14,454)	(20,909)
Increase in amounts due from non-controlling interests	(5,476)	(12,036)	(19,162)	(22,556)
(Decrease) Increase in amounts due to related parties	(4,198)	81,542	67,528	76,154
Deferred grants	7,300	2,001	13,669	3,570
Cash generated from operations	74,437	112,227	232,251	230,746
Income tax paid	(28,579)	(49,576)	(79,522)	(96,143)
Net cash from operating activities	45,858	62,651	152,729	134,603
Investing activities				
Interest received				

	1,196	2,077	1,731	2,268
Payment for property, plant and equipment	(576,316)	(168,331)	(1,288,441)	(445,681)
Payment for acquisition of non-controlling interests	(21,900)	-	(21,900)	-
Payment for acquisition of subsidiaries	(7,711)	-	(7,711)	(66)
Payment for prepaid leases	(6,555)	(33,603)	(17,951)	(33,945)
Proceeds from disposal of subsidiary	25,410	-	25,410	-
Investment in joint ventures	(8,944)	(7,480)	(10,944)	(7,480)
Decrease (Increase) in pledged bank deposits	-	40,305	-	(7,928)
Net cash used in investing activities	(594,820)	(167,032)	(1,319,806)	(492,832)
Financing activities				
Proceeds from borrowings	818,799	821,616	1,649,483	1,657,326
Proceeds from obligations under finance leases	290,254	74,772	290,254	165,960
Repayment of borrowings	(299,047)	(134,029)	(787,980)	(588,064)
Repayment of obligations under finance leases	(85,809)	(79,251)	(189,873)	(141,286)
Proceeds from issue of shares	509,780	-	509,780	-
Payment for notes issue costs	-	-	(2,190)	-
Payment of finance costs	(81,919)	(67,655)	(165,003)	(96,819)
Dividends paid	(350,705)	(303,500)	(350,705)	(303,500)
Advances/Repayment from related parties	276,136	-	276,136	-
Advances/Repayment to related parties	-	(2,547)	(13,227)	(80,669)
Increase in pledged bank deposits	(75,000)	-	(138,138)	(16,000)
Net cash from financing activities	1,002,489	309,406	1,078,537	596,948
Net increase (decrease) in cash and cash equivalent	453,527	205,025	(88,540)	238,719
Cash and cash equivalent at beginning of period	714,899	574,548	1,276,453	540,854
Effect of exchange rate fluctuations on cash held	28,314	-	8,827	-
Cash and cash equivalent at end of period represented by bank balances and cash **	1,196,740	779,573	1,196,740	779,573

** : An amount of RMB20,338,000 is classified under assets held for sale.

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										
	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	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Group											
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 January 2017	81	1,676,060	393,694	(67,642)	99,012	-	28,152	2,293,335	4,422,692	168,613	4,591,305
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	127,445	127,445	(1,040)	126,405
At 31 March 2017	81	1,676,060	393,694	(67,642)	99,012	-	28,152	2,420,780	4,550,137	167,573	4,717,710
At 1 April 2017	81	1,676,060	393,694	(67,642)	99,012	-	28,152	2,420,780	4,550,137	167,573	4,717,710
Profit and total comprehensive income	-	-	-	-	-	-	-	168,289	168,289	(187)	168,102

for the period

Transactions with
owners, recognised
directly in equity

Dividends paid	-	(303,500)	-	-	-	-	-	-	(303,500)	-	(303,500)
At 30 June 2017	81	1,372,560	393,694	(67,642)	99,012	-	28,152	2,589,069	4,414,926	167,386	4,582,312
At 1 July 2017	81	1,372,560	393,694	(67,642)	99,012	-	28,152	2,589,069	4,414,926	167,386	4,582,312
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	100,819	100,819	(5,273)	95,546
<u>Transactions with owners, recognised directly in equity</u>											
Issue of shares	-	17,484	-	-	-	-	(13,475)	-	4,009	-	4,009
Share award expense	-	-	-	-	-	-	13,475	-	13,475	-	13,475
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,409)	(1,409)
At 30 September 2017	81	1,390,044	393,694	(67,642)	99,012	-	28,152	2,689,888	4,533,229	160,704	4,693,933
At 1 October 2017	81	1,390,044	393,694	(67,642)	99,012	-	28,152	2,689,888	4,533,229	160,704	4,693,933
Profit for the period	-	-	-	-	-	-	-	204,653	204,653	(2,924)	201,729
Other comprehensive income for the period	-	-	-	-	-	(4,170)	-	-	(4,170)	-	(4,170)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	100	100
<u>Transactions with owners, recognised directly in equity</u>											
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	4,488	4,488
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,470)	(6,470)
Issue of shares	-	1,583	-	-	-	-	-	-	1,583	-	1,583
Appropriation to reserves	-	-	-	-	4,950	-	-	(4,950)	-	-	-
At 31 December 2017	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

	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 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 January 2017	81	1,676,060	1,057,112	-	(49,622)	2,683,631
Loss and total comprehensive loss for the period	-	-	-	-	(2,934)	(2,934)
At 31 March 2017	81	1,676,060	1,057,112	-	(52,556)	2,680,697
At 1 April 2017	81	1,676,060	1,057,112	-	(52,556)	2,680,697
Profit and total comprehensive profit for the period	-	-	-	-	8,869	8,869
<u>Transactions with owners, recognised directly in equity</u>						
Dividends paid	-	(303,500)	-	-	-	(303,500)
At 30 June 2017	81	1,372,560	1,057,112	-	(43,687)	2,386,066
At 1 July 2017	81	1,372,560	1,057,112	-	(43,687)	2,386,066
Loss and total comprehensive loss for the period	-	-	-	-	(23,141)	(23,141)
<u>Transactions with owners, recognised directly in equity</u>						
Issue of shares	-	17,484	-	(13,475)	-	4,009
Share award expense	-	-	-	13,475	-	13,475
At 30 September 2017	81	1,390,044	1,057,112	-	(66,828)	2,380,409
At 1 October 2017	81	1,390,044	1,057,112	-	(66,828)	2,380,409
Loss and total comprehensive loss for the period	-	-	-	-	(73,054)	(73,054)
<u>Transactions with owners, recognised directly in equity</u>						
Issue of shares	-	1,583	-	-	-	1,583
At 31 December 2017	81	1,391,627	1,057,112	-	(139,882)	2,308,938

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.

On 28 May 2018, the Company issued 214,000,000 ordinary shares via a private placement at 50 Singapore cents per ordinary share. The Company has no outstanding convertibles, treasury shares or subsidiary holdings.

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 2018 and 31 December 2017 was 1,435,581,000 and 1,221,581,000 respectively. 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 2017.

(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 2018 but the adopted changes have no material effect.

(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	
	2Q2018	2Q2017	1H2018	1H2017
Basic earnings per Share (RMB cents)	11.48	13.83	19.84	24.30
Weighted average number of Shares	1,301,537,044	1,216,824,200	1,261,779,895	1,216,824,200
Fully diluted earnings per Share (RMB cents)	11.48	13.83	19.84	24.30
Weighted average number of Shares	1,301,537,044	1,216,824,200	1,261,779,895	1,216,824,200

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 2018 and 31 December 2017 was 1,435,581,000 and 1,221,581,000 respectively.

(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 2018	As at 31 Dec 2017	As at 30 Jun 2018	As at 31 Dec 2017
Net asset value per Share (RMB cents)	358.53	387.64	168.07	189.01
Number of Shares in issue at the end of the period	1,435,581,000	1,221,581,000	1,435,581,000	1,221,581,000

The net asset value per Share as at 30 June 2018 and 31 December 2017 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 2018 and 31 December 2017 was 1,435,581,000 and 1,221,581,000 respectively.

(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

2Q2018 vs 2Q2017

Revenue

	2Q2018 RMB'000	%	2Q2017 RMB'000	%	Change %
Sales of electricity	208,289	30.6	254,510	35.4	(18.2)
Sales of steam	100,113	14.7	78,851	11.0	27.0
Revenue from waste treatment fees	136,614	20.1	106,548	14.8	28.2
Waste-to-energy business	<u>445,016</u>	65.4	<u>439,909</u>	61.2	1.2
Revenue from construction services provided under service concession agreements	27,111	4.0	183,844	25.6	(85.3)
Financial income under service concession agreements	7,621	1.1	5,518	0.8	38.1
Construction services	<u>34,732</u>	5.1	<u>189,362</u>	26.4	(81.7)
Project technical and management service and EMC business	<u>200,573</u>	29.5	<u>89,183</u>	12.4	124.9
Total	<u>680,321</u>	100.0	<u>718,454</u>	100.0	(5.3)

Revenue decreased 5.3% from RMB718.5 million in 2Q2017 to RMB680.3 million in 2Q2018, primarily due to a decrease in revenue from construction services provided under BOT concession agreements, offset by increase in revenue from WTE business (excluding revenue from construction services provided under BOT concession agreements) and 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 1.2% from RMB439.9 million in 2Q2017 to RMB445.0 million in 2Q2018. The increase was attributable to (i) an increase in waste treated following the commencement of waste collection and transportation operations for the Lucknow, Gurgaon and Gwalior projects in India, and if excluding this increase, revenue would have decreased by RMB19.2 million or 4.4%, and (ii) an increase in revenue from sales of steam from Zhuji Bafang WTE Facility, offset by a decrease in revenue due to the eight WTE facilities undergoing expansion and upgrading, resulting in a lower amount of waste treated and leading to lower revenue from sales of electricity.

Details of the electricity generated and supplied, steam supplied and waste treated for 2Q2018 and 2Q2017 are as follows:

	Group 2Q2018	Group 2Q2017	Change %
Electricity generated ('000 KWh)	553,649	642,941	(13.9)
On-grid electricity supplied ('000 KWh)	390,099	472,220	(17.4)
Steam supplied ('000 tonnes)	717	562	27.6
Waste treated ('000 tonnes)	2,043	2,122	(3.7)

On-grid electricity supplied and waste treated (excluding waste collection and transportation operations in India) decreased 17.4% and 12.5% in 2Q2018 as compared to 2Q2017, due to the eight WTE facilities undergoing expansion and upgrading. Including waste collection and transportation operations in India, waste treated decreased by 3.7% in 2Q2018 as compared to 2Q2017. The decrease in 2Q2018 is lesser as compared to the decrease for 1Q2018. The increase in steam supplied is due to additional coal-fired generation facilities of the Zhuji Bafang WTE Facility.

Construction services provided under BOT concession agreements

Revenue from construction services provided under build-operate-transfer (“BOT”) concession agreements decreased by 81.7% from RMB189.4 million in 2Q2017 to RMB34.7 million in 2Q2018 due to a decrease in revenue from the provision of construction services under BOT concession agreements from RMB183.8 million in 2Q2017 to RMB27.1 million in 2Q2018 as the expansion phase of the Yinchuan Zhongke WTE Facility and Gaomi Lilangmingde WTE Facility are almost completed. Financial income increased from RMB5.5 million in 2Q2017 to RMB7.6 million in 2Q2018.

Project technical and management services and our EMC business

Revenue from project technical and management services and our EMC business increased 124.9% from RMB89.2 million in 2Q2017 to RMB200.6 million in 2Q2018 due to an increase in revenue from technical and management services including equipment selection and sales, as a result of a larger number of contracts, including new contracts signed by the Group in 2018 and existing contracts which the Group took over following its acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd., with the revenue recognised based on contractual terms.

Cost of sales

Cost of sales decreased 19.5% from RMB426.8 million in 2Q2017 to RMB343.8 million in 2Q2018, due to a decrease 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 3.5% from RMB250.2 million in 2Q2017 to RMB258.9 million in 2Q2018. The increase is due to the commencement of waste collection and transportation operations for the projects in India, and if excluding this increase, cost of sales would have decreased by 6.9%, offset by (i) lower cost of sales as a lower amount of waste is being treated and (ii) higher efficiency in the usage of coal and lower costs arising from lower coal prices, as well as the use of waste dehydrating equipment in some facilities.

Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements decreased 85.6% from RMB158.5 million in 2Q2017 to RMB22.9 million in 2Q2018 due to less construction services under BOT concession agreements in 2Q2018, and hence less costs were recorded in 2Q2018.

Project technical and management services and our EMC business

The cost of sales from project technical and management services and our EMC business increased 242.0% from RMB18.1 million in 2Q2017 to RMB61.9 million in 2Q2018, due to more services provided arising from new contracts signed by the Group in 2018 and existing contracts which the Group took over following its acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd., and more investment into research and development.

Gross profit and gross profit margin

	Gross Profit (RMB '000)		Gross Profit Margin	
	2Q2018	2Q2017	2Q2018	2Q2017
WTE business (excluding gross profit from construction services provided under BOT concession agreements)	186,068.0	189,661.0	41.8%	43.1%
Construction services provided under BOT concession agreements	4,231.0	25,353.0	15.6%	13.8%
Project technical and management service and EMC business	138,653.0	71,127.0	69.1%	79.8%
Finance	7,621.0	5,518.0	N.A.	N.A.
Total	336,573.0	291,659.0	49.5%	40.6%

As a result of the foregoing, the gross profit increased 15.4% from RMB291.7 million in 2Q2017 to RMB336.6 million in 2Q2018.

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) decreased by 1.9% from RMB189.7 million in 2Q2017 to RMB186.1 million in 2Q2018, of which the gross profit for waste collection and transportation operations for the projects in India and for the WTE Facilities decreased by RMB1.5 million and RMB2.1 million respectively.

Revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) increased from RMB439.9 million in 2Q2017 to RMB445.0 million in 2Q2018, due to an increase in waste treated following the commencement of waste collection and transportation operations for the Lucknow, Gurgaon and Gwalior projects in India, and an increase in revenue from sales of steam from Zhuji Bafang WTE Facility, offset by a decrease in revenue due to the eight WTE facilities undergoing expansion and upgrading.

This is offset by an increase in the cost of sales from our WTE business (excluding the cost of sales from construction services provided under BOT concession agreements) from RMB250.2 million in 2Q2017 to RMB258.9 million in 2Q2018, due to the commencement of waste collection and transportation operations for the projects in India, offset by (i) lower cost of sales as lesser amount of waste is being treated and (ii) higher efficiency in the usage of coal and lower costs arising from lower coal prices, as well as with the use of waste dehydrating equipment in some facilities.

The gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) decreased from 43.1% in 2Q2017 to 41.8% in 2Q2018.

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

The gross profit from construction services provided under BOT concession agreements decreased 83.5% from RMB25.4 million in 2Q2017 to RMB4.2 million in 2Q2018, as the expansion phase of the Yinchuan Zhongke WTE Facility and Gaomi Lilangmingde WTE Facility are almost completed. Finance income increased from RMB5.5 million in 2Q2017 to RMB7.6 million in 2Q2018. The gross profit margin increased from 13.8% in 2Q2017 to 15.6% in 2Q2018.

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 increased 95.1% from RMB71.1 million in 2Q2017 to RMB138.7 million in 2Q2018, due to an increase in the revenue from project technical and management services including equipment selection and sales, and our EMC business by RMB111.4 million, offset by an increase in the cost of sales from project technical and management services and our EMC business by RMB43.8 million. Accordingly, the gross profit margin of project technical and management services and our EMC business decreased from 79.8% in 2Q2017 to 69.1% in 2Q2018.

Other income and other gains and losses

Other income and other gains and losses decreased 126.4% from a gain of RMB37.4 million in 2Q2017 to a loss of RMB9.9 million in 2Q2018, due primarily to a foreign exchange loss of RMB53.7 million and reduced income by RMB12.4 million from the treatment of sludge, offset by gain on disposal of 70% stake in Hohhot Jiasheng New Energy WTE Facility, gain on re-measurement of 30% remaining stake in Hohhot Jiasheng New Energy WTE Facility and the increase in sales of scrap materials.

Administrative expenses

Administrative expenses increased 0.8% from RMB47.9 million in 2Q2017 to RMB48.3 million in 2Q2018, due to the increase in salaries and social security costs and increased management costs from India's collection and transportation business.

Finance costs

Finance costs increased 64.6% from RMB38.7 million in 2Q2017 to RMB63.7 million in 2Q2018, due to increase in bank borrowings.

Profit before tax

As a result of the foregoing, profit before tax decreased 11.5% from RMB242.4 million in 2Q2017 to RMB214.6 million in 2Q2018.

Income tax expense

Income tax expense decreased 16.1% from RMB74.3 million in 2Q2017 to RMB62.4 million in 2Q2018 due to some WTE facilities securing favourable tax rates and decrease in taxable profit.

Profit for the period

As a result of the foregoing, profit for the period decreased 9.5% from RMB168.1 million in 2Q2017 to RMB152.2 million in 2Q2018.

1H2018 vs 1H2017

Revenue

	1H2018		1H2017		Change
	RMB'000	%	RMB'000	%	%
Sales of electricity	413,923	28.8	519,776	40.7	(20.4)
Sales of steam	206,400	14.4	160,903	12.6	28.3
Revenue from waste treatment fees	276,638	19.3	228,599	17.9	21.0
Waste-to-energy business	896,961	62.5	909,278	71.2	(1.4)
Revenue from construction services provided under service concession agreements	287,759	20.0	213,588	16.7	34.7
Financial income under service concession agreements	15,243	1.1	10,876	0.9	40.2
Construction services	303,002	21.1	224,464	17.6	35.0
Project technical and management service and EMC business	235,226	16.4	142,291	11.2	65.3
Total	1,435,189	100.0	1,276,033	100.0	12.5

Revenue increased 12.5% from RMB1,276.0 million in 1H2017 to RMB1,435.2 million in 1H2018, primarily due to an increase in revenue from construction services provided under BOT concession agreements and project technical and management services and EMC business, offset by a decrease in revenue from WTE business (excluding revenue from construction services provided under BOT concession agreements).

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) decreased 1.4% from RMB909.3 million in 1H2017 to RMB897.0 million in 1H2018. The decrease was attributable to a decrease in revenue due to the eight WTE facilities undergoing expansion and upgrading, resulting in a lower amount of waste treated and leading to lower revenue from sales of electricity, offset by (i) an increase in waste treated following the commencement of waste collection and transportation operations for the Lucknow, Gurgaon and Gwalior projects in India, and (ii) an increase in revenue from sales of steam from Zhuji Bafang WTE Facility.

Details of the electricity generated and supplied, steam supplied and waste treated for 1H2018 and 1H2017 are as follows:

	Group	Group	Change
	1H2018	1H2017	%
Electricity generated ('000 KWh)	1,069,028	1,267,849	(15.7)
On-grid electricity supplied ('000 KWh)	745,532	928,209	(19.7)
Steam supplied ('000 tonnes)	1,495	1,155	29.4
Waste treated ('000 tonnes)	4,048	4,349	(6.9)

On-grid electricity supplied and waste treated (excluding waste collection and transportation operations in India) decreased 19.7% and 16.1% in 1H2018 as compared to 1H2017, due to the eight WTE facilities undergoing expansion and upgrading. Including waste collection and transportation operations in India, waste treated decreased by 6.9% in 1H2018 as compared to 1H2017. The increase in steam supplied is due to additional coal-fired generation facilities of the Zhuji Bafang WTE Facility.

Construction services provided under BOT concession agreements

Revenue from construction services provided under build-operate-transfer (“BOT”) concession agreements increased by 35.0% from RMB224.5 million in 1H2017 to RMB303.0 million in 1H2018 due to an increase in revenue from the provision of construction services under BOT concession agreements from RMB213.6 million in 1H2017 to RMB287.8 million in 1H2018. In 1H2018, besides the expansion phase of the Yinchuan Zhongke WTE Facility and Gaomi Lilangmingde WTE Facility, revenue from the BOT projects in India amounted to RMB219.5 million. Financial income increased from RMB10.9 million in 1H2017 to RMB15.2 million in 1H2018.

Project technical and management services and our EMC business

Revenue from project technical and management services and our EMC business increased 65.3% from RMB142.3 million in 1H2017 to RMB235.2 million in 1H2018 due to an increase in revenue from technical and management services including equipment selection and sales, as a result of a larger number of contracts including new contracts signed by the Group in 2018 and existing contracts which the Group took over following its acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd., and revenue recognised based on contractual terms.

Cost of sales

Cost of sales increased 18.9% from RMB746.7 million in 1H2017 to RMB888.0 million in 1H2018, 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 5.8% from RMB531.8 million in 1H2017 to RMB562.9 million in 1H2018. The increase is due to the commencement of waste collection and transportation operations for the projects in India, and if excluding this increase, cost of sales would have decreased by 2.8%, offset by (i) lower cost of sales as lesser amount of waste is being treated and (ii) higher efficiency in the usage of coal and lower costs arising from lower coal prices, as well as with the use of waste dehydrating equipment in some facilities.

Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements increased 29.6% from RMB184.3 million in 1H2017 to RMB238.9 million in 1H2018 due to more construction services provided under BOT concession agreements in 1H2018, and hence higher costs were recorded.

Project technical and management services and EMC business

The cost of sales from project technical and management services and our EMC business increased 181.7% from RMB30.6 million in 1H2017 to RMB86.2 million in 1H2018, due to more services provided arising from new contracts signed by the Group in 2018 and existing contracts which the Group took over following its acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd., and more investment into research and development.

Gross profit and gross profit margin

	Gross Profit (RMB '000)		Gross Profit Margin	
	1H2018	1H2017	1H2018	1H2017
WTE business (excluding gross profit from construction services provided under BOT concession agreements)	334,026.0	377,517.0	37.2%	41.5%
Construction services provided under BOT concession agreements	48,859.0	29,220.0	17.0%	13.7%
Project technical and management service and EMC business	149,056.0	111,734.0	63.4%	78.5%
Finance	15,243.0	10,876.0	N.A.	N.A.
Total	547,184.0	529,347.0	38.1%	41.5%

As a result of the foregoing, the gross profit increased 3.4% from RMB529.3 million in 1H2017 to RMB547.2 million in 1H2018.

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) decreased by 11.5% from RMB377.5 million in 1H2017 to RMB334.0 million in 1H2018, of which the gross profit for waste collection and transportation operations for the projects in India increased by RMB2.3 million and the gross profit for the WTE Facilities decreased by RMB45.8 million.

Revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) decreased from RMB909.3 million in 1H2017 to RMB897.0 million in 1H2018, due to an increase in waste treated following the commencement of waste collection and transportation operations for the Lucknow, Gurgaon and Gwalior projects in India, and an increase in revenue from sales of steam from Zhuji Bafang WTE Facility, offset by a decrease in revenue due to the eight WTE facilities undergoing expansion and upgrading.

This is offset by an increase in the cost of sales from our WTE business (excluding the cost of sales from construction services provided under BOT concession agreements) increased from RMB531.8 million in 1H2017 to RMB562.9 million in 1H2018, due to the commencement of waste collection and transportation operations for the projects in India, offset by (i) lower cost of sales as lesser amount of waste is being treated, and (ii) higher efficiency in the usage of coal and lower costs arising from lower coal prices, as well as with the use of waste dehydrating equipment in some facilities. The gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) decreased from 41.5% in 1H2017 to 37.2% in 1H2018.

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

The gross profit from construction services provided under BOT concession agreements increased 67.5% from RMB29.2 million in 1H2017 to RMB48.9 million in 1H2018, due to the expansion phase of the Yinchuan Zhongke WTE Facility and Gaomi Lilangmingde WTE Facility and revenue from the BOT projects in India. Finance income increased from RMB10.9 million in 1H2017 to RMB15.2 million in 1H2018. The gross profit margin increased from 13.7% in 1H2017 to 17.0% in 1H2018.

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 increased 33.5% from RMB111.7 million in 1H2017 to RMB149.1 million in 1H2018, due to an increase in the revenue from project technical and management services including equipment selection and sales, and our EMC business by RMB92.9 million, offset by an increase in the cost of sales from project technical and management services and our EMC business by RMB55.6 million. Accordingly, the gross profit margin of project technical and management services and our EMC business decreased from 78.5% in 1H2017 to 63.4% in 1H2018.

Other income and other gains and losses

Other income and other gains and losses decreased 18.6% from RMB63.5 million in 1H2017 to RMB51.7 million in 1H2018, due primarily to a foreign exchange loss of RMB11.5 million, reduced income by RMB9.7 million from the treatment of sludge and a decrease in government subsidies and value added tax refund, offset by gain on disposal of 70% stake in Hohhot Jiasheng New Energy WTE Facility, gain on re-measurement of 30% remaining stake in Hohhot Jiasheng New Energy WTE Facility and the increase in sales of scrap materials.

Administrative expenses

Administrative expenses increased 20.0% from RMB97.8 million in 1H2017 to RMB117.4 million in 1H2018, due to the increase in salaries and social security costs and increased management costs from India's collection and transportation business.

Finance costs

Finance costs increased 67.6% from RMB74.3 million in 1H2017 to RMB124.5 million in 1H2018, due to increase in bank borrowings.

Profit before tax

As a result of the foregoing, profit before tax decreased 15.2% from RMB420.7 million in 1H2017 to RMB356.8 million in 1H2018.

Income tax expense

Income tax expense decreased 19.3% from RMB126.2 million in 1H2017 to RMB101.8 million in 1H2018 due to some WTE facilities securing favourable tax rates and decrease in taxable profit.

Profit for the period

As a result of the foregoing, profit for the period decreased 13.4% from RM294.5 million in 1H2017 to RM254.9 million in 1H2018.

(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

As at 30 June 2018, total assets amounted to RMB13,757.1 million, an increase of RMB1,012.8 million or 7.9% as compared to total assets of RMB12,744.3 million as at 31 December 2017.

Non-current assets

Non-current assets increased 11.0% by RMB933.9 million from RMB8,504.7 million as at 31 December 2017 to RMB9,438.6 million as at 30 June 2018.

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 8.3% by RMB471.2 million from RMB5,699.2 million as at 31 December 2017 to RMB6,170.4 million as at 30 June 2018 due to upgrading of facilities. Intangible assets increased 14.8% by RMB299.9 million from RMB2,020.8 million as at 31 December 2017 to RMB2,320.7 million as at 30 June 2018, arising from the expansion of the Yinchuan Zhongke WTE Facility, Gaomi Lilangmingde WTE Facility, Wenling Green Energy WTE Facility and the construction of the pipeline projects in India. Other receivables increased from RMB145.3 million as at 31 December 2017 to RMB210.5 million as at 30 June 2018, as a result of increase in advances and prepayment for equipment.

Current assets

Current assets increased 1.9% by RMB78.9 million from RMB4,239.6 million as at 31 December 2017 to RMB4,318.5 million as at 30 June 2018.

The increase is mainly due to (i) bank balances increasing 4.7% by RMB53.0 million from RMB1,123.4 million as at 31 December 2017 to RMB1,176.4 million as at 30 June 2018 and (ii) pledged deposits increasing 40.5% by RMB138.1 million from RMB341.0 million as at 31 December 2017 to RMB479.1 million as at 30 June 2018 due to bank guarantees issued for local and overseas projects, and (iii) trade and other receivables increasing 3.1% by RMB24.0 million from RMB766.2 million as at 31 December

2017 to RMB790.2 million as at 30 June 2018 due mainly to the revenue increase from our WTE business. This is offset by (i) amount due from related parties decreasing 46.9% by RMB166.4 million from RMB354.6 million as at 31 December 2017 to RMB188.2 million as at 30 June 2018 due to repayments from related parties, and (ii) assets classified as held for sale decreasing 4.1% by RMB57.4 million from RMB1,397.3 million as at 31 December 2017 to RMB1,339.9 million as at 30 June 2018 due to certain additions and reclassifications made for Zibo New Energy WTE Facility and the sale of shares in Hohhot Jiasheng New Energy WTE Facility.

Current liabilities

Current liabilities decreased 5.3% by RMB200.6 million from RMB3,803.0 million as at 31 December 2017 to RMB3,602.4 million as at 30 June 2018.

The decrease is mainly due to (i) current borrowings decreasing 13.9% by RMB168.0 million from RMB1,208.7 million as at 31 December 2017 to RMB1,040.7 million as at 30 June 2018 due to repayment of borrowings, (ii) trade and other payables decreasing 6.8% by RMB81.4 million from RMB1,198.9 million as at 31 December 2017 to RMB1,117.5 million as at 30 June 2018 due to lower payables recorded in accordance with contractual payment terms, and (iii) amounts due to related parties decreasing 20.1% by RMB23.2 million from RMB115.4 million as at 31 December 2017 to RMB92.2 million as at 30 June 2018 due to the repayments of the amounts due to related parties. This is offset by (i) obligations under finance leases increasing 13.0% by RMB50.3 million from RMB385.9 million as at 31 December 2017 to RMB436.2 million as at 30 June 2018 due to more obligations under finance leases being classified from long term to short term and new obligations arising from Hankou Jinjiang WTE facility and (ii) liabilities associated with assets classified as held for sale increasing 8.6% by RMB57.2 million from RMB665.9 million as at 31 December 2017 to RMB723.1 million as at 30 June 2018 due to certain additions and reclassifications made for Zibo New Energy WTE Facility and the sale of shares in Hohhot Jiasheng New Energy WTE Facility.

Non-current liabilities

Non-current liabilities increased 20.5% by RMB831.1 million from RMB4,050.1 million as at 31 December 2017 to RMB4,881.2 million as at 30 June 2018.

The increase is mainly due to non-current borrowings increasing 49.4% by RMB790.9 million from RMB1,601.8 million as at 31 December 2017 to RMB2,392.7 million as at 30 June 2018 due to (i) syndicated loan from Standard Chartered Bank, and new borrowings for the Gaomi Lilangmingde WTE Facility and Tangshan Jiasheng WTE Facility, offset by certain classification into short term borrowings, and (ii) deferred tax liabilities increasing 6.4% by RMB25.6 million from RMB398.0 million as at 31 December 2017 to RMB423.6 million as at 30 June 2018 arising from construction services provided under the BOT concession agreements and tax provision for dividends. This is offset by notes payable decreasing 2.2% by RMB28.2 million from RMB1,272.2 million as at 31 December 2017 to RMB1,244.0 million as at 30 June 2018 due to reclassification and exchange rate fluctuations.

Capital and reserves

As at 30 June 2018, capital and reserves amounted to RMB5,273.5 million, an increase of 7.8% or approximately RMB382.3 million as compared to total net assets of RMB4,891.2 million as at 31 December 2017, due to the retained earnings for 1H2018 and the proceeds from placement of new shares, net of dividend payments and acquisition of non-controlling interests.

Cashflow Review

Operating cashflow decreased by RMB16.8 million from RMB62.7 million in 2Q2017 to RMB45.9 million in 2Q2018. Operating cashflow increased by RMB18.1 million from RMB134.6 million in 1H2017 to RMB152.7 million in 1H2018. This is due to (i) net collection of trade and other receivables, trade and other payables, due from related parties and due to related parties and (ii) change in intangible assets due to construction services under BOT concession agreements.

Investing cash outflow increased by RMB427.8 million from RMB167.0 million outflow in 2Q2017 to RMB594.8 outflow million in 2Q2018. Investing cash outflow increased by RMB827.0 million from RMB492.8 million outflow in 1H2017 to RMB1,319.8 million outflow in 1H2018. This is due to (i) investment for the upgrading project for eight WTE facilities, (ii) more payment for property, plant and equipment and intangible assets for both local and overseas projects, (iii) investment in joint venture, and (iv) prepaid leases for the Shijiazhuang and Tangshan projects.

Financing cashflow increased by RMB693.1 million from RMB309.4 million in 2Q2017 to RMB1,002.5 million in 2Q2018. Financing cashflow increased by RMB481.6 million from RMB596.9 million in 1H2017 to RMB1,078.5 million in 1H2018. This is due to (i) approximately RMB662 million drawn down under the approximately US\$216 million (made up of USD200 million and RMB100 million) syndicated loan facility

from Standard Chartered Bank, (ii) new borrowings of approximately RMB47.0 million for the Tangshan Jiasheng WTE Facility and obligations under finance leases for Hankou Jinjiang WTE facility, and (iii) proceeds from placement of new shares. This is offset by payment of dividends and repayments of borrowings and interest.

Bank balances and cash as at 30 June 2018 (excluding amounts classified under assets held for sale) remained stable at RMB1,176.4 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

The PRC's gross domestic product grew by 6.7% in the second quarter of 2018, which was slightly lower than the 6.8% growth recorded in the first quarter of 2018 but above the PRC government's annual growth target of around 6.5%, signaling steady expansion even in the face of increasing external uncertainties.

The Group operates in a 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 eligible municipalities, planned cities and provincial capital cities (built-up area) by end-2020 and (iv) makes clean energy projects a priority.

(B) Operational Projects, Under Construction Projects, Pipeline Projects and Upgrading Projects in PRC

As of 30 June 2018, the Group has (i) twenty WTE facilities in commercial operation and two operational resource recycling projects, with a total installed waste treatment capacity and installed electricity generation capacity of 29,440 t/d and 533 MW, (ii) four WTE projects under construction, which will add 5,400 t/d and 200 MW to the Group's total installed waste treatment capacity and installed electricity generation capacity, respectively, and (iii) 20 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 18,850 t/d and 405 MW, respectively.

The Group has been undertaking an upgrading project ("Upgrading Project") involving eight of the Group's operational WTE facilities which are older and have potential to handle a higher volume of waste requiring treatment. The Upgrading Project, when completed, is expected to 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.

Even though the Group has seen positive performance for the other parts of its business, the reduction in capacity and increase in costs brought about by the Upgrading Project are expected to continue to affect the Group's financial performance until towards the end of 2018. The Upgrading Project, which is expected to be completed in 2019, is currently progressing as scheduled and the Group expects to see a gradual improvement in the amount of waste treated, the amount of electricity generated and supplied, and the revenue from the WTE business (excluding BOT construction revenue) towards the end of 2018.

The Group is actively following up with the relevant local authorities on the closure or cessation of operations of the Hangzhou Yuhang WTE Facility, Zibo Jinjiang WTE Facility and Kunming Jinjiang WTE Facility. If a compensation agreement negotiated with the local government is signed, the Hangzhou Yuhang WTE Facility expects to receive a total compensation of approximately RMB290 million (equivalent to approximately S\$58 million) including RMB35 million received to date, which is in excess of the net asset value of Hangzhou Yuhang. The Zibo Jinjiang WTE Facility had also ceased incineration in early July and the Group is in negotiations with the local government regarding compensation payments. 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 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.

(C) Overseas Projects and Opportunities

The Group intends to leverage on the “One-Belt-One-Road” initiative through increased bidding for projects and mergers and acquisitions in overseas markets with a focus on the South-east Asian region and other developing countries, to achieve its long-term goal of being internationally recognised as a renowned global waste management company.

The Group has secured three overseas projects in Lucknow, Gwalior and Gurgaon, India. Construction of the Gurgaon project has commenced in the first half of 2018 and is expected to be completed in the second quarter of 2019, while construction of the Lucknow and Gwalior facilities is expected to commence in the second half of 2018 and estimated to complete by the end of 2019. In addition, the Group has signed an agreement for a 51% stake in a pipeline WTE project in Barueri, São Paulo, Brazil and acquired a pipeline WTE project in Palembang, Indonesia, in April and June 2018 respectively.

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 approximately 66,786 t/d upon the completion of these projects.

(D) EMC Business and Other Services

With the growth of its EMC business, as at 30 June 2018, a total of 59 business contracts have been implemented, including 26 energy contracting projects and 33 consulting projects. With the exception of 6 ongoing EMC projects and those in the pipeline, all other projects have enjoyed the benefits arising from energy saving or consulting services. Through its acquisition of Hangzhou Zhenghui Construction Engineering Co., Ltd., together with its engineering and management team, in the second quarter of 2018, the Group has established an in-house platform with integrated design, engineering, procurement and construction capabilities, which has enabled the Group to secure existing and new service contracts in such areas and also serves as a platform for further technical-related collaboration with third parties both within and outside the PRC.

(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 financial 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.

No dividends have been declared or recommended for the current financial period.

(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:		
Linan Huawang Reneng Co., Ltd.	26,724	9,173
Construction services contracts awarded to:		
Zhejiang Jinxin Construction Engineering Co., Ltd.	-	93,859
Project technical and management services, including equipment selection and sale, provided to:		
Guangxi Tiandong Jinsheng Chemical Engineering Co., Ltd.	-	57,468
Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd.	-	12,341
Taizhou Jinneng New Energy Co., Ltd.	-	1,558
Shanxi Xiaoyi Xing'an Chemical Co., Ltd.	-	982
Guangxi Tiandong Jinfu Shiye Co., Ltd.	-	849
Energy management contracting services provided to:		
Shanxi Xiaoyi Xing'an Chemical Co., Ltd.	-	81,207
Cayman Shanxian Energy Comprehensive Utilisation Co., Ltd.	-	3,124
Capital contribution in subsidiary acquired from:		
H C Asia Pacific Holdings Pte. Ltd. and Top Celestial Holdings Pte. Ltd.	11,194	
Technical services obtained from:		
Henan Jujiang Jixie Equipment Installation Engineering Co., Ltd.	2,312	-
Sales of goods to:		
Zhejiang Jinxin Construction Engineering Co., Ltd.	4,164	-
Total	44,394	260,561

(14) Use of Proceeds

The gross proceeds from the private placement of 214,000,000 new shares in the Company (“**Placement**”), which was completed on 28 May 2018, amounted to S\$107.0 million. After deducting approximately S\$0.1 million in expenses, the net proceeds from the Placement amounted to approximately S\$106.9 million.

As of the date of this announcement, the net proceeds from the Placement have been partially utilised as follows:

Use of Net Proceeds	Estimated amount allocated (S\$ million)	Amount utilised (S\$ million)	Balance (S\$ million)
Technical upgrading works at eight of the Group’s existing WTE facilities	106.9	70.0	36.9
Total	106.9	70.0	36.9

(15) 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 ended 30 June 2018 to be false or misleading in any material respect.

(16) 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
Chief Executive Officer and Executive Director

12 August 2018