

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Third Quarter Results and Dividend Announcement for the Period Ended 30 September 2012

The Board of Directors are pleased to announce the consolidated results of the Group for the three months and nine months ended 30 September 2012. The figures presented below have not been audited.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	three months ended 30 September			nine months ended 30 September		
	2012 HK\$'000	(Restated) 2011 HK\$'000	% Increase / Decrease	2012 HK\$'000	(Restated) 2011 HK\$'000	% Increase / Decrease
<u>Continuing operations</u>						
Revenue	93,777	222,357	(57.83)	452,846	999,036	(54.67)
Cost of sales	(42,643)	(210,062)	(79.70)	(331,603)	(884,127)	(62.49)
Gross profit	51,134	12,295	315.89	121,243	114,909	5.51
Other income	1,660	773	114.75	3,355	4,512	(25.64)
Administrative expenses	(19,976)	(20,027)	(0.25)	(61,602)	(56,842)	8.37
Other operating income/(expenses)	1,109	-	N/A	(12,734)	-	N/A
Profit/(loss) from operations	33,927	(6,959)	(587.53)	50,262	62,579	(19.68)
Finance costs	(27,331)	(17,468)	56.46	(78,046)	(34,864)	123.86
Profit/(loss) before taxation	6,596	(24,427)	(127.00)	(27,784)	27,715	(200.25)
Income tax expense	(4,143)	(2,473)	67.53	(7,902)	(13,526)	(41.58)
Net profit/(loss) attributable to the owners of the Company	2,453	(26,900)	(109.12)	(35,686)	14,189	(351.50)
<u>Other comprehensive income</u>						
Exchange difference on translating foreign operation	(3,145)	14,704	(121.39)	4,137	44,843	(90.77)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(692)	(12,196)	(94.33)	(31,549)	59,032	(153.44)

1 (a)(ii) Explanatory Notes:

Other income comprises:

	The Group			
	three months ended 30 September 2012 HK\$'000	2011 HK\$'000 (restated)	nine months ended 30 September 2012 HK\$'000	2011 HK\$'000 (restated)
Interest income	811	70	1,296	201
Exchange gain/(loss)	3	(1)	4	2,593
Gain on disposal of fixed assets	-	-	5	-
Government grants	568	197	1,359	406
Refund of VAT	252	253	356	540
Sundry income	26	254	335	772
	1,660	773	3,355	4,512

Profit/(loss) from operations is arrived at after charging:

	The Group			
	three months ended 30 September 2012 HK\$'000	2011 HK\$'000	nine months ended 30 September 2012 HK\$'000	2011 HK\$'000
(Gain)/loss on disposal of fixed assets	23	(4)	27	1
Depreciation and amortisation	22,396	22,557	76,730	39,772
Interest on bank loans	27,331	17,468	78,046	34,864

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Fixed assets	9,093	9,808	-	-
Intangible assets	3,826,091	3,673,743	-	-
Long-term receivable	-	68,354	-	-
Investment in subsidiaries	-	-	575,396	575,396
	<u>3,835,184</u>	<u>3,751,905</u>	<u>575,396</u>	<u>575,396</u>
Current assets				
Inventories	3,487	2,735	-	-
Trade receivables	152,093	76,971	-	-
Gross amounts due from customers for contract work	478,619	545,428	-	-
Other deposits and other receivables	169,915	289,072	-	-
Trade deposits and prepayments	11,349	8,924	-	-
Due from subsidiaries	-	-	906,203	914,596
Pledged bank deposits	36,287	32,956	-	-
Bank and cash balances	10,169	11,012	170	210
	<u>861,919</u>	<u>967,098</u>	<u>906,373</u>	<u>914,806</u>
Total assets	<u><u>4,697,103</u></u>	<u><u>4,719,003</u></u>	<u><u>1,481,769</u></u>	<u><u>1,490,202</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,623,967	1,659,551	1,379,205	1,389,191
Total equity	<u><u>1,721,269</u></u>	<u><u>1,756,853</u></u>	<u><u>1,476,507</u></u>	<u><u>1,486,493</u></u>
LIABILITIES				
Non-current liabilities				
Interest-bearing borrowings - secured	1,954,897	1,957,236	-	-
Long-term payables	68,554	68,354	-	-
Deferred income	18,400	18,334	-	-
Deferred tax liabilities	72,977	64,895	-	-
	<u>2,114,828</u>	<u>2,108,819</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	17,335	10,572	-	-
Gross amounts due to customers for contract work	65,174	228,732	-	-
Accruals and other payables	351,106	424,374	1,875	2,629
Due to a subsidiary	-	-	2,585	1,080
Deferred income	799	797	-	-
Financial liability at fair value through profit or loss	802	-	802	-
Interest-bearing borrowings - secured	424,746	187,815	-	-
Current tax liabilities	1,044	1,041	-	-
	<u>861,006</u>	<u>853,331</u>	<u>5,262</u>	<u>3,709</u>
Total liabilities	<u><u>2,975,834</u></u>	<u><u>2,962,150</u></u>	<u><u>5,262</u></u>	<u><u>3,709</u></u>
Total equity and liabilities	<u><u>4,697,103</u></u>	<u><u>4,719,003</u></u>	<u><u>1,481,769</u></u>	<u><u>1,490,202</u></u>

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 September 2012		As at 31 December 2011	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$000)
424,746	Nil	187,815	Nil

Amount repayable after one year

As at 30 September 2012		As at 31 December 2011	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
1,954,897	Nil	1,957,236	Nil

Details of any collateral

At 30 September 2012, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$3,821,680 000.

1(c)(i) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Group	
	three months ended 30		nine months ended 30	
	September		September	
	2012	2011	2012	2011
	(Restated)		(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVIES				
Profit/(loss) before tax	6,596	(24,427)	(27,784)	27,715
Adjustments for:				
Depreciation and amortisation	22,396	22,557	76,730	39,772
Interest expenses	27,331	17,468	78,046	34,864
Profit from construction services	(70)	(9,846)	(17,217)	(57,136)
Amortisation of deferred income	(200)	(196)	(601)	(196)
Interest income	(811)	(70)	(1,296)	(201)
Loss on financial liability at fair value through profit or loss	(1,109)	-	802	-
Written off of intangible asset	-	-	11,932	-
Net (gain)/loss on disposal of fixed asset	23	(4)	22	1
Operating profit before working capital changes	54,156	5,482	120,634	44,819
Increase in inventories	(587)	(1,239)	(752)	(1,935)
(Increase)/decrease in trade receivables	(29,948)	6,245	(75,122)	(29,695)
(Increase)/decrease in other deposits and other receivables	44,199	(31,565)	(10,365)	(13,868)
(Increase)/decrease in trade deposits and prepayments	197	(3,084)	(2,425)	(4,877)
Increase/(decrease) in trade payables	5,118	(1,575)	6,763	(1,214)
Increase in deferred income	612	-	612	-
(Decrease)/increase in accruals and other payables	(30,363)	33,263	(23,580)	70,430
Cash generated from operations	43,384	7,527	15,765	63,660
Tax paid	-	(79)	-	(1,529)
Interest paid	(52,553)	(35,124)	(128,370)	(85,183)
Net cash used in operating activities	(9,169)	(27,676)	(112,605)	(23,052)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for construction work for BOT projects	(104,138)	(167,693)	(388,635)	(700,685)
Proceeds from disposal of fixed assets	13	-	34	-
Purchase of fixed assets	(521)	(1,035)	(1,458)	(2,595)
Interest received	811	70	1,296	201
Net cash used in investing activities	(103,835)	(168,658)	(388,763)	(703,079)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	-	(4,035)	(8,499)
Amount due to contractors	25,515	-	67,845	-
Repayment from a contractor	197,876	-	197,876	-
Advance from/(repayment to) ultimate holding company and related company	(137,984)	(124,565)	4,614	(3,138)
(Increase)/decrease in pledge bank deposits	16,492	-	(3,331)	-
Repayment of interest-bearing borrowings	(48,743)	(638)	(111,686)	(24,346)
Drawdown of interest-bearing borrowings	56,214	290,528	340,577	586,734
Net cash generated from financing activities	109,370	165,325	491,860	550,751
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,634)	(31,009)	(9,508)	(175,380)
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	3,771	246	8,665	3,546
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	10,032	376,273	11,012	517,344
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	10,169	345,510	10,169	345,510
ANALYSIS OF THE BALANCES OF CASH AND CASH				
Bank and cash balances	10,169	345,510	10,169	345,510

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	Share premium	Statutory reserve	Foreign	Contributed surplus	Proposed	Retained earnings	Total
				currency translation reserve		final dividend		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group								
For the three months ended								
30 September 2012								
At 1 July 2012	97,302	786,115	39,768	169,429	102,151	-	527,196	1,721,961
Dividend paid for FY2011	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	(3,145)	-	-	2,453	(692)
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>166,284</u>	<u>102,151</u>	<u>-</u>	<u>529,649</u>	<u>1,721,269</u>
For the three months ended								
30 September 2011 (restated)								
At 1 July 2011	97,302	786,115	39,768	143,926	102,151	-	587,562	1,756,824
Dividend paid for FY2010	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	14,704	-	-	(26,900)	(12,196)
At 30 September 2011	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>158,630</u>	<u>102,151</u>	<u>-</u>	<u>560,662</u>	<u>1,744,628</u>
For the nine months ended								
30 September 2012								
At 1 January 2012	97,302	786,115	39,768	162,147	102,151	-	569,370	1,756,853
Dividend declared for FY2011	-	-	-	-	-	4,035	(4,035)	-
Dividend paid for FY2011	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial period	-	-	-	4,137	-	-	(35,686)	(31,549)
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>166,284</u>	<u>102,151</u>	<u>-</u>	<u>529,649</u>	<u>1,721,269</u>
For the nine months ended								
30 September 2011 (restated)								
At 1 January 2011	97,302	786,115	39,768	113,787	102,151	-	554,972	1,694,095
Dividend declared for FY2010	-	-	-	-	-	8,499	(8,499)	-
Dividend paid for FY2010	-	-	-	-	-	(8,499)	-	(8,499)
Total comprehensive income for the financial period	-	-	-	44,843	-	-	14,189	59,032
At 30 September 2011	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>158,630</u>	<u>102,151</u>	<u>-</u>	<u>560,662</u>	<u>1,744,628</u>

Attributable to owners of the Company

	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Contributed surplus	Proposed final dividend	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company								
For the three months ended								
30 September 2012								
At 1 July 2012	97,302	786,115	-	125,755	102,151	-	365,164	1,476,487
Dividend paid for FY2011	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	-	20	20
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>365,184</u>	<u>1,476,507</u>
For the three months ended								
30 September 2011								
At 1 July 2011	97,302	786,115	-	125,755	102,151	-	378,434	1,489,757
Dividend paid for FY2010	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,616)	(1,616)
At 30 September 2011	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>376,818</u>	<u>1,488,141</u>
For the nine months ended								
30 September 2012								
At 1 January 2012	97,302	786,115	-	125,755	102,151	-	375,170	1,486,493
Dividend declared for FY2011	-	-	-	-	-	4,035	(4,035)	-
Dividend paid for FY2011	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial period	-	-	-	-	-	-	(5,951)	(5,951)
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>365,184</u>	<u>1,476,507</u>
For the nine months ended								
30 September 2011								
At 1 January 2011	97,302	786,115	-	125,755	102,151	-	390,081	1,501,404
Dividend declared for FY2010	-	-	-	-	-	8,499	(8,499)	-
Dividend paid for FY2010	-	-	-	-	-	(8,499)	-	(8,499)
Total comprehensive income for the financial period	-	-	-	-	-	-	(4,764)	(4,764)
At 30 September 2011	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>376,818</u>	<u>1,488,141</u>

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 also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

	Par value HK\$	Number of shares	Issued and paid-up share capital HK\$
Issued and fully paid-up ordinary shares and balances as at 30 September 2011 and 30 September 2012	0.10	973,023,354	97,302,335

Note:

There were no changes in the Company's share capital since the end of the previous period reported on.

As at 30 September 2012, the number of new shares to be allotted and issued by the Company, pursuant to the exercise of warrants issued to International Finance Corporation ("IFC") was 34,008,108 ordinary shares. (2011: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Par value HK\$	<u>Number of shares</u>
Issued and fully paid-up ordinary shares and balance as at 1 January and 30 September 2012	0.10	<u>973,023,354</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor 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.

The Group has applied the same accounting policies and methods of computation adopted in the preparation of financial statements for the year ended 31 December 2011. Comparative figures for the period ended 30 September 2011 were restated to adopt the accounting treatment of the government grant applied in the audited financial statements for the year ended 31 December 2011.

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.

Not applicable.

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.

	Three months ended 30 September 2012 HK\$ cents	Three months ended 30 September 2011 HK\$ cents (restated)	Nine months ended 30 September 2012 HK\$ cents	Nine months ended 30 September 2011 HK\$ cents (restated)
Earnings/(loss) per Share				
- Basic ⁽¹⁾	0.25	(2.76)	(3.67)	1.46
- Diluted ⁽²⁾	0.25	(2.76)	(3.67)	1.46

Explanatory notes:

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the six months ended 30 September 2012 and 2011 and the weighted average number of shares 973,023,354 (2011:973,023,354).
2. Diluted EPS is calculated based on the weighted average number of ordinary shares outstanding during the period. The unlisted warrants have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

7. Net asset value ("NAV") (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group 30.9.2012	The Group 31.12.2011	The Company 30.9.2012	The Company 31.12.2011
Net asset value (HK\$'000)	1,721,269	1,756,853	1,476,507	1,486,493
Number of issued shares	973,023,354	973,023,354	973,023,354	973,023,354
Net asset value per share (HK\$ cents)	176.90	180.56	151.74	152.77

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
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Operating Results of the Group

Revenue

Electricity generation and construction

The revenue comprised of (i) the construction income and (ii) electricity tariff and waste services fee (i.e. revenue from operation services). The revenue mix is shown in the table below:

	Three months ended 30 September 2012	Three months ended 30 September 2011	Increase/ (decrease)
	HK\$'000	HK\$'000	%
Revenue from operation services	89,156	41,242	116.2%
Revenue from construction services	4,621	181,115	(97.4%)
Total	93,777	222,357	(57.8%)

In Q3 2011, there were four plants, namely Jinjiang, Huangshi, Huian and Anxi, under operation. In 2012, there is one more plant, namely Fuqing, in operation. The daily waste treatment capacity of the five operating plants is 4,500 tonnes.

The revenue from operation services increased by 116.2% for the three months ended 30 September 2012. During the quarter, the Group has processed an approximate 369,000 tonnes of waste and sold on-grid electricity of 88,672,000 kWh, an increase of 82% and 86% respectively compared with Q3 2011. The increase of revenue from operation services was contributed by the improvement of operational efficiency and the additional source of waste supply from the cities nearby the plants. The operating plants are gradually improving its operational efficiency on waste processing and electricity generation.

Construction services revenue is recognised according to the percentage of completion of the construction work for the Waste-to-Energy plants. During the period under review, less construction revenue was being recognised as the construction work for all of the operating plants were completed in prior year and Langfang and Jianyang projects were substantially completed. Therefore, in this quarter, the construction services revenue has decreased substantially.

Gross profit

A breakdown of the gross profit by sector is as follows:

<u>Sector</u>	Three months ended 30 September 2012	<u>Gross profit %</u>	Three months ended 30 September 2011	<u>Gross profit %</u>
	HK\$'000		HK\$'000	
Operation services	51,064	57.3	2,449	5.9
Construction services	70	1.5	9,846	5.4
Total	51,134	54.5	12,295	5.5

The gross profit margin from the operations increased from 5.9% for the three months ended 30 September 2011 to 57.3% for the three months ended 30 September 2012. This is mainly due to increase in volume of waste handling and improvement of operational efficiency of the five operating plants (including Fuqing) while the four plants which commenced operations in 2011 had yet to reach optimal levels of operational efficiency in Q3 2011.

Other income

Other income increased mainly due to the increase in interest income from pledged bank deposits and government grant of HK\$0.4million received from Huangshi regarding the energy-saving technology award.

Administrative expense

Administrative expenses amounted to HK\$20.0million for the three months ended 30 September 2012, such as payroll expenses, legal and professional expenses and travelling expenses entertainment. The expenses remains steady compared with the corresponding period of 2011.

Other operating income/(expenses)

Other operating income/(expenses) represented the fair value gain of HK\$1.1million on financial liability at fair value through profit or loss arose from the outstanding 34,008,108 unlisted warrants issued to International Finance Corporation for the three months ended 30 September 2012.

Finance costs

The finance costs increased from HK\$17.5million to HK\$27.3million for the three months ended 30 September 2012 with drawdown of loans during the period and Fuqing project ceased to have capitalisation of interest once the construction work was completed.

EBITDA

EBITDA on recurring items is shown as below. The construction profit is excluded in the below analysis as the amount is recognised according to the percentage of completion of the construction work of the plants which will fluctuate from each quarter.

	Three months ended 30 September 2012 HK\$'000	Three months ended 30 September 2011 HK\$'000	Changes %
EBITDA on recurring basis (exclude construction profit)	56,253	5,752	878.0

The EBITDA on recurring basis for the three months ended 30 September 2012 increased by 878.0% due to the improvement of the operational efficiency and increase of the operating profit.

Net profit/(loss)

The net profit of HK\$2.5million for the three months ended 30 September 2012 was mainly attributable to increase of revenue from operation services due to the improving operational efficiency on waste processing and electricity generation and the additional source of waste supply from the cities nearby the plants.

Financial Position of the Group

ASSETS

Intangible assets

The intangible assets represented the service concession rights for the Waste-To-Energy BOT projects in PRC. The intangible assets were stated at amortised cost with the initial measurement at the fair value which was assessed by the independent valuer with reference to the replacement cost and the percentage of completion of the construction of the work for each project. The increase of HK\$152.3million in intangible assets balance was in line with the construction progress.

Trade receivables

The trade receivables increased by HK\$75.1million. The balance comprised the receivables for the waste services fee and electricity tariff. The increment was arising from the increase of electricity subsidy receivables by HK\$38.4million from HK\$47.4million as at 31 Dec 2011 to HK\$85.8million as at 30 September 2012 and overall increase in operational revenue.

Due to the lengthy process for the change in pricing policy of the electricity tariff by The National Development and Reform Commission ("NDRC"), the subsidy receivables are long overdue. With effect from 1 April 2012, NDRC has issued a policy to standardise the electricity tariff of all the Waste-to-Energy ("WTE") projects at RMB0.65/kWh. Over the past few months, our project companies have submitted the required documents and information to all the relevant authorities. On 28 September 2012, the National Energy Administration ("NEA") has issued a memorandum which lists out the qualified projects which entitle to enjoy the electricity subsidy to NDRC. All our operating projects, namely, Jinjiang, Huian, Huangshi, Anxi and Fuqing are on the list. With the recognition by NEA, the management believes there is no recoverability issue on the outstanding receivable for the subsidy.

Gross amounts due (to)/from customers for contract work

The balance represents the amount prepaid or payable to the contractors and suppliers calculated based on the percentage of completion of construction work. The decrease in the gross amounts due from customers for contract work was mainly due to the utilisation of the prepaid amount for the

construction costs incurred for Langfang and Jianyang projects. The drop in gross amounts due to customers for contract work was mainly due to settlement to contractors for Fuqing and Langfang projects.

Other deposits, other receivables and long term receivable

The decrease of other deposits, other receivables and long term receivable of HK\$187.5million was mainly due to the following reasons:

- (1) Refund of security deposit of HK\$197.9million from a contractor. The security deposit had reduced from US\$29.95million (equivalent to HK\$233.0million, of which HK\$68.4million was classified as long term receivable) as at 31 December 2011 to US\$4.43million (equivalent to HK\$35.1million) as at 30 September 2012.
- (2) Refund of deposit of HK\$36.6million due to cancellation of equipment purchase order.
- (3) Net off with the increase in tender deposit of HK\$23.9million for Guiyang project upon submitting the bidding document to PRC government and the increase in collateral deposits placed in the financial institutions to secure financing for Jinjiang and Huian project of HK\$25.3million.

Pledged bank deposits

The pledged bank deposits represented (i) deposit of HK\$26.5million placed in the bank to facilitate the arrangement of performance guarantee to Thailand government for Bangkok WTE project and (ii) guarantee to bank to secure the repayment of bills payables to certain subcontractors of HK\$9.8million.

The increase in pledged bank deposits of HK\$3.3million was due to the following reasons:

- (1) Increase of deposit of HK\$26.5million placed in the bank for arranging the performance guarantee.
- (2) Increase of deposit of HK\$9.8million regarding the bills payable issued in 2012.
- (3) Net off with decrease in deposit of HK\$18.3million for the settlement of the bills payable of which was matured as at the period end and deposit of HK\$14.7million due to cancellation of equipment purchase order.

LIABILITIES

Trade payable

The increase was mainly due to the increase of trade payable of new plant, Fuqing, under operation in this year and increase in material cost payable of Jinjiang and Huian due to the increase in waste handling volume.

Interest-bearing borrowings – secured

	30.9.2012 HK\$'000	31.12.2011 HK\$'000	Changes
Non-current portion	1,954,897	1,957,236	(0.1%)
Current portion	424,746	187,815	126.2%
	<u>2,379,643</u>	<u>2,145,051</u>	10.9%

The interest-bearing borrowings increased by 10.9% as compared with prior year. The loan was borrowed as project loans to finance the construction of the Waste-to-Energy plants.

In 2012, HK\$340.6million was drawdown and HK\$111.7million was repaid. The loans were secured by the intangible assets. As at 30 September 2012, the gearing ratio of the Group remains relatively constant.

Deferred income

	30.9.2012 HK\$'000	31.12.2011 HK\$'000	Changes
Non-current portion	18,400	18,334	0.4%
Current portion	799	797	0.3%
	<u>19,199</u>	<u>19,131</u>	0.4%

The deferred income represented Huangshi government subsidy of HK\$18.6million received in 2010 and HK\$0.6million received in Q3 2012. During Q3 2012, Huangshi project further received a subsidy of HK\$0.6million for the construction work. It was recognised as deferred income and will be recognised over the remaining concession period of Huangshi project.

Accruals and other payables

The accruals and other payables balances decreased by HK\$73.3million due to the following reasons:

- (1) Settlement of the construction cost payable to contractor of HK\$54.3million.
- (2) Decrease in bills payable of HK\$30.4million from HK\$54.9million to HK\$24.5million to suppliers or sub-contractor as deposit for construction and maintenance cost. The balance decreased was due to the following reasons:
 - (i) Cancellation of bills payable of HK\$36.6million due to cancellation of equipment purchase order.
 - (ii) Settlement of bills payable of Huangshi project of HK\$18.3million as at period end.
 - (iii) Net off with the bills payable of HK\$24.5million issued in 2012 for Jinjiang project for payment of construction cost. A deposit of HK\$9.8million was placed into the designated bank account as pledged deposit to facilitate this arrangement.
- (3) Net off with the increase in amount due to a related company of HK\$6.7million.

Financial liability at fair value through profit or loss

The amount represented the fair value of the outstanding 34,008,108 unlisted warrants issued to IFC as at 30 September 2012 which was assessed by the independent valuer.

Statement of Cashflow

Net cash used in operating activities

The Group recorded a net cash outflow in operating activities mainly due to the increase in trade receivable and significant interest payment.

Net cash used in investing activities

Net cash used in investing activities in this quarter mainly represented payment for construction cost of the BOT projects.

Net cash generated from financing activities

Net cash generated from financing activities in this quarter mainly represented the repayment of security deposit from a contractor and drawdown of bank loan was used to pay the construction cost and net off with the repayment to the ultimate holding company, related company and interest-bearing borrowings.

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.

Major developing nations are often placed at the top of the list for municipal solid waste generating and energy consuming countries due to the growing size of their urban populations and in part by adoption of high-consumption lifestyles by these city dwellers. As the growth in municipal solid waste output remained as a major challenge for these countries, local authorities are keen to develop environmental-friendly WTE projects to provide an alternative, reliable source of clean and renewable energy for their population.

In order to further consolidate C&G's WTE business, construction of two new plants – Langfang in Hebei Province and Jianyang in Fujian Province – is on track for completion by the end of 2012. Together, the plants will add 1,600 tonnes of daily waste treatment capacity to the five operating plants, bringing the total waste treatment capacity to 6,100 tonnes per day. This represents an increase of 2,400 tonnes in capacity as compared to the same period in 2011, when four plants (Jinjiang, Huian, Huangshi, Anxi) operated at 3,700 tonnes per day.

In addition, the two newly awarded WTE projects – Dalian and Guiyang, with a daily waste handling capacity of 1,000 tonnes and 2,000 tonnes respectively – are both in the process of being incorporated as subsidiaries to formalise the BOT contract with the local authorities.

Moreover, for another new WTE project in Bangkok, Thailand, with a daily waste handling capacity of 500 tonnes, the Company is in the process of obtaining project financing, having completed the public consultation. Construction work for the Bangkok project is expected to commence in early 2013.

Furthermore, the Company is pleased to announce that an upward adjustment to the waste handling fee of 15.9% for Anxi project will come into effect from January 2013. It is expected that the upward adjustment of waste handling fee for Anxi will further broaden C&G's income base.

In line with C&G's strategic growth plans to diversity into asset-light, operational-focused businesses, the operation and maintenance company is actively exploring new business opportunities since its incorporation in June 2012.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for 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.

There is no general mandate obtained from shareholders on Interested Person Transactions.

14. Negative confirmation pursuant to Rule 705(5).

Confirmation by the Board

We, Lin Yan and Loo Cheng Guan being two Directors of C&G Environmental Protection Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 3Q FY2012 financial statements to be materially false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lin Yan
Director
13 November 2012

Loo Cheng Guan
Director