

**C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED**  
**(Incorporated in Bermuda on 24 September 2004)**  
**(Registration Number 35842)**

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**RESPONSE TO SGX'S QUERY ON THE "CONTINGENT LIABILITIES" IN THE COMPANY'S RESULTS  
ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2012**

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The Board of Directors of C&G Environmental Protection Holdings Limited ("The Company") refer to the following query on the "Contingent Liabilities" raised by the Singapore Exchange Securities Trading Limited ("SGX") on the Company's results announcement for the full year ended 31 December 2012. The Company appends the SGX's query and its response as follows:

SGX's query:

(a) We note on page 14 of the results announcement that as at 31 December 2012, the Group had contingent liabilities in respect of three lawsuits brought against by one of the subcontractors of some of the Group's waste-to-energy power plants. The total amount claimed, including interest, is approximately RMB5,250,000 (equivalent to approximately HK\$6,443,000). The Group has already accrued payables of approximately RMB2,467,000 (equivalent to approximately HK\$3,027,000) with respect to the construction costs. The Group also became the second defendant of a lawsuit brought against by the same contractors to the Group's major contractor. The case is related to the repair costs due by the Group's major contractor to the subcontractor. The amount claimed is approximately RMB1,856,000 (equivalent to approximately HK\$2,277,000). The final outcome of the above proceedings are uncertain.

Please clarify whether the Company has made a separate announcement on the above-mentioned lawsuits. If no, please explain why the Company consider it not necessary to make an announcement.

Company's response:

In response to the above query, the Board of Directors of the Company wishes to announce the followings:

The management considered the three lawsuits as mentioned on page 14 of the Group's results announcement are not significant lawsuits to the Group and as such, no separate announcement was made before. The management considered the lawsuits are not significant due to the following reasons:

- (i) Out of the total claim of RMB7,106,000 (i.e. RMB5,250,000+RMB1,856,000), only part of the amount claimed (RMB2,467,000) by the subcontractor was within the scope of works as stated in the written construction contract. The Company has already accrued for that part of works as construction costs payable in the financial statements according to the terms of the contract.
- (ii) According to the International Financial Reporting Standards ("IFRS"), the construction cost of the waste-to-energy plants will be recognised as intangible assets in the financial statements once the construction works are completed. The total contingent liabilities for the three cases of HK\$5,693,000 (i.e. HK\$6,443,000-HK\$3,027,000+HK\$2,277,000) when compares to the net book value of the intangible assets of HK\$3,944,712,000 is not material, the claimed amount only represented 0.14% of the intangible assets.

Having considered the above reasons and the financial impact to the Group, the Company considered it not necessary to make separate announcement and deemed that the disclosure of contingent liabilities according to IFRS in the results announcement would have been sufficient.

BY ORDER OF THE BOARD

Lee Wei Hsiung  
Company Secretary  
5 March 2013