

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

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**EMPHASIS OF MATTER BY INDEPENDENT AUDITORS**

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Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the Board of Directors of C&G Environmental Protection Holdings Limited (the “**Company**”) wishes to inform that the joint independent auditors of the Company, RSM Chio Lim LLP and RSM Nelson Wheeler (the “**Auditors**”) have in their Independent Auditor’s Report included an Emphasis of Matter on the Company’s financial statements as at 31 December 2012 (the “**Financial Statements**”). The opinion of the Auditors, however, remains unqualified.

Please refer to the copy of the Independent Auditor’s Report, together with the extract of the relevant note to the Financial Statements, attached for information.

By Order of the Board

Lee Wei Hsiung  
Company Secretary  
28 March 2013

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)**

We have audited the accompanying consolidated financial statements of C&G Environmental Protection Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 50, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

The Company's management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the Group's results and cash flows for the year then ended.

## **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which mentions that the Group incurred a loss of approximately HK\$49,409,000 for the year ended 31 December 2012 and as at 31 December 2012 the Group had net current liabilities of approximately HK\$281,704,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. As discussed more fully in Note 2 to the financial statements, the ability of the Group and the Company to continue as going concerns is dependent on the financial support from the bankers and the ultimate holding company and the Group's ability to generate sufficient cash flows from its operations.

**RSM Chio Lim LLP**  
Public Accountants and  
Certified Public Accountants  
Singapore

*Partner-in-charge:*  
Goh Swee Hong

28 March 2013

**RSM Nelson Wheeler**  
Certified Public Accountants  
Hong Kong

*Partner-in-charge:*  
Wong Wo Cheung

## NOTES TO THE FINANCIAL STATEMENTS

### 2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$49,409,000 for the year ended 31 December 2012 and as at 31 December 2012 the Group had net current liabilities of approximately HK\$281,704,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the following:

- (i) The Company has received a letter of financial support from the ultimate holding company to continue to provide or procure financial support to the Company and its subsidiaries to enable them to continue to operate as going concern at least for the next twelve months from 31 December 2012, if necessary.
- (ii) As at 31 December 2012, the Group has the available banking facilities of approximately of RMB2 billion which can be used to finance the construction cost of the new projects. Subsequent to the financial year ended 31 December 2012, the Group has entered into agreement with banks to extend the loan repayment period and refinanced some of the interest bearing borrowings.
- (iii) The directors have carried out a review of the cash flow forecasts of the Group and the Company for the twelve months ending 31 December 2013 prepared by the management. Based on such forecasts, the directors have estimated that adequate liquidity exists to finance the working capital requirements of the Group and the Company for the next financial year. In reviewing the cash flow forecasts, the directors have considered the cash requirements of the Group and the Company as well as other key factors, including the ability of the Group to generate sufficient revenue and collection of receivables to satisfy the Group and the Company's future working capital needs, which may impact the operations of the Group and the Company during the next financial year. The directors are of the opinion that assumptions which are included in the cash flow forecasts are reasonable.

The directors believe that the Group and the Company will have sufficient cash resources to satisfy their working capital requirements for at least the next financial year. Accordingly, the directors consider it appropriate that these financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.