

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

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**RESPONSE TO SGX's QUERIES ON EMPHASIS OF MATTER**

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The Board of Directors of C&G Environmental Protection Holdings Limited (the "Company") refers to the following queries raised by the Singapore Exchange Securities Trading Limited ("SGX") on the announcement made on 28 March 2013 in relation to the Emphasis of Matter. The Company appends the SGX's query and its response as follows:

SGX's queries:

(a) We note that 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. Please elaborate in what form is the letter of financial support from the ultimate holding company and whether there is a limit on amount of financial support.

(b) We note that as at 31 December 2012, the Group has available banking facilities of approximately of RMB2 billion which can be used to finance the construction cost of the new projects and 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. Please clarify how much is the working capital deficit after such extension and refinancing.

(c) We note that 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 and 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. Please elaborate where these cash flows are expected to come from.

Company's responses:

In response to the above queries, the Board of Directors of the Company wishes to announce the following:

(a) The letter of financial support was obtained from the ultimate holding company on 28 March 2013 to continue to provide or procure financial support to Group to ensure us to continue to operate as going concern at least for the next twelve months from 31 December 2012. As stated in the letter, the ultimate holding company will provide or procure financial support to the Group to meet its financial obligations to any third party as and when necessary. There was no limit on the amount of financial support.

(b) As at 31 December 2012, the Group had net current liabilities of approximately HK\$281.7million. Subsequently, the Group has extended the current portion of the interest-bearing borrowing of approximately HKS49.1million to 2014 and obtained refinancing of for a current portion of the interest-bearing borrowing of HK\$77.5m. Under the new arrangement, this portion (HK\$77.5million) will be repaid in 2018. After such extension and refinancing activities, the working capital deficit was reduced to approximately HK\$155.1million.

(c) The cash flows are expected to be generated from the following:

- i. Collection of the outstanding trade receivable of approximately HK\$145.6million  
As at 31 December 2012, there was approximately HK\$145.6million trade receivable due from various government authorities and electricity companies. Up to 28 March 2013, HK\$68.6million was collected. The balance of H\$K145.6million comprised the receivables for the waste services fee of HK\$21million and electricity tariff of HK\$124.6million. Out of the HK\$124.6million, HK\$92.9million represented the long outstanding electricity subsidy receivables. The balance was long outstanding due to a change in pricing policy for the renewable energy sector in China. On 26 November 2012, National Development and Reform Commission and National Energy Administration issued a memorandum in which all our operating plants as at 30 April 2011, namely Jinjiang, Huangshi and Huain projects, were listed to be entitled for settlement of outstanding electricity subsidy for the period from Oct 2010 to April 2011. Subsequent to the financial year ended 31 December 2012, the subsidy receivables brought forward from 30 April 2011 of all our plants were fully settled. The management believes the remaining balances will be settled in financial year ending 2013.
- ii. Increase in operating cash flows generated from the plants  
During 2012, there were 6 operating plants. Out of these 6 plants, 5 of them commenced the operation in 2011 and 2012 and had yet reach optimal levels of operational efficiency as they were in the trial phase and underwent fine-tuning of their equipment. It usually takes two years for the plants to ramp up. The management expected there will be improvement of operational efficiency and increased volume of the waste handled for these plants in 2013 and therefore, increase the operating cash flow.
- iii. Refinancing of the project loans  
As mentioned in point (b), the Group has refinanced a project loan of approximately HK\$77.5million in early 2013.
- iv. Additional loans for new projects  
To finance the construction of the new projects, the Group is going to utilise the available banking facility. As at 31 December 2012, there was approximately HK\$2billion of loan facility available.
- v. Financial support from controlling shareholder  
To obtain the financial support from controlling shareholder if there is still any shortfall after performing above actions.

BY ORDER OF THE BOARD

Lee Wei Hsiung  
Company Secretary  
4 April 2013