

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

First Quarter Results and Dividend Announcement for the Period Ended 31 March 2013

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 31 March 2013. 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 and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	three months ended 31 March		
	2013 HK\$'000	2012 HK\$'000	% Increase / (Decrease)
Revenue	117,351	224,946	(47.83)
Cost of sales	<u>(65,659)</u>	<u>(189,561)</u>	(65.36)
Gross profit	51,692	35,385	46.08
Other income	5,115	513	897.08
Administrative expenses	(20,522)	(19,214)	6.81
Other operating expenses	<u>177</u>	<u>-</u>	NM
Profit from operations	36,462	16,684	118.54
Finance costs	<u>(29,360)</u>	<u>(26,553)</u>	10.57
Profit/(loss) before taxation	7,102	(9,869)	171.96
Income tax (expense)/credit	<u>(3,301)</u>	<u>1,628</u>	(302.76)
Net profit/(loss) attributable to the owners of the Company	3,801	(8,241)	146.12
<u>Other comprehensive income</u>			
Exchange difference on translating foreign operation	<u>13,430</u>	<u>8,315</u>	61.52
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>17,231</u>	<u>74</u>	23,185.14

1 (a)(ii) Explanatory Notes:

Other income comprises:

	The Group	
	three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Interest income	49	133
Exchange gain	-	1
Gain on disposal of fixed assets	-	5
Government grants	891	347
Refund of VAT	4,079	-
Sundry income	96	27
	5,115	513

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

	The Group	
	three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Depreciation and amortisation	32,565	27,225
Interest on bank loans	29,355	26,553
Interest on finance lease	5	-

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.

	The Group		The Company	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Fixed assets	9,555	9,211	-	-
Intangible assets	3,959,571	3,944,712	-	-
Investment in subsidiaries	-	-	575,396	575,396
	<u>3,969,126</u>	<u>3,953,923</u>	<u>575,396</u>	<u>575,396</u>
Current assets				
Inventories	4,230	3,612	-	-
Trade receivables	135,592	145,557	-	-
Gross amounts due from customers for contract work	501,924	458,168	-	-
Other deposits and other receivables	141,146	137,328	22	7
Trade deposits and prepayments	11,277	11,452	-	-
Due from subsidiaries	-	-	906,203	906,203
Pledged bank deposits	77,371	45,105	-	-
Bank and cash balances	122,824	9,993	10	21
	<u>994,364</u>	<u>811,215</u>	<u>906,235</u>	<u>906,231</u>
TOTAL ASSETS	<u><u>4,963,490</u></u>	<u><u>4,765,138</u></u>	<u><u>1,481,631</u></u>	<u><u>1,481,627</u></u>
Capital and reserves				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,631,380	1,614,149	1,377,335	1,378,593
Equity attributable to owners of the Company	<u>1,728,682</u>	<u>1,711,451</u>	<u>1,474,637</u>	<u>1,475,895</u>
Non-current liabilities				
Interest-bearing borrowings - secured	1,976,486	1,862,701	-	-
Finance lease payables	360	334	-	-
Long-term payable	62,163	-	-	-
Deferred income	23,938	18,613	-	-
Deferred tax liabilities	82,995	79,120	-	-
	<u>2,145,942</u>	<u>1,960,768</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	21,359	19,514	-	-
Gross amounts due to customers for contract work	17,348	33,463	-	-
Accruals and other payables	534,468	626,826	1,356	1,401
Due to a subsidiary	-	-	5,600	4,116
Deferred income	1,049	801	-	-
Financial liability at fair value through profit or loss	38	215	38	215
Finance lease payables	219	80	-	-
Interest-bearing borrowings - secured	513,331	410,973	-	-
Current tax liabilities	1,054	1,047	-	-
	<u>1,088,866</u>	<u>1,092,919</u>	<u>6,994</u>	<u>5,732</u>
Total liabilities	<u><u>3,234,808</u></u>	<u><u>3,053,687</u></u>	<u><u>6,994</u></u>	<u><u>5,732</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>4,963,490</u></u>	<u><u>4,765,138</u></u>	<u><u>1,481,631</u></u>	<u><u>1,481,627</u></u>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

As at 31 March 2013		As at 31 December 2012	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
513,331	Nil	410,973	Nil

Amount repayable after one year

As at 31 March 2013		As at 31 December 2012	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
1,976,486	Nil	1,862,701	Nil

Details of any collateral

At 31 March 2013, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$3,959,571,000.

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

	Group	
	three months ended 31	
	March	
	2013	2012
	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	7,102	(9,869)
Adjustments for:		
Depreciation and amortisation	32,565	27,225
Interest expenses	29,360	26,553
Profit from construction services	(238)	(14,091)
Amortisation of deferred income	(262)	(200)
Interest income	(49)	(133)
Gain on financial liability at fair value through profit or loss	(177)	-
Net gain on disposal of fixed asset	-	(5)
Operating profit before working capital changes	68,301	29,480
Increase in inventories	(618)	(289)
Decrease/(increase) in trade receivables	9,965	(19,606)
Increase in other deposits and other receivables	(3,818)	(37,944)
Decrease/(increase) in trade deposits and prepayments	175	(3,890)
Increase in trade payables	1,845	266
Increase in deferred income	5,697	-
Increase in accruals and other payables	19,970	40,024
Cash generated from operations	101,517	8,041
Interest paid	(33,245)	(37,798)
Net cash generated from/(used in) operating activities	68,272	(29,757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for construction work for BOT projects	(74,326)	(109,178)
Proceeds from disposal of fixed assets	3	15
Purchase of fixed assets	(853)	(41)
Interest received	49	133
Net cash used in investing activities	(75,127)	(109,071)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in amount due to contractors	(44,268)	(27,887)
Advance from related parties	2,450	100,902
Increase in pledge bank deposits	(32,266)	(43,154)
Repayment of finance lease payable	(49)	-
Repayment of interest-bearing borrowings	(40,346)	(42,973)
Advances of Interest-bearing borrowings	237,184	156,851
Net cash generated from financing activities	122,705	143,739
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,850	4,911
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	(3,019)	703
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	9,993	11,012
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	122,824	16,626
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	122,824	16,626

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 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
Group								
For the three months ended								
31 March 2013								
At 1 January 2013	97,302	786,115	39,768	170,189	102,151	-	515,926	1,711,451
Total comprehensive income for the financial period	-	-	-	13,430	-	-	3,801	17,231
At 31 March 2013	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>183,619</u>	<u>102,151</u>	<u>-</u>	<u>519,727</u>	<u>1,728,682</u>
For the three months ended								
31 March 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)	-
Total comprehensive income for the financial period	-	-	-	8,315	-	-	(8,241)	74
At 31 March 2012	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>170,462</u>	<u>102,151</u>	<u>4,035</u>	<u>557,094</u>	<u>1,756,927</u>
Company								
For the three months ended								
31 March 2013								
At 1 January 2013	97,302	786,115	-	125,755	102,151	-	364,572	1,475,895
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,258)	(1,258)
At 31 March 2013	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>363,314</u>	<u>1,474,637</u>
For the three months ended								
31 March 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)	-
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,936)	(1,936)
At 31 March 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>4,035</u>	<u>369,199</u>	<u>1,484,557</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 31 March 2012 and 31 March 2013	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 31 March 2013, 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. (2012: 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 31 March 2013	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 2012.

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.

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Three months ended 31 March 2013 HK\$ cents	Three months ended 31 March 2012 HK\$ cents
Earnings/(loss) per Share		
- Basic ⁽¹⁾	0.39	(0.85)
- Diluted ⁽²⁾	0.39	(0.85)

Explanatory notes:

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 31 March 2013 and 2012 and the weighted average number of shares 973,023,354 (2012: 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 (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.

	The Group 31.3.2013	The Group 31.12.2012	The Company 31.3.2013	The Company 31.12.2012
Net asset value (HK\$'000)	1,728,682	1,711,451	1,474,637	1,475,895
Number of issued shares	973,023,354	973,023,354	973,023,354	973,023,354
Net asset value per share (HK\$ cents)	177.66	175.89	151.55	151.68

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 31 March 2013 HK\$'000	Three months ended 31 March 2012 HK\$'000	Increase / (decrease) %
Revenue from operation services	98,665	61,607	60.2
Revenue from construction services	18,686	163,339	(88.6)
Total	<u>117,351</u>	<u>224,946</u>	(47.8)

In Q1 2012, there were five plants, namely Jinjiang, Huangshi, Huian, Anxi and Fuqing, under operation. In Q1 2013, there are six plants including Jianyang in operations. The daily waste treatment capacity of the six operating plants is 5,100 tonnes.

The revenue from operation services increased by 60.2% for the three months ended 31 March 2013. During the quarter, the Group processed approximately 435,000 tonnes of waste and sold on-grid electricity of 96,972,000 kWh, an increase of 40.2% and 58.7% respectively compared with Q1 2012. The average utilisation rate of waste handling increased from 76.6% to 94.6% in Q1 2012 and Q1 2013 respectively, and the average utilisation rate of electricity generation increased from 43.1% to 61.0% in Q1 2012 and Q1 2013 respectively. The increase in revenue from operation services was contributed by improvement in operational efficiency, additional source of waste supply from the cities nearby the plants and more plants in operations. The operating plants are gradually improving its operational efficiency on both 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 ("WTE") 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 period. Therefore, in this quarter, the construction services revenue has decreased substantially. As a result, the overall revenue decreased 47.8% for the three months ended 31 March 2013.

Gross profit

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

	Three months ended 31 HK\$'000	Three months ended 31 HK\$'000	Increase / (decrease) %
Gross profit			
Operation services	51,454	21,294	141.6
Construction services	238	14,091	(98.3)
Total	<u>51,692</u>	<u>35,385</u>	46.1
Gross profit margin			
Operation services	52.2%	34.6%	
Construction services	1.3%	8.6%	
Total	44.0%	15.7%	

The gross profit margin from the operations increased from 34.6% for the three months ended 31 March 2012 to 52.2% for the three months ended 31 March 2013. This was mainly due to an increase in volume of waste handling and improvement in operational efficiency of the six operating plants.

Other income

Other income increased mainly due to the increase in value added tax refund from the relevant authorities of HK\$4.1million. The entitlement of the value added tax refund was subjected to the discretion of the relevant authorities. In Q1 2013, Jinjiang and Huian projects entitled to receive the value added tax refund, which was recognised as other income. In Q1 2012, however the authorities requested to offset value added tax on acquisition of equipment with value added tax on the sales of electricity, which was recognised as a reduction of the assets cost.

Administrative expenses

Administrative expenses amounted to HK\$20.5million for the three months ended 31 March 2013, such as payroll expenses, legal and professional expenses, travelling expenses and entertainment. The amount increased by HK\$1.3million was mainly due to the expenses incurred for the two new Operation and Maintenance (“O&M”) companies in China and Thailand.

Other operating expenses

Other operating expenses amounted to HK\$0.2million due to fair value change arising from the outstanding 34,008,108 unlisted warrants issued to International Finance Corporation on April 10, 2012 for this quarter.

Finance costs

Finance costs increased from HK\$26.6million to HK\$29.4million for the three months ended 31 March 2013 was mainly due to cessation of capitalisation of interest of Jianyang project with the completion of the construction work.

Income tax (expense)/credit

Taxation comprises deferred tax. The increase was mainly due to the reversal of deferred tax credit of HK\$4.8million arising from the GAAP adjustments recorded in Q1 2012.

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 31 March 2013 HK\$'000	Three months ended 31 March 2012 HK\$'000	Increase / (decrease) %
EBITDA on recurring basis (exclude construction profit)	68,789	29,818	130.7

The EBITDA on recurring basis for the three months ended 31 March 2013 increased by 130.7% due to the improvement of the operational efficiency and increase of the operating profit.

Net profit/(loss)

The net profit of HK\$3.8million for the quarter was mainly attributable to the increase in 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 WTE BOT projects in PRC. The intangible assets were stated at amortised cost with the initial measurement at the fair value which was assessed by an 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\$14.9million in intangible assets was due to the movement below:

	HK\$'000
Net book value as at 1 January 2013	3,944,712
Add: Addition during the year	18,686
Less: Amortisation for the year	(31,739)
Exchange gain	27,912
Net book value as at 31 March 2013	<u>3,959,571</u>

Trade receivables

The balance of HK\$135.6million comprised the receivables for the waste services fee of HK\$14.8million and electricity tariff of HK\$120.8million. The trade receivables decreased by HK\$10.0million due to settlement of electricity subsidy receivables for the period from October 2010 to April 2011 partially offset with the overall increase in operational revenue.

Up to 29 March 2013, Ministry of Finance of the PRC ("MOF"), National Development and Reform Commission ("NDRC") and National Energy Administration ("NEA") issued memorandums listing out our operating plants to be entitled for the settlement of the outstanding electricity subsidy for year 2012. With the official recognition and support by the PRC government, Management believes the remaining receivables will be settled gradually.

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 increase in the gross amounts due from customers for contract work was mainly due to the increase in prepaid amount for Anxi phase two, Xiaogan and Thailand projects. The drop in gross amounts due to customers for contract work was mainly due to settlement to contractors for Anxi phase two project.

Other deposits and other receivables

The increase of other deposits and other receivables of HK\$3.8million was mainly due to the increase in value-added tax receivables of Jinjiang and Huian projects incurred for Q1 2013 of HK\$4.1million.

Pledged bank deposits

The pledged bank deposits represented: (i) deposit of HK\$27.9million placed in the bank to facilitate the arrangement of performance guarantee to Thailand government for Bangkok WTE project; (ii) guarantee to bank to secure the repayment of bills payables to certain subcontractors of HK\$40.9million and (iii) deposit pledged for obtaining short-term loan for Jinjiang project of HK\$8.6million.

The increase in pledged bank deposits of HK\$32.3million was due to increase in deposit of HK\$30.9million regarding the bills payable issued in Q1 2013.

Bank and cash balances

The balance increased by HK\$112.8million was mainly due to (i) refinancing loan for Xiaogan project of HK\$77.6million and (ii) drawdown of project loan for Anxi phase two of HK\$74.2million partially net off with the payment of construction cost of HK\$39.5million.

LIABILITIES

Trade payables

The increase was mainly because of the increase in material cost payable of Huian and Jianyang projects due to the increase in waste handling volume.

Interest-bearing borrowings – secured

	31.3.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	1,976,486	1,862,701	6.1%
Current portion	513,331	410,973	24.9%
	<u>2,489,817</u>	<u>2,273,674</u>	9.5%

The interest-bearing borrowings increased by 9.5% as compared with prior year. The loan was borrowed as project loans to finance the construction of WTE plants.

In Q1 2013, HK\$237.2million was drawn down and HK\$40.3million was repaid. The loans were secured by the intangible assets. As at 31 March 2013, the gearing ratio of the Group remains relatively constant.

Finance lease payable

	31.3.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	219	80	173.8%
Current portion	360	334	7.8%
	<u>579</u>	<u>414</u>	39.9%

The finance lease payable represented the payable for the purchase of vehicles under hire purchase agreements. The balance increased by 39.9% as compared with prior year was mainly due to one more vehicle acquired in Q1 2013.

Long term payable

The long term payable represents the construction cost payable to a contractor for Langfang project. The balance is due by the end of 2014.

Deferred income

	31.3.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	23,938	18,613	28.6%
Current portion	1,049	801	31.0%
	<u>24,987</u>	<u>19,414</u>	28.7%

The deferred income represented (i) Huangshi government subsidy of HK\$18.4million received in 2010; (ii) HK\$1.0million received for the Huangshi and Xiaogan projects in 2012 for the construction work and (iii) HK\$5.6million received for the slope construction nearby Fuqing plant. These balances were recognised as deferred income and will be recognised over the remaining concession periods of Huangshi, Xiaogan and Fuqing projects upon commencement of operation.

The deferred income increased by 28.7% was mainly due to HK\$5.6million received for the slope construction nearby Fuqing plant in Q1 2013.

Accruals and other payables

The accruals and other payables balances decreased by HK\$92.4million due to the following reasons:

- (1) Decrease in construction payable of HK\$126.4million;
- (2) Decrease in amount due to the ultimate holding company of HK\$12.4million;

(3) Net off with the bills payable of Huangshi project of HK\$31.1million issued in Q1 2013 and increase in amount due to a related company of HK\$14.9million.

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 31 March 2013 as assessed by an independent valuer. The balance decreased was due to the fair value changes for the current period.

Statement of Cashflow

Net cash generated from operating activities

The Group recorded a net cash inflow in operating activities mainly because of the increase in operating profit contributed by the improvement of operating efficiency, decrease in trade receivables due to settlement of subsidy receivables, government grant received for Fuqing project and increase in accruals and other payables due to the increase in bills payable issued in this quarter.

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 drawdown of interest-bearing borrowings offset with the settlement of construction payment, repayment of interest-bearing borrowings and increase in pledged bank deposits for securing the repayment of bills payable.

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.

Industry momentum in China and the region continues to bode well for C&G as many emerging, as well as developed Asian cities, are faced with accumulating waste issues that prompt governments to seek clear roadmaps for waste reduction and alternative waste management solution over landfills. The Group believes that developments in this area will present more opportunities for corporate growth and expansion of our portfolio of WTE assets in and outside of China.

Three key government agencies – namely the MOF, NDRC and NEA – issued memorandums up to March 29, 2013, that entitled C&G's operating plants to outstanding electricity subsidy for 2012. With the memorandums, C&G believes that the remaining receivables for all operating plants will be settled in due course.

Moreover, the Group is pleased that its O&M company has signed its first contract with an independent and unrelated WTE company in China. Signing of C&G's first O&M contract marks another strategic milestone in the Group's diversification into asset-light and operational-focused business. Service period of the O&M contract is one year, with effective date from 20 May 2013.

11. If a decision regarding dividend has been made:—

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

None

(b) (i) Amount per share and (ii) previous corresponding period.

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 shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared.

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 1Q FY2013 financial statements to be materially false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lin Yan
Director
13 May 2013

Loo Cheng Guan
Director