

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Second Quarter Results and Dividend Announcement for the Period Ended 30 June 2013

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 30 June 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 30 June			six months ended 30 June		
	2013 HK\$'000	2012 HK\$'000	Increase / % (Decrease)	2013 HK\$'000	2012 HK\$'000	Increase / % (Decrease)
Revenue	136,323	134,123	1.64	253,674	359,069	(29.35)
Cost of sales	(81,278)	(99,399)	(18.23)	(146,937)	(288,960)	(49.15)
Gross profit	55,045	34,724	58.52	106,737	70,109	52.24
Other income	8,279	1,182	600.42	13,394	1,695	690.21
Administrative expenses	(19,724)	(22,412)	(11.99)	(40,246)	(41,626)	(3.32)
Other operating expenses	(177)	(13,843)	(98.72)	-	(13,843)	(100.00)
Profit/(loss) from operations	43,423	(349)	12,542.12	79,885	16,335	389.04
Finance costs	(30,720)	(24,162)	27.14	(60,080)	(50,715)	18.47
Profit/(loss) before taxation	12,703	(24,511)	151.83	19,805	(34,380)	157.61
Income tax (expense)/credit	1,834	(5,387)	(134.04)	(1,467)	(3,759)	(60.97)
Net profit/(loss) attributable to the owners of the Company	14,537	(29,898)	148.62	18,338	(38,139)	148.08
Other comprehensive income						
Exchange difference on translating foreign operation	21,111	(1,033)	2,143.66	34,541	7,282	374.33
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,648	(30,931)	215.25	52,879	(30,857)	271.37

1 (a)(ii) Explanatory Notes:

Other income comprises:

	The Group			
	three months ended 30 June		six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	210	352	259	485
Exchange gain	35	-	35	1
Gain on disposal of fixed assets	26	-	26	5
Government grants	190	243	880	390
Refund of VAT	7,373	104	11,452	104
Deferred income	325	200	527	401
Fair value gain on financial liabilities at fair value through profit or loss	105	-	105	-
Sundry income	15	283	110	309
	8,279	1,182	13,394	1,695

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

	The Group			
	three months ended 30 June		six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on disposal of fixed assets	-	4	-	4
Depreciation and amortisation	33,119	27,109	65,684	54,334
Interest on bank loans	30,712	24,162	60,067	50,715
Interest on finance lease	8	-	13	-

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	
	30.6.2013	31.12.2012	30.6.2013	31.12.2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Fixed assets	9,083	9,211	-	-
Intangible assets	4,013,882	3,944,712	-	-
Investment in subsidiaries	-	-	575,396	575,396
	<u>4,022,965</u>	<u>3,953,923</u>	<u>575,396</u>	<u>575,396</u>
Current assets				
Inventories	6,956	3,612	-	-
Trade receivables	125,081	145,557	-	-
Gross amounts due from customers for contract work	425,261	458,168	-	-
Other deposits and other receivables	149,189	137,328	1	7
Trade deposits and prepayments	19,588	11,452	-	-
Due from subsidiaries	-	-	906,203	906,203
Pledged bank deposits	76,607	45,105	-	-
Bank and cash balances	21,249	9,993	59	21
	<u>823,931</u>	<u>811,215</u>	<u>906,263</u>	<u>906,231</u>
TOTAL ASSETS	<u>4,846,896</u>	<u>4,765,138</u>	<u>1,481,659</u>	<u>1,481,627</u>
Capital and reserves				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,667,161	1,614,149	1,376,344	1,378,593
Equity attributable to owners of the Company	<u>1,764,463</u>	<u>1,711,451</u>	<u>1,473,646</u>	<u>1,475,895</u>
Non-current liabilities				
Interest-bearing borrowings - secured	1,923,140	1,862,701	-	-
Finance lease payables	413	334	-	-
Long-term payable	70,185	-	-	-
Deferred income	24,010	18,613	-	-
Deferred tax liabilities	82,311	79,120	-	-
	<u>2,100,059</u>	<u>1,960,768</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	25,533	19,514	-	-
Gross amounts due to customers for contract work	13,500	33,463	-	-
Accruals and other payables	492,108	626,826	796	1,401
Due to a subsidiary	-	-	7,107	4,116
Deferred income	1,063	801	-	-
Financial liability at fair value through profit or loss	110	215	110	215
Finance lease payables	110	80	-	-
Interest-bearing borrowings - secured	448,881	410,973	-	-
Current tax liabilities	1,069	1,047	-	-
	<u>982,374</u>	<u>1,092,919</u>	<u>8,013</u>	<u>5,732</u>
Total liabilities	<u>3,082,433</u>	<u>3,053,687</u>	<u>8,013</u>	<u>5,732</u>
TOTAL EQUITY AND LIABILITIES	<u>4,846,896</u>	<u>4,765,138</u>	<u>1,481,659</u>	<u>1,481,627</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 30 June 2013		As at 31 December 2012	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
448,881	Nil	410,973	Nil

Amount repayable after one year

As at 30 June 2013		As at 31 December 2012	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
1,923,140	Nil	1,862,701	Nil

Details of any collateral

At 30 June 2013, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$4,013,882,000.

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		Group	
	three months ended 30		six months ended 30	
	June		June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	12,703	(24,511)	19,805	(34,380)
Adjustments for:				
Depreciation and amortisation	33,119	27,109	65,684	54,334
Interest expenses	30,720	24,162	60,080	50,715
Profit from construction services	(176)	(3,056)	(414)	(17,147)
Amortisation of deferred income	(265)	(201)	(527)	(401)
Interest income	(210)	(352)	(259)	(485)
Loss/(gain) on financial liability at fair value through profit or loss	72	1,911	(105)	1,911
Written off of intangible asset	-	11,932	-	11,932
Share based payment expense	133	-	133	-
Net (gain)/loss on disposal of fixed asset	(26)	4	(26)	(1)
Operating profit before working capital changes	76,070	36,998	144,371	66,478
(Increase)/decrease in inventories	(2,726)	124	(3,344)	(165)
Decrease/(increase) in trade receivables	10,511	(25,568)	20,476	(45,174)
Increase in other deposits and other receivables	(8,043)	(16,620)	(11,861)	(54,564)
(Increase)/decrease in trade deposits and prepayments	(8,311)	1,268	(8,136)	(2,622)
Increase in trade payables	4,174	1,379	6,019	1,645
Increase in deferred income	81	-	5,778	-
(Decrease)/increase in accruals and other payables	(12,874)	(33,241)	7,096	6,783
Cash generated from/(used in) operations	58,882	(35,660)	160,399	(27,619)
Interest paid	(42,028)	(38,019)	(75,273)	(75,817)
Net cash generated from/(used in) operating activities	16,854	(73,679)	85,126	(103,436)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for construction work for BOT projects	(34,979)	(175,319)	(109,305)	(284,497)
Proceeds from disposal of fixed assets	47	6	50	21
Purchase of fixed assets	(488)	(896)	(1,341)	(937)
Interest received	210	352	259	485
Net cash used in investing activities	(35,210)	(175,857)	(110,337)	(284,928)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(4,035)	-	(4,035)
Increase/(decrease) in amount due to contractors	1,866	70,217	(42,402)	42,330
Advance from related parties	7,730	41,696	10,180	142,598
Decrease/(increase) in pledge bank deposits	764	23,331	(31,502)	(19,823)
Repayment of finance lease payable	1	-	(48)	-
Repayment of interest-bearing borrowings	(152,819)	(19,970)	(193,165)	(62,943)
Advances of Interest-bearing borrowings	3,016	127,512	240,200	284,363
Net cash (used in)/generated from financing activities	(139,442)	238,751	(16,737)	382,490
NET DECREASE IN CASH AND CASH EQUIVALENTS	(157,798)	(10,785)	(41,948)	(5,874)
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	56,223	4,191	53,204	4,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	122,824	16,626	9,993	11,012
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	21,249	10,032	21,249	10,032
ANALYSIS OF THE BALANCES OF CASH AND CASH				
Bank and cash balances	21,249	10,032	21,249	10,032

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	Share based	Statutory reserve	Foreign	Contributed surplus	Proposed	Retained earnings	Total
			compensation reserve		currency translation reserve		final dividend		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group									
For the three months ended									
30 June 2013									
At 1 April 2013	97,302	786,115	-	39,768	183,619	102,151	-	519,727	1,728,682
Dividend paid for FY2012	-	-	-	-	-	-	-	-	-
Share based payment	-	-	133	-	-	-	-	-	133
Total comprehensive income for the financial period	-	-	-	-	21,111	-	-	14,537	35,648
At 30 June 2013	<u>97,302</u>	<u>786,115</u>	<u>133</u>	<u>39,768</u>	<u>204,730</u>	<u>102,151</u>	<u>-</u>	<u>534,264</u>	<u>1,764,463</u>
For the three months ended									
30 June 2012									
At 1 April 2012	97,302	786,115	-	39,768	170,462	102,151	4,035	557,094	1,756,927
Dividend paid for FY2011	-	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial period	-	-	-	-	(1,033)	-	-	(29,898)	(30,931)
At 30 June 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>39,768</u>	<u>169,429</u>	<u>102,151</u>	<u>-</u>	<u>527,196</u>	<u>1,721,961</u>
For the six months ended									
30 June 2013									
At 1 January 2013	97,302	786,115	-	39,768	170,189	102,151	-	515,926	1,711,451
Dividend declared for FY2012	-	-	-	-	-	-	-	-	-
Dividend paid for FY2012	-	-	-	-	-	-	-	-	-
Share based payment	-	-	133	-	-	-	-	-	133
Total comprehensive income for the financial period	-	-	-	-	34,541	-	-	18,338	52,879
At 30 June 2013	<u>97,302</u>	<u>786,115</u>	<u>133</u>	<u>39,768</u>	<u>204,730</u>	<u>102,151</u>	<u>-</u>	<u>534,264</u>	<u>1,764,463</u>
For the six months ended									
30 June 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	-	-	-	-	7,282	-	-	(38,139)	(30,857)
At 30 June 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>39,768</u>	<u>169,429</u>	<u>102,151</u>	<u>-</u>	<u>527,196</u>	<u>1,721,961</u>

Attributable to owners of the Company

	Share capital	Share premium	Share based compensation 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 June 2013								
At 1 April 2013	97,302	786,115	-	125,755	102,151	-	363,314	1,474,637
Share based payment	-	-	133	-	-	-	-	133
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,124)	(1,124)
At 30 June 2013	<u>97,302</u>	<u>786,115</u>	<u>133</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>362,190</u>	<u>1,473,646</u>
For the three months ended								
30 June 2012								
At 1 April 2012	97,302	786,115	-	125,755	102,151	4,035	369,199	1,484,557
Dividend paid for FY2011	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial period	-	-	-	-	-	-	(4,035)	(4,035)
At 30 June 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>365,164</u>	<u>1,476,487</u>
For the six months ended								
30 June 2013								
At 1 January 2013	97,302	786,115	-	125,755	102,151	-	364,572	1,475,895
Share based payment	-	-	133	-	-	-	-	133
Total comprehensive income for the financial period	-	-	-	-	-	-	(2,382)	(2,382)
At 30 June 2013	<u>97,302</u>	<u>786,115</u>	<u>133</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>362,190</u>	<u>1,473,646</u>
For the six months ended								
30 June 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	-	-	-	-	-	-	(5,971)	(5,971)
At 30 June 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>365,164</u>	<u>1,476,487</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 June 2012 and 30 June 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 30 June 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).

On 13 May 2013, the Company granted 2,585,000 share options, 1,550,000 shares for Performance Share Plan ("PSP") and 1,034,000 shares for Restricted Share Plan ("RSP").

(i) Employee Share Option Plan

As at 30 June 2013, the number of outstanding share options was 2,585,000 (30 June 2012: Nil).

(ii) Performance Share Plan ("PSP")

As at 30 June 2013, the number of shares outstanding under the Company's PSP was 1,550,000 (30 June 2012: Nil).

(iii) Restricted Share Plan ("RSP")

As at 30 June 2013, the number of shares outstanding under the Company's RSP was 1,034,000 (30 June 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 30 June 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 30 June 2013 HK\$ cents	Three months ended 30 June 2012 HK\$ cents	Six months ended 30 June 2013 HK\$ cents	Six months ended 30 June 2012 HK\$ cents
Earnings/(loss) per Share				
- Basic ⁽¹⁾	1.49	(3.07)	1.88	(3.92)
- Diluted ⁽²⁾	1.49	(3.07)	1.88	(3.92)

Explanatory notes:

- Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 30 June 2013 and 2012 and the weighted average number of shares 973,023,354 (2012: 973,023,354).
- Diluted EPS is calculated based on weighted average number of fully paid shares in issue after adjusting for dilution of shares under the employee share option plan, PSP and RSP. 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 30.6.2013	The Group 31.12.2012	The Company 30.6.2013	The Company 31.12.2012
Net asset value (HK\$'000)	1,764,463	1,711,451	1,473,646	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)	181.34	175.89	151.45	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, waste handling fee and operation and maintenance service (i.e. revenue from operation services). The revenue mix is shown in the table below:

	Three months ended 30 June 2013	Three months ended 30 June 2012	Increase / (decrease)
	HK\$'000	HK\$'000	%
Revenue from operation services	105,776	74,408	42.2
Revenue from construction services	30,547	59,715	(48.8)
Total	136,323	134,123	1.6

In Q2 2012, there were five plants, namely Jinjiang, Huangshi, Huian, Anxi and Fuqing, under operation. In Q2 2013, there are six plants including Jianyang in operations. The daily waste treatment capacity of the six operating plants is 5,100 tonnes.

Revenue from operation services comprised of power generation and waste handling fee of HK\$105.6million and operation and maintenance service of HK\$0.2million. The revenue from operation services increased by 42.2% for the three months ended 30 June 2013. During the quarter, the Group processed approximately 467,000 tonnes of waste and sold on-grid electricity of 102,273,000 kWh, an increase of 36.5% and 39.3% respectively compared with Q2 2012. The average utilisation rate of waste handling increased from 83.6% to 100.7% in Q2 2012 and Q2 2013 respectively, and the average utilisation rate of electricity generation increased from 49.9% to 64.5% in Q2 2012 and Q2 2013 respectively. The increase in revenue from operation services for power generation and waste handling fee was contributed by improvement in operational efficiency, additional source of waste supply from the cities nearby the plants, upward adjustment of waste handling fee of Anxi plant 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. As a result, the overall revenue increased slightly by 1.6% due to the net off effect of increasing revenue from operation services for the three months ended 30 June 2013.

Gross profit

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

	Three months ended 30 June 2013 HK\$'000	Three months ended 30 June 2012 HK\$'000	Increase / (decrease) %
Gross profit			
Operation services	54,869	31,668	73.3
Construction services	176	3,056	(94.2)
Total	55,045	34,724	58.5
Gross profit margin			
Operation services	51.9%	42.6%	
Construction services	0.6%	5.1%	
Total	40.4%	25.9%	

The gross profit margin from the operations increased from 42.6% for the three months ended 31 March 2012 to 51.9% for the three months ended 30 June 2013. This is 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\$7.3million for the three months ended 30 June 2013. The entitlement of the value added tax refund was subjected to the discretion of the relevant authorities. In Q2 2013, Jinjiang and Huian projects entitled to receive the value added tax refund, which was recognised as other income. In Q2 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\$19.7million for the three months ended 30 June 2013, such as payroll expenses, legal and professional expenses, travelling expenses and entertainment. The amount decreased by HK\$2.7million was mainly due to decrease in preliminary expenses of setting up subsidiaries of HK\$1.1million and legal and professional fee of HK\$1.3million in the current period.

Other operating expenses

In Q2 2012, the amount represented written off intangible asset of Yingkou project of HK\$11.9million and the fair value change of the warrants of HK\$1.9million. There was no such items in Q2 2013.

Finance costs

Finance costs increased from HK\$24.2million to HK\$30.7million for the three months ended 30 June 2013 was mainly due to cessation of capitalisation of interest of Jianyang project with the completion of the construction work.

Taxation

Taxation comprises deferred tax. The decrease was mainly due to reversal of deferred tax expense of Jinjiang arising from the GAAP adjustment upon the finalisation of construction account in Q2 2013.

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 June 2013 HK\$'000	Three months ended 30 June 2012 HK\$'000	Increase / (decrease) %
EBITDA on recurring basis (exclude construction profit)	76,366	35,636	114.3

The EBITDA on recurring basis for the three months ended 30 June 2013 increased by 114.3% due to the improvement of the operational efficiency and increase of the operating profit.

Net profit/(loss)

The net profit of HK\$14.5million 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, upward adjustment of waste handling fee of Anxi plant 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\$69.2million 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	49,233
Less: Amortisation for the year	(63,889)
Exchange gain	83,826
Net book value as at 30 June 2013	<u>4,013,882</u>

Trade receivables

The balance of HK\$125.1million comprised the receivables for the waste services fee of HK\$17.8million, electricity tariff of HK\$107.1million and HK\$0.2million operation and maintenance service fee. The trade receivables decreased by HK\$20.5million due to settlement of electricity receivables for the period from October 2010 to April 2011 and for the year 2012 partially offset with the overall increase in operational revenue.

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 cost for Anxi phase two project. 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 balance mainly represents tender deposit paid for BOT contracts, value-added tax receivables and prepaid expenses paid on behalf of contractors. The balance increased by HK\$11.9million was

mainly because of the prepayment of construction cost of Jinjiang phase 2 project to be refunded from the subcontractor upon the finalisation of construction accounts in year 2013.

Trade deposit and prepayment

The increase of trade deposit and prepayment of HK\$8.1million was mainly due to the increase in prepayment for spare parts used for operation and maintenance services in year 2013 and the prepaid bank charge regarding refinancing loan of Xiaogan project.

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; (ii) guarantee to bank to secure the repayment of bills payables to certain subcontractors of HK\$41.4million and (iii) deposit pledged for obtaining short-term loan for Jinjiang project of HK\$8.7million.

The increase in pledged bank deposits of HK\$31.5million was due to increase in deposit of HK\$31.3million regarding the bills payable issued in year 2013.

Bank and cash balances

The balance increased by HK\$11.3million as at 30 June 2013. For details of the cash movement, please refer to the Statement of Cash Flows and the explanation notes in page 14.

LIABILITIES

Trade payables

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

Interest-bearing borrowings – secured

	30.6.2013	31.12.2012	Changes
	HK\$'000	HK\$'000	
Non-current portion	1,923,140	1,862,701	3.2%
Current portion	448,881	410,973	9.2%
	<u>2,372,021</u>	<u>2,273,674</u>	4.3%

The interest-bearing borrowings increased by 4.3% as compared with prior year. The loan was borrowed as project loans to finance the construction of WTE plants.

In 2013, HK\$240.2million was drawn down and HK\$193.2million was repaid. The loans were secured by the intangible assets. As at 30 June 2013, the gearing ratio of the Group remains relatively constant.

Finance lease payable

	30.6.2013	31.12.2012	Changes
	HK\$'000	HK\$'000	
Non-current portion	110	80	37.5%
Current portion	413	334	23.7%
	<u>523</u>	<u>414</u>	26.3%

The finance lease payable represented the payable for the purchase of vehicles under hire purchase agreements. The balance increased by 26.3% as compared with prior year was mainly due to one more vehicle acquired in year 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

	30.6.2013	31.12.2012	Changes
	HK\$'000	HK\$'000	
Non-current portion	24,010	18,613	29.0%
Current portion	1,063	801	32.7%
	<u>25,073</u>	<u>19,414</u>	29.1%

The balance represented the unrecognised part of the government subsidies received by the project companies. These balances will be recognised over the remaining concession periods of the related projects upon commencement of operation.

The balance increased by 29.1% was mainly due to HK\$5.7million received for the slope construction nearby Fuqing plant in year 2013.

Accruals and other payables

The accruals and other payables balances decreased by HK\$134.7million mainly due to the following reasons:

- (1) Decrease in construction payable of HK\$157.8million;
- (2) Decrease in receipt in advance of waste handling fee for Jinjiang of HK\$6.8million; and
- (3) Net off with the bills payable of Huangshi project of HK\$31.9million issued in 2013.

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 June 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 and decrease in trade receivables due to settlement of subsidy receivables 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 used in financing activities

Net cash used in financing activities in this quarter mainly represented the repayment of interest-bearing borrowings offset with drawdown of interest-bearing borrowings and increase in advance from related parties.

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.

The Group is pleased to announce a 40% upward adjustment to the waste handling fee for its Jinjiang WTE plant, which has taken effect since 28 June 2013. This upward revision is expected to further boost C&G's income base.

Separately, construction for phase two of the Group's Anxi plant is expected to complete within the next six months, adding an additional daily waste treatment capacity of 300 tonnes. In addition to bringing the Anxi plant's total daily waste treatment capacity to 600 tonnes, the new facilities are also expected to improve the overall operational efficiency for the Anxi plant.

On the regional front, construction of the Group's maiden WTE project in Bangkok, Thailand, has also commenced. When operational, the Bangkok plant will have a daily waste treatment capacity of 500 tonnes. The Group is currently in the process of obtaining project financing for this plant.

In line with the Group's strategic growth plans to expand its overseas WTE business in Southeast Asia, the Group has also formed a joint venture company, C&G Padu Sdn Bhd, to explore and develop waste-to-energy business opportunities in Malaysia.

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 2Q FY2013 financial statements to be materially false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lin Yan
Director
12 August 2013

Loo Cheng Guan
Director