

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Full Year Results and Dividend Announcement for the Period Ended 31 December 2013

The Board of Directors are pleased to announce the consolidated results of the Group for the three months and year ended 31 December 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 December			year ended 31 December		
	2013 HK\$'000	2012 HK\$'000	% Increase / (Decrease)	2013 HK\$'000	2012 HK\$'000	% Increase / (Decrease)
Revenue	105,233	237,766	(55.74)	522,607	690,612	(24.33)
Cost of sales	<u>(61,600)</u>	<u>(192,017)</u>	(67.92)	<u>(325,311)</u>	<u>(523,620)</u>	(37.87)
Gross profit	43,633	45,749	(4.63)	197,296	166,992	18.15
Other income	13,787	9,883	39.50	42,751	13,238	222.94
Administrative expenses	(28,929)	(28,025)	3.23	(92,898)	(89,627)	3.65
Other operating income/(expenses)	<u>-</u>	<u>(3,339)</u>	100.00	<u>215</u>	<u>(16,073)</u>	(101.34)
Profit from operations	28,491	24,268	17.40	147,364	74,530	97.72
Finance costs	<u>(42,502)</u>	<u>(32,020)</u>	32.74	<u>(133,919)</u>	<u>(110,066)</u>	21.67
(Loss)/profit before taxation	(14,011)	(7,752)	(80.74)	13,445	(35,536)	137.83
Income tax expense	<u>(10,874)</u>	<u>(5,971)</u>	82.11	<u>(15,623)</u>	<u>(13,873)</u>	12.61
Net (loss)/profit attributable to the owners of the Company	(24,885)	(13,723)	(81.34)	(2,178)	(49,409)	95.59
Other comprehensive income						
Exchange difference on translating foreign operation	<u>7,716</u>	<u>3,905</u>	97.59	<u>53,301</u>	<u>8,042</u>	562.78
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(17,169)</u>	<u>(9,818)</u>	(74.87)	<u>51,123</u>	<u>(41,367)</u>	223.58

1 (a)(ii) Explanatory Notes:

Other income comprises:

	The Group			
	three months ended 31 December		year ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	673	249	1,483	1,545
Exchange gain	2,332	7	2,344	11
Gain on disposal of fixed assets	150	-	175	-
Government grants	1,439	436	2,697	1,194
Refund of VAT	8,626	8,942	26,683	9,298
Deferred income	232	201	1,026	802
Reimbursement income from a contractor	-	-	7,509	-
Sundry income	335	48	834	388
	13,787	9,883	42,751	13,238

Loss before taxation is arrived at after charging:

	The Group			
	three months ended 31 December		year ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on disposal of fixed assets	-	2	-	24
Depreciation and amortisation	33,151	31,650	132,323	108,380
Interest on bank loans	42,488	32,014	133,881	110,060
Interest on finance lease	14	6	38	6
Written off of intangible asset	-	-	-	11,932
Impairment loss of intangible asset	-	3,926	-	3,926

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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Fixed assets	10,113	9,211	-	-
Intangible assets	4,041,219	3,944,712	-	-
Investment in a jointly controlled entity	71	-	-	-
Investment in subsidiaries	-	-	575,396	575,396
	<u>4,051,403</u>	<u>3,953,923</u>	<u>575,396</u>	<u>575,396</u>
Current assets				
Inventories	7,743	3,612	-	-
Trade receivables	140,901	145,557	-	-
Gross amounts due from customers for contract work	237,335	458,168	-	-
Other deposits and other receivables	504,714	137,328	-	7
Trade deposits and prepayments	21,726	11,452	-	-
Due from subsidiaries	-	-	906,203	906,203
Pledged bank deposits	44,044	45,105	-	-
Bank and cash balances	54,930	9,993	134	21
	<u>1,011,393</u>	<u>811,215</u>	<u>906,337</u>	<u>906,231</u>
TOTAL ASSETS	<u><u>5,062,796</u></u>	<u><u>4,765,138</u></u>	<u><u>1,481,733</u></u>	<u><u>1,481,627</u></u>
Capital and reserves				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,665,901	1,614,149	1,372,657	1,378,593
Equity attributable to owners of the Company	<u>1,763,203</u>	<u>1,711,451</u>	<u>1,469,959</u>	<u>1,475,895</u>
Non-current liabilities				
Interest-bearing borrowings - secured	1,984,086	1,862,701	-	-
Finance lease payables	1,136	334	-	-
Deferred income	24,257	18,613	-	-
Deferred tax liabilities	97,059	79,120	-	-
	<u>2,106,538</u>	<u>1,960,768</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	42,434	19,514	-	-
Gross amounts due to customers for contract work	53,001	33,463	-	-
Accruals and other payables	345,159	626,826	2,255	1,401
Advance payment	317,075	-	-	-
Due to a subsidiary	-	-	9,519	4,116
Deferred income	1,097	801	-	-
Financial liability at fair value through profit or loss	-	215	-	215
Finance lease payables	257	80	-	-
Interest-bearing borrowings - secured	432,369	410,973	-	-
Current tax liabilities	1,663	1,047	-	-
	<u>1,193,055</u>	<u>1,092,919</u>	<u>11,774</u>	<u>5,732</u>
Total liabilities	<u>3,299,593</u>	<u>3,053,687</u>	<u>11,774</u>	<u>5,732</u>
TOTAL EQUITY AND LIABILITIES	<u><u>5,062,796</u></u>	<u><u>4,765,138</u></u>	<u><u>1,481,733</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 December 2013		As at 31 December 2012	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
432,369	Nil	410,973	Nil

Amount repayable after one year

As at 31 December 2013		As at 31 December 2012	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
1,984,086	Nil	1,862,701	Nil

Details of any collateral

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

The pledge of the Group's intangible assets of approximately HK\$4,029,088,000.

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		year ended 31	
	31 December		December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVIES				
(Loss)/profit before tax	(14,011)	(7,752)	13,445	(35,536)
Adjustments for:				
Depreciation and amortisation	33,151	31,650	132,323	108,380
Interest expenses	42,502	32,020	133,919	110,066
Profit from construction services	(690)	(3,911)	(1,104)	(21,128)
Amortisation of deferred income	(232)	(201)	(1,026)	(802)
Interest income	(673)	(249)	(1,483)	(1,545)
(Gain)/loss on financial liability at fair value through profit or loss	-	(587)	(215)	215
Written off of intangible asset	-	-	-	11,932
Impairment loss on an intangible asset	-	3,926	-	3,926
Share based payment expense	249	-	629	-
Net (gain)/loss on disposal of fixed asset	(150)	2	(175)	24
Operating profit before working capital changes	60,146	54,898	276,313	175,532
(Increase)/decrease in inventories	(1,694)	(125)	(4,131)	(877)
(Increase)/decrease in trade receivables	(698)	6,536	4,656	(68,586)
(Increase)/decrease in other deposits and other receivables	(45,985)	(2,509)	(50,314)	(12,874)
Decrease/(increase) in trade deposits and prepayments	9,876	(103)	(10,274)	(2,528)
Increase in trade payables	15,070	2,179	22,920	8,942
Increase in deferred income	524	370	7,343	982
Increase/(decrease) in accruals and other payables	16,807	22,319	1,089	(1,261)
Cash generated from operations	54,046	83,565	247,602	99,330
Interest paid	(42,447)	(43,591)	(163,273)	(171,961)
Net cash generated from/(used in) operating activities	11,599	39,974	84,329	(72,631)
CASH FLOWS FROM INVESTING ACTIVITIES				
Refund/(payment) for construction work for BOT projects	136,479	(3,178)	58,398	(318,812)
Investment in a jointly controlled entity	-	-	(71)	-
Proceeds from disposal of fixed assets	253	-	353	34
Purchase of fixed assets	(1,742)	(534)	(3,405)	(1,992)
Interest received	673	249	1,483	1,545
Net cash generated from/(used in) investing activities	135,663	(3,463)	56,758	(319,225)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	-	-	(4,035)
(Decrease)/increase in amount due to contractors	(107,558)	4,777	(174,852)	(379)
Repayment from a contractor	-	35,096	-	232,972
Advance from/(repayment to) related parties	37,221	41,882	(19,294)	46,496
Decrease/(increase) in pledge bank deposits	1,094	(8,818)	1,061	(12,149)
Repayment of finance lease payable	(40)	(193)	(125)	(193)
Repayment of interest-bearing borrowings	(754,367)	(256,715)	(1,064,673)	(368,401)
Advances of Interest-bearing borrowings	382,689	139,954	1,128,319	480,531
Net cash (used in)/generated from financing activities	(440,961)	(44,017)	(129,564)	374,842
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(293,699)	(7,506)	11,523	(17,014)
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	(4,168)	7,330	33,414	15,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	352,797	10,169	9,993	11,012
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	54,930	9,993	54,930	9,993
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	54,930	9,993	54,930	9,993

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 currency	Contributed surplus	Proposed	Retained earnings	Total
			compensation reserve		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									
31 December 2013									
At 1 October 2013	97,302	786,115	380	39,768	215,774	102,151	-	538,633	1,780,123
Share based payment	-	-	249	-	-	-	-	-	249
Total comprehensive income for the financial year	-	-	-	-	7,716	-	-	(24,885)	(17,169)
At 31 December 2013	<u>97,302</u>	<u>786,115</u>	<u>629</u>	<u>39,768</u>	<u>223,490</u>	<u>102,151</u>	<u>-</u>	<u>513,748</u>	<u>1,763,203</u>
For the three months ended									
31 December 2012									
At 1 October 2012	97,302	786,115	-	39,768	166,284	102,151	-	529,649	1,721,269
Total comprehensive income for the financial year	-	-	-	-	3,905	-	-	(13,723)	(9,818)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>39,768</u>	<u>170,189</u>	<u>102,151</u>	<u>-</u>	<u>515,926</u>	<u>1,711,451</u>
For the year ended									
31 December 2013									
At 1 January 2013	97,302	786,115	-	39,768	170,189	102,151	-	515,926	1,711,451
Share based payment	-	-	629	-	-	-	-	-	629
Total comprehensive income for the financial year	-	-	-	-	53,301	-	-	(2,178)	51,123
At 31 December 2013	<u>97,302</u>	<u>786,115</u>	<u>629</u>	<u>39,768</u>	<u>223,490</u>	<u>102,151</u>	<u>-</u>	<u>513,748</u>	<u>1,763,203</u>
For the year ended									
31 December 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 year	-	-	-	-	8,042	-	-	(49,409)	(41,367)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>39,768</u>	<u>170,189</u>	<u>102,151</u>	<u>-</u>	<u>515,926</u>	<u>1,711,451</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								
31 December 2013								
At 1 October 2013	97,302	786,115	380	125,755	102,151	-	360,601	1,472,304
Share based payment	-	-	249	-	-	-	-	249
Total comprehensive income for the financial year	-	-	-	-	-	-	(2,594)	(2,594)
At 31 December 2013	<u>97,302</u>	<u>786,115</u>	<u>629</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>358,007</u>	<u>1,469,959</u>
For the three months ended								
31 December 2012								
At 1 October 2012	97,302	786,115	-	125,755	102,151	-	365,184	1,476,507
Total comprehensive income for the financial year	-	-	-	-	-	-	(612)	(612)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>364,572</u>	<u>1,475,895</u>
For the years ended								
31 December 2013								
At 1 January 2013	97,302	786,115	-	125,755	102,151	-	364,572	1,475,895
Share based payment	-	-	629	-	-	-	-	629
Total comprehensive income for the financial year	-	-	-	-	-	-	(6,565)	(6,565)
At 31 December 2013	<u>97,302</u>	<u>786,115</u>	<u>629</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>358,007</u>	<u>1,469,959</u>
For the year ended								
31 December 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 year	-	-	-	-	-	-	(6,563)	(6,563)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>364,572</u>	<u>1,475,895</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 December 2012 and 31 December 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.

(i) Employee Share Option Plan

As at 31 December 2013, the number of outstanding share options was 2,585,000 (31 December 2012: Nil).

(ii) Performance Share Plan ("PSP")

As at 31 December 2013, the number of shares outstanding under the Company's PSP was 1,550,000 (31 December 2012: Nil).

(iii) Restricted Share Plan ("RSP")

As at 31 December 2013, the number of shares outstanding under the Company's RSP was 1,034,000 (31 December 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 December 2013	0.10	<u><u>973,023,354</u></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 December 2013 HK\$ cents	Three months ended 31 December 2012 HK\$ cents	Year ended 31 December 2013 HK\$ cents	Year ended 31 December 2012 HK\$ cents
Earnings/(loss) per Share				
- Basic ⁽¹⁾	(2.56)	(1.41)	(0.22)	(5.08)
- Diluted ⁽²⁾	(2.56)	(1.41)	(0.22)	(5.08)

Explanatory notes:

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

2. 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.

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 31.12.2013	The Group 31.12.2012	The Company 31.12.2013	The Company 31.12.2012
Net asset value (HK\$'000)	1,763,203	1,711,451	1,469,959	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)	181.21	175.89	151.07	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 31 December 2013	Three months ended 31 December 2012	Increase / (decrease)	Year ended 31 December 2013	Year ended 31 December 2012	Increase / (decrease)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue from operation services	115,428	93,093	24.0	428,914	318,264	34.8
Revenue from construction	(10,195)	144,673	(107.0)	93,693	372,348	(74.8)
Total	<u>105,233</u>	<u>237,766</u>	(55.7)	<u>522,607</u>	<u>690,612</u>	(24.3)

In Q4 2012, there were six plants in operation with a total capacity of 5,100 tonnes, namely Jinjiang, Huangshi, Huian, Anxi, Fuqing and Jianyang. In 2013, with the expansion of phase 2 for the Anxi plant, these six plants are currently operating with a total capacity of 5,400 tonnes.

Revenue from operation services comprises power generation and waste handling fees of HK\$115.0million and operation and maintenance service fees of HK\$0.4million for Q4 2013. The revenue from operation services increased by 24.0% for the three months ended 31 December 2013. During the quarter, the Group processed approximately 429,000 tonnes of waste and generated 107,133,000 kWh of sold on-grid electricity, an increase of 12.9% and 16.8% respectively compared with Q4 2012. The average utilisation rate for waste handling increased from 87.8% in Q4 2012 to 88.0% in Q4 2013, and the average utilisation rate for electricity generation increased from 60.5% in Q4 2012 to 66.8% in Q4 2013. The increase in revenue from operation services for power generation and waste handling fee was mainly attributable to additional sources of waste supply from the cities in proximity to the plants, upward adjustment of waste handling fee of Jinjiang, Huian and Anxi plants and the contribution from newly-operational plants. The operating plants are gradually improving their operational efficiency in both waste processing and electricity generation.

Construction services revenue is recognised according to the percentage of completion for construction of Waste-to-Energy ("WTE") plants. During the period under review, Thailand project is under construction. The revenue from construction services mainly represented the reversal of the construction revenue for Xiaogan project as a result of the over estimation of the progress in prior periods offset with the construction revenue mainly generated from Thailand project. Less construction revenue was recognised as construction work for as Anxi Phase 2 and Langfang projects were substantially completed in prior year.

Gross profit

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

	Three months ended 31 December 2013	Three months ended 31 December 2012	Increase / (decrease)	Year ended 31 December 2013	Year ended 31 December 2012	Increase / (decrease)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Gross profit						
Operation services	42,943	41,838	2.6	196,192	145,864	34.5
Construction service:	690	3,911	(82.4)	1,104	21,128	(94.8)
Total	43,633	45,749	(4.6)	197,296	166,992	18.1
Gross profit margin						
Operation services	37.2%	44.9%		45.7%	45.8%	
Construction service:	(6.8%)	2.7%		1.2%	5.7%	
Total	41.5%	19.2%		37.8%	24.2%	

The gross profit margin from the operations decreased from 44.9% for the three months ended 31 December 2012 to 37.2% for the three months ended 31 December 2013. This is mainly due to Jinjiang, Huian, Anxi and Fuqing plants have gone through overhauls in Q4 2013.

Other income

Other income increased mainly due to the increase in exchange gain resulting from the retranslation of a US dollar bank loan and prepaid construction cost of Thailand project as at Q4 2013 of HK\$2.3million, receipt of tax incentives of HK\$1.4million and increase in interest income of HK\$0.4million mainly due to the increase in bank deposit in Jinjiang.

Administrative expenses

Administrative expenses which include payroll expenses, legal and professional expenses, travelling and business development-related expenses amounted to HK\$28.9million for the three months ended 31 December 2013. The balance remained relatively constant compared to Q4 2012.

Other operating income/(expenses)

In Q4 2012, other operating income/(expenses) amounted to HK\$3.3 million due to impairment loss of intangible assets of Nanping project of HK\$3.9 million which was partially offset by the changes of fair value gain of HK\$0.6 million for 4Q 2012 arising from the outstanding 34,008,108 unlisted warrants issued to International Finance Corporation on April 10, 2012. No such items incurred in Q4 2013.

Finance costs

Finance costs increased from HK\$32.0million to HK\$42.5million for the three months ended 31 December 2013. This was mainly due to cessation of capitalisation of interest of the Jianyang project with the completion of construction work.

Income tax expense

Income tax expense comprises deferred tax. For the period under review, the increase was mainly due to increase in deferred tax expense arising from the GAAP differences for intangible assets in accordance with IFRIC 12.

	Three months ended 31 December 2013	Three months ended 31 December 2012	%	Year ended 31 December 2013	Year ended 31 December 2012	%
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Income tax expenses	576	-	N/A	576	-	N/A
Deferred tax expenses						
Temporary differences on assets recognised under IFRIC 12	12,760	9,883	29.1%	25,947	33,587	(22.7%)
Tax losses	(1,171)	(1,699)	(31.1%)	(8,047)	(17,418)	(53.8%)
Others	(1,291)	(2,213)	(41.7%)	(2,853)	(2,296)	24.3%
Total	<u>10,874</u>	<u>5,971</u>	82.1%	<u>15,623</u>	<u>13,873</u>	12.6%

EBITDA

EBITDA on recurring items is shown in the table below. 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. This amount fluctuates every quarter. The EBITDA on a recurring basis for the three months ended 31 December 2013 increased by 2.0%.

	Three months ended 31 December 2013	Three months ended 31 December 2012	Increase / (decrease) %	Year ended 31 December 2013	Year ended 31 December 2012	Increase / (decrease) %
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
EBITDA on recurring basis (exclude construction profit)	57,050	55,932	2.0	278,593	177,639	56.8

Net (loss)/profit

The net loss of HK\$24.9million for the quarter was mainly because of the four operating plants having gone through overhauls of HK\$23.1million in Q4 2013 and also the increase in deferred tax expenses due to the utilisation of tax loss of prior years.

Financial Position of the Group

ASSETS

Intangible assets

Intangible assets represent the service concession rights for 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\$96.5million 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	93,693
Less: Amortisation for the year	(128,678)
Exchange gain	131,492
Net book value as at 31 December 2013	<u>4,041,219</u>

Investment in a jointly controlled entity

C&G (HK) had on 11 July 2013, entered into a joint venture agreement with Dian Padu Sdn Bhd, to establish a joint venture company known as C&G (Padu) to explore and develop a WTE plant in Terengganu, Malaysia. C&G (HK) has a 30% shareholding interest in the joint venture company.

Trade receivables

The trade receivable balance of HK\$140.9million comprised receivables from waste services of HK\$33.1million, electricity tariff of HK\$107.5million and HK\$0.3million for operation and maintenance service fee. Trade receivables decreased by HK\$4.7million due to settlement of electricity receivables for the period from October 2010 to April 2011 and for the year 2012. This was partially offset by the overall increase in operational revenue.

As at 31 December 2013, the trade receivable included a subsidy receivable of Jinjiang, Huangshi, Huian and Anxi for the period from May 2011 to December 2011 of RMB15.4million (approximately HK\$19.6million). According to the memorandum issued by the National Energy Administration ("NEA") on 28 September 2012, Jinjiang, Huangshi, Huian and Anxi are the qualified projects which are entitled to enjoy the electricity subsidy from National Development and Reform Commission ("NDRC"). With the official recognition by NEA, management believes there is no recoverability issue on the outstanding receivable for the subsidy although there was no settlement received in year 2013.

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 gross amounts due from customers for contract work was mainly due to the utilisation of prepaid amount for the construction cost for the Anxi phase two project and refund for construction cost of Xiaogan and Nanping projects. This was partially offset by the increase in payments for construction work for the Huian phase two and Thailand projects.

Other deposits and other receivables

	31.12.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Deposits	28,793	46,693	(38.3%)
Value-added tax receivables	63,209	40,006	58.0%
Amount due from a related company	343,206	-	N/A
Other receivables	69,506	50,629	37.3%
	<u>504,714</u>	<u>137,328</u>	267.5%

The balance mainly represents tender deposit paid for the BOT contracts, value-added tax receivables and prepaid expenses paid on behalf of contractors and amount due from the related company.

On 23 December 2013, the Group had, through its wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited ("C&G (HK)"), entered into a framework acquisition agreement (the "Framework Agreement") with a public company listed on the Shanghai Stock Exchange, Grandblue Environment Co. Ltd ("the Purchaser"), for the proposed sale of the entire shareholdings in C&G Environmental Protection (China) Company Limited ("C&G (China)"), a wholly-owned subsidiary of C&G (HK) to the Purchaser (the "Proposed Sale") at the consideration of

RMB1.85billion. According to the acquisition agreement, the Purchaser has to pay C&G (HK) a sum of RMB250million (approximately HK\$317.1million) as the Advance Payment. However, due to the foreign exchange control policy in the PRC and limitation to remit the Advance Payment to Hong Kong before the approval of the Proposed Sale by Ministry of Commerce and China Securities Regulatory Commission of the PRC, C&G (HK) has entrusted its related company (a subsidiary of the ultimate holding company), Xiamen C&G Group Co., Ltd. ("Xiamen C&G") to collect the Advance Payment on its behalf. Once the Proposed Sale is approved, the related company will repay the Advance Payment to the Purchaser who will arrange remittance to C&G HK directly. As at 31 December 2013, the Advance Payment was paid and collected by Xiamen C&G.

The balance of other deposits and other receivables increased by HK\$367.4million was mainly because of the following:

- 1) Increase in amount due from a related company by HK\$343.2 million mainly because of the Advance Payment received on behalf of C&G HK by RMB250million (equivalent to HK\$317.1million);
- 2) Increase in value-added tax receivables of HK\$23.2million. The amount included output value-added tax arising from the electricity income and input value-added tax arising from the purchase of the equipment; and
- 3) Partially offset with the refund of tender deposit paid for the BOT contracts of HK\$20.0million.

Trade deposits and prepayments

The increase in trade deposits and prepayments of HK\$10.3million 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 for refinancing loans.

Pledged bank deposits

The pledged bank deposits represented: (i) deposit of HK\$25.0million placed in the bank to facilitate the arrangement of performance guarantee to the Thailand government for the Bangkok WTE project; (ii) HK\$10.1million guarantee to bank to secure the repayment of bills payable to certain subcontractors and (iii) HK\$8.9million deposit pledged for obtaining short-term loan for the Jinjiang project. The balance has no significant change from last year.

Bank and cash balances

The balance increased by HK\$44.9million as at 31 December 2013. For the details of the cash movement, please also refer to the Statement of Cash Flows and the explanation notes in page 16.

LIABILITIES

Trade payables

The increase was mainly because of the increase in material cost payable for the Jinjiang due to the increase in waste handling volume and materials used for operation and maintenance services in year 2013.

Interest-bearing borrowings – secured

	31.12.2013	31.12.2012	Changes
	HK\$'000	HK\$'000	
Non-current portion	1,984,086	1,862,701	6.5%
Current portion	432,369	410,973	5.2%
	<u>2,416,455</u>	<u>2,273,674</u>	6.3%

The interest-bearing borrowings increased by 6.3% as compared with prior year. The loan was borrowed as project loans to finance the construction of WTE plants.

In 2013, HK\$1,128.3million was drawn down and HK\$1,064.7million was repaid. The loans were secured by the intangible assets. As at 31 December 2013, the Group's gearing ratio was relatively constant.

Finance lease payable

	31.12.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	257	80	221.3%
Current portion	1,136	334	240.1%
	<u>1,393</u>	<u>414</u>	236.5%

The finance lease payable represented the payable for the purchase of vehicles under hire purchase agreements. The balance increased by 236.5% as compared with prior year was mainly due to three vehicles acquired in year 2013.

Deferred income

	31.12.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	24,257	18,613	30.3%
Current portion	1,097	801	37.0%
	<u>25,354</u>	<u>19,414</u>	30.6%

The balance represented the unrecognised part of 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 30.6% was mainly due to the HK\$5.8million received for the slope construction near the Fuqing plant in year 2013.

Accruals and other payables

	31.12.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Amount due to a contractor	154,097	419,156	(63.2%)
Due to the ultimate holding company	99,168	27,092	266.0%
Due to a related company	460	91,830	(99.5%)
Others	91,434	88,748	3.0%
	<u>345,159</u>	<u>626,826</u>	(44.9%)

Accruals and other payables decreased by HK\$281.7million mainly due to the following reasons:

- (1) Settlement of the construction payables of HK\$265.1million;
- (2) Repayment of amounts due to a related company of HK\$91.4million; and
- (3) Net off with increase in amount due to the ultimate holding company of HK\$72.1million.

Others payables mainly comprised of accruals and other payables, bill payables, retirement benefit payables and value-added tax payable. There were no sufficient changes compared to last year.

Advance payment

The balance represented advance payment of the cash consideration of RMB250million (equivalent to HK\$317.1million) paid by the Purchaser for the Proposed Sales according to the Framework Agreement entered into on 23 December 2013. Please also refer to "Other deposits and other receivables" notes above for details.

Financial liability at fair value through profit or loss

Last year amount represented the fair value of the outstanding 34,008,108 unlisted warrants issued to IFC. The warrants were expired as at 31 December 2013.

Contingent liabilities

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

subcontractors claimed that the Group has delayed in settlement of construction costs and demanded repayment with interests. The total amount claimed, including interest, is approximately RMB5,250,000 (equivalent to approximately HK\$6,635,000). As at 31 December 2013, the cases are still in progress and the Group has already fully accrued payables of the above.

In 2012, the Group also became the second defendant of a lawsuit brought against by the same subcontractors 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\$2,354,000).

During 2013, another subcontractor has brought a lawsuit against C&G Jinjiang for delaying settlement of the construction costs and demand for interests. The total claim is RMB2.3 million. The Group has accrued the payables for construction works.

The final outcomes of the proceedings of the above cases are uncertain.

The Group is in the process to negotiate the terms, conditions and the required termination compensation to the contractor for the termination of the construction contract for Xiaogan, Dalian and Guiyang projects. The termination shall be effective when the Proposed Sale is approved by all the regulatory bodies. The compensation amount is uncertain as at 31 December 2013.

Statement of Cash Flows

Net cash generated from operating activities

The Group recorded a net cash inflow in operating activities for the period mainly because of decrease in deposits and prepayments paid to suppliers.

Net cash generated from investing activities

Net cash generated from investing activities in this quarter mainly represented the refund of overpayments for the BOT projects' construction cost.

Net cash used in financing activities

Net cash used in financing activities in this quarter mainly represents net cash outflow from the repayment of interest-bearing borrowings and contractors offset with the drawdown of interest-bearing borrowings and 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.

On 23 December 2013, the Company had through its wholly-owned subsidiary, C&G HK entered into a Framework Agreement with the Grandblue Environment Company Limited, (the "Purchaser"), a company listed on the Shanghai Stock Exchange (the "SSE") in the PRC in respect of a proposed sale of the Group's waste-to-energy business and assets (including concession rights) and the principal operating subsidiaries of the Company in the PRC.

On 29 January 2014, C&G (HK) and the Purchaser had entered into a conditional acquisition agreement in relation to the Proposed Sale (the "Acquisition Agreement"). The aggregate consideration for the Proposed Sale is the sum of RMB1.85billion. Of which, a sum of RMB1.1 billion shall be satisfied in cash and the balance of RMB0.75billion shall be satisfied by way of an allotment and issue of 89,928,057 new shares of par value RMB1 in the share capital of the Purchaser as listed and quoted on the SSE at an issue price of RMB8.34 per share.

On 22 February 2014, the Purchaser has obtained approval in principle from Guangdong Province State-owned Assets and Administration Commission for the restructuring of the Purchaser undertaken for the Proposed Sale. On 25 February 2014, the Purchaser has obtained the approval in respect of the Proposed Sale from the shareholders at the Special Shareholder Meeting. The Purchaser and the Company are in the process to obtain all the required consents, approvals, waivers, authorisations, submission and filings as may necessary with any governmental or regulatory body or relevant competent authority, including, but not limited to, the SGX-ST, CSRC and SSE. Further, the Company is in the process to obtain approval from Ministry of Commerce for the PRC for the proposed strategic investment in the Purchaser by C&G (HK).

Upon the completion of the Proposed Sale, C&G (HK) will have 11.04% stake in the Purchaser's shares and will become the second largest shareholder. As the Purchaser is an established, listed utility and environmental player with its business extending to the water and gas sector, the Group will have the potential to participate in a more diversified business upon completion of this significant transaction.

Following the completion of the Proposed Sale, the Group intends to continue to focus on the development and growth of its WTE BOT business and expand its presence in the Southeast Asia markets. In addition, the Group intends to expand from its current BOT WTE business into other environmental related businesses such as the provision of technology advice, equipment and installation services for the treatment of industrial waste water and air pollution (PM2.5) by way of investment, acquisition or strategic alliance. The Company also seeks to capitalise on its expertise and experience as a WTE operator to supply and install WTE equipment in the Southeast Asia regions for WTE operators. In addition, as the WTE and environmental related business is an emerging industry in the Southeast Asia markets, the Group believes WTE projects in these markets would yield a higher return relative to a more matured market such as the PRC. The Company believes the opportunities presented in the Southeast Asia renewable energy markets are tremendous and it intends to focus on expanding its business in the Southeast Asia markets.

The MSW incineration power plant in Bangkok is currently under construction and is expected to be completed by the end of 2014. Relevant approvals, licenses and consents for the construction of the MSW incineration power plant in Bangkok have been obtained from the relevant government authorities and Board of Investment. Barring unforeseen circumstances, operation for the MSW incineration power plant in Bangkok is expected to commence by the early 2015.

On 22 January 2014, our joint venture company, C&G (Padu), has received a letter of support from the Terengganu State Economic Planning Unit for the development of an 800 tonnes per day WTE plant for a concession period of 30 years. C&G Padu will enter into negotiations with the State Government of Terengganu on the terms of its investment in coming months and will seek to obtain all necessary approvals.

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.

	31.12.2013	31.12.2012
	HK\$	HK\$
Amount per share	N/A	N/A

(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.

Part II Additional Information Required for Full Year Announcement

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Since the Group has only one single business segment, no segment information is presented for the year ended 31 December 2013 and 2012.

Geographical information

The Group's income from external customers is derived solely from its operations in the PRC. All the customers are located in the PRC.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to note 14.

16. A breakdown of sales as follows:—

	31.12.2013	31.12.2012	% increase/ (decrease)
	HK\$'000	HK\$'000	
	Group	Group	Group
(a) Turnover reported for first half year	253,674	359,069	(29.4)
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	18,338	(38,139)	148.1
(c) Turnover reported for second half year	268,933	331,543	(18.9)
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	(20,489)	(11,270)	(81.8)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:—

	31.12.2013	31.12.2012
	HK\$'000	HK\$'000
Ordinary	-	-
Preference	-	-
Total	-	-

- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

The Company confirms that there is no person occupying any managerial positions in the or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Lin Yan
Director
27 February 2014

Loo Cheng Guan
Director