

## C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

### First Quarter Results and Dividend Announcement for the Period Ended 31 March 2014

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 31 March 2014. 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		
	2014	2013	%
	HK\$'000	HK\$'000	Increase / (Decrease)
<b>Revenue</b>	136,288	117,351	16.14
Cost of sales	<u>(64,628)</u>	<u>(65,659)</u>	(1.57)
<b>Gross profit</b>	71,660	51,692	38.63
Other income	6,750	5,115	31.96
Administrative expenses	(19,740)	(20,522)	(3.81)
Other operating income	<u>1,421</u>	<u>177</u>	702.82
<b>Profit from operations</b>	60,091	36,462	64.80
Finance costs	<u>(37,988)</u>	<u>(29,360)</u>	29.39
<b>Profit before tax</b>	22,103	7,102	211.22
Income tax expense	<u>(9,148)</u>	<u>(3,301)</u>	177.13
Profit for the year attributable to the owners of the Company	12,955	3,801	240.83
<b>Other comprehensive income, net of tax:</b>			
Items that may be reclassified to profit or loss:			
Exchange difference on translating foreign operations	<u>(12,921)</u>	<u>13,430</u>	(196.21)
Total comprehensive income for the year attributable to the owners of the Company	<u>34</u>	<u>17,231</u>	(99.80)

**1 (a)(ii) Explanatory Notes:**

**Other income comprises:**

	<b>The Group</b>	
	Three ended 31 March	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>80</b>	49
Government grants	<b>274</b>	891
Refund of value-added tax	<b>6,382</b>	4,079
Sundry income	<b>14</b>	96
	<b>6,750</b>	5,115

**Profit before tax is arrived at after charging/(crediting):**

	<b>The Group</b>	
	Three ended 31 March	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation and amortisation	<b>34,475</b>	32,565
Interest on bank loans	<b>37,968</b>	29,355
Interest on finance lease	<b>20</b>	5
Reversal of impairment loss of value-added tax receivables	<b>(1,421)</b>	-

**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.**

	<b>The Group</b>		<b>The Company</b>	
	<b>31.3.2014</b>	31.12.2013	<b>31.3.2014</b>	31.12.2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>				
Fixed assets	9,422	10,113	-	-
Intangible assets	3,985,930	4,041,219	-	-
Investment in subsidiaries	-	-	575,396	575,396
Investment in a joint venture	71	71	-	-
	<u>3,995,423</u>	<u>4,051,403</u>	<u>575,396</u>	<u>575,396</u>
<b>Current assets</b>				
Inventories	10,094	7,743	-	-
Trade receivables	148,032	140,901	-	-
Gross amounts due from customers for contract work	137,685	237,335	-	-
Other deposits and other receivables	439,716	483,842	3	-
Trade deposits and prepayments	24,018	21,726	-	-
Due from a subsidiary	-	-	906,203	906,203
Pledged bank deposits	25,299	44,044	-	-
Bank and cash balances	63,205	54,930	77	134
	<u>848,049</u>	<u>990,521</u>	<u>906,283</u>	<u>906,337</u>
<b>TOTAL ASSETS</b>	<u><u>4,843,472</u></u>	<u><u>5,041,924</u></u>	<u><u>1,481,679</u></u>	<u><u>1,481,733</u></u>
<b>Capital and reserves</b>				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,645,299	1,645,026	1,369,847	1,372,657
<b>Equity attributable to owners of the Company</b>	<u>1,742,601</u>	<u>1,742,328</u>	<u>1,467,149</u>	<u>1,469,959</u>
<b>Non-current liabilities</b>				
Interest-bearing borrowings	1,953,305	1,984,086	-	-
Finance lease payables	1,082	1,136	-	-
Deferred income	23,794	24,257	-	-
Deferred tax liabilities	105,370	97,059	-	-
	<u>2,083,551</u>	<u>2,106,538</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade payables	36,568	42,434	-	-
Gross amounts due to customers for contract work	51,176	53,001	-	-
Accruals and other payables	297,585	345,159	2,261	2,255
Advance payment received	317,075	317,075	-	-
Due to a subsidiary	-	-	12,269	9,519
Deferred income	1,089	1,097	-	-
Finance lease payables	263	257	-	-
Interest-bearing borrowings	311,911	432,369	-	-
Current tax liabilities	1,653	1,666	-	-
	<u>1,017,320</u>	<u>1,193,058</u>	<u>14,530</u>	<u>11,774</u>
<b>Total liabilities</b>	<u>3,100,871</u>	<u>3,299,596</u>	<u>14,530</u>	<u>11,774</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>4,843,472</u></u>	<u><u>5,041,924</u></u>	<u><u>1,481,679</u></u>	<u><u>1,481,733</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**

<b>As at 31 March 2014</b>		<b>As at 31 December 2013</b>	
<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>	<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$000)</b>
<b>311,911</b>	<b>Nil</b>	<b>432,369</b>	<b>Nil</b>

**Amount repayable after one year**

<b>As at 31 March 2014</b>		<b>As at 31 December 2013</b>	
<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>	<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>
<b>1,953,305</b>	<b>Nil</b>	<b>1,984,086</b>	<b>Nil</b>

**Details of any collateral**

At 31 March 2014, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$3,970,604,000.

**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	
	2014 HK\$'000	2013 HK\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	22,103	7,102
Adjustments for:		
Depreciation and amortisation	34,475	32,565
Interest expenses	37,988	29,360
Profit from construction services	(253)	(238)
Amortisation of deferred income	(274)	(262)
Interest income	(80)	(49)
Gain on financial liability at fair value through profit or loss	-	(177)
Reversal of impairment loss of value-added tax receivables	(1,421)	-
Share based payment expenses	239	-
Operating profit before working capital changes	92,777	68,301
Increase in inventories	(2,351)	(618)
(Increase)/decrease in trade receivables	(7,131)	9,965
Decrease/(increase) in other deposits and other receivables	45,547	(3,818)
(Increase)/decrease in trade deposits and prepayments	(2,292)	175
(Decrease)/increase in trade payables	(5,866)	1,845
(Decrease)/increase in accruals and other payables	(46,846)	19,970
Increase in deferred income	-	5,697
Cash generated from operations	73,838	101,517
Interest paid	(37,974)	(33,245)
Net cash generated from operating activities	35,864	68,272
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Refund/(payment) for construction work for BOT projects	49,141	(74,326)
Proceeds from disposal of fixed assets	7	3
Purchase of fixed assets	(273)	(853)
Interest received	80	49
Net cash generated from/(used in) investing activities	48,955	(75,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment to a contractor	-	(44,268)
Advance from ultimate holding company and a related company	28,742	2,450
Decrease/(increase) in pledged bank deposits	18,745	(32,266)
Repayment of finance lease payables	(64)	(49)
Repayment of interest-bearing borrowings	(198,043)	(40,346)
Drawdown of Interest-bearing borrowings	61,660	237,184
Net cash (used in)/generated from financing activities	(88,960)	122,705
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,141)	115,850
<b>Effect on foreign exchange rate changes</b>	12,416	(3,019)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL</b>	54,930	9,993
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	63,205	122,824
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	63,205	122,824

**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	Contributed surplus	Statutory reserve	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>								
<b>For the three months ended</b>								
<b>31 March 2014</b>								
At 1 January 2014	97,302	786,115	102,151	39,768	629	223,213	493,150	1,742,328
Share-based payment	-	-	-	-	239	-	-	239
Total comprehensive income for the financial period	-	-	-	-	-	(12,921)	12,955	34
At 31 March 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>868</u>	<u>210,292</u>	<u>506,105</u>	<u>1,742,601</u>
<b>For the three months ended</b>								
<b>31 March 2013</b>								
At 1 January 2013	97,302	786,115	102,151	39,768	-	170,189	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>102,151</u>	<u>39,768</u>	<u>-</u>	<u>183,619</u>	<u>519,727</u>	<u>1,728,682</u>
<b>Company</b>								
<b>For the three months ended</b>								
<b>31 March 2014</b>								
At 1 January 2014	97,302	786,115	102,151	-	629	125,755	358,007	1,469,959
Share-based payment	-	-	-	-	239	-	-	239
Total comprehensive income for the financial period	-	-	-	-	-	-	(3,049)	(3,049)
At 31 March 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>-</u>	<u>868</u>	<u>125,755</u>	<u>354,958</u>	<u>1,467,149</u>
<b>For the three months ended</b>								
<b>31 March 2013</b>								
At 1 January 2013	97,302	786,115	102,151	-	-	125,755	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>102,151</u>	<u>-</u>	<u>-</u>	<u>125,755</u>	<u>363,314</u>	<u>1,474,637</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 2013 and 31 March 2014	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 March 2014, the number of outstanding share options was 2,585,000 (31 March 2013: Nil).

(ii) Performance Share Plan ("PSP")

As at 31 March 2014, the number of shares outstanding under the Company's PSP was 1,550,000 (31 March 2013: Nil).

(iii) Restricted Share Plan ("RSP")

As at 31 March 2014, the number of shares outstanding under the Company's RSP was 1,034,000 (31 March 2013: 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\$	Number of shares
Issued and fully paid-up ordinary shares and balance as at 1 January and 31 March 2014	0.10	973,023,354

**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 2013.

**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).**

	<b>Three months ended 31 March 2014 HK\$ cents</b>	Three months ended 31 March 2013 HK\$ cents
Earnings per share		
- Basic <sup>(1)</sup>	<b>1.33</b>	0.39
- Diluted <sup>(2)</sup>	<b>N/A</b>	N/A

**Explanatory notes:**

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 31 March 2014 and 2013 and the weighted average number of shares 973,023,354 (2013:973,023,354).

2. No diluted earnings per share is presented as the Company did not have any diluted potential ordinary shares during the period ended 31 March 2014 and 2013.

**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.**

	<b>The Group 31.3.2014</b>	The Group 31.12.2013	<b>The Company 31.3.2014</b>	The Company 31.12.2013
Net asset value (HK\$'000)	<b>1,742,601</b>	1,742,328	<b>1,467,149</b>	1,469,959
Number of issued shares	<b>973,023,354</b>	973,023,354	<b>973,023,354</b>	973,023,354
Net asset value per share (HK\$ cents)	<b>179.09</b>	179.06	<b>150.78</b>	151.07

**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:

	<b>Three months ended 31 March 2014</b>	Three months ended 31 March 2013	Increase / (decrease)
	<b>HK\$'000</b>	HK\$'000	%
Revenue from operation services	<b>126,865</b>	98,665	28.6
Revenue from construction services	<b>9,423</b>	18,686	(49.6)
<b>Total</b>	<b>136,288</b>	117,351	16.1

In Q1 2013, there were six plants in operation with a total capacity of 5,100 tonnes, namely Jinjiang, Huangshi, Huian, Anxi, Fuqing and Jianyang. In Q1 2014, 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\$126.6 million and operation and maintenance service fees of HK\$0.3 million for Q1 2014. The revenue from operation services increased by 28.6% for the three months ended 31 March 2014. During the quarter, the Group processed approximately 483,000 tonnes of waste and generated 130,792,000 kWh of sold on-grid electricity, an increase of 11.1% and 34.9% respectively compared with Q1 2013. The average utilisation rate for waste handling increased from 94.8% in Q1 2013 to 99.5% in Q1 2014, and the average utilisation rate for electricity generation increased from 61.4% in Q1 2013 to 83.0% in Q1 2014. The increase in revenue from operation services for power generation and waste handling fee was mainly attributable to upward adjustment of waste handling fee of Jinjiang and Huian plants and the contribution from the improvement of operational efficiency in both waste processing and electricity generation of the plants.

Construction services revenue is recognised according to the percentage of completion for construction of Waste-to-Energy ("WTE") plants. During the period under review, the revenue from construction services mainly generated from Thailand, Huian phase 2 and Langfang projects. Less construction revenue was recognised as construction work for Anxi phase 2 and substantial part of the construction work for Langfang project were completed in last year.

### Gross profit

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

	<b>Three months ended 31 March 2014</b>	Three months ended 31 March 2013	Increase / (decrease)
	<b>HK\$'000</b>	HK\$'000	%
Gross profit			
Operation services	<b>71,407</b>	51,454	38.8
Construction services	<b>253</b>	238	6.3
<b>Total</b>	<b>71,660</b>	51,692	38.6
Gross profit margin			
Operation services	<b>56.3%</b>	52.2%	
Construction services	<b>2.7%</b>	1.3%	
<b>Total</b>	<b>52.6%</b>	44.0%	

The gross profit margin from the operations increased from 52.2% for the three months ended 31 March 2013 to 56.3% for the three months ended 31 March 2014 mainly due to the improvement of operational efficiency of the operating plants in the period.

#### **Other income**

Other income increased mainly due to the increase in refund of value added tax for Huangshi project recognised as other income in the period while the value added tax refund on the sales of electricity of Huangshi was offset with the value added tax on acquisition of equipment, which was recognised as a reduction of asset cost in Q1 2013.

#### **Administrative expenses**

Administrative expenses which include payroll expenses, legal and professional expenses, travelling and business development-related expenses amounted to HK\$19.7 million for the three months ended 31 March 2014. The balance decreased mainly due to decrease in business development-related expenses in the period.

#### **Other operating income**

Other operating income amounted to HK\$1.4 million due to reversal of impairment loss of value added tax receivables upon the receipt of the value added tax invoices from the contractor. In Q1 2013, the balance represented fair value change arising from the outstanding 34,008,108 unlisted warrants issued to International Finance Corporation which was expired in October 2013.

#### **Finance costs**

Finance costs increased from HK\$29.4 million to HK\$38.0 million for the three months ended 31 March 2014. This was mainly due to increase in the bank loan interest paid for the new bank loans for Jinjiang and Huian projects.

#### **Income tax expense**

Income tax expense comprises deferred tax expense. The increase was mainly due to increase in deferred tax expense arising from the utilisation of tax loss of prior years and timing differences arising from GAAP differences.

	<b>Three months ended 31 March 2014 HK\$'000</b>	Three months ended 31 March 2013 HK\$'000	Changes
<b><u>Income tax expense</u></b>	-	-	
<b><u>Deferred tax expense</u></b>			
Temporary differences on assets recognised under IFRIC 12	<b>6,522</b>	6,444	1.2%
Tax loss	<b>(588)</b>	(3,872)	(84.8%)
Others	<b>3,214</b>	729	340.9%
<b>Total</b>	<b>9,148</b>	3,301	177.1%

Others represent the deferred tax expenses arising from temporary differences between the international and PRC GAAP.

#### **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 March 2014 increased by 37.1%.

	<b>Three months ended 31 HK\$'000</b>	Three months ended 31 HK\$'000	Increase / (decrease) %
EBITDA on recurring basis (exclude construction profit)	<b>94,312</b>	68,789	37.1

### Net profit

The net profit of HK\$13.0 million for the quarter was mainly because of increasing revenue from operation services contributed by upward adjustment of waste handling fee of Jinjiang and Huian plants and improvement of operational efficiency in both waste processing and electricity generation of the plants to achieve better utilisation and higher EBITDA.

## 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 decrease of HK\$55.3 million in intangible assets was due to the movement below:

Net book value as at 1 January 2014	HK\$'000 4,041,219
Add: Addition during the period	9,423
Less: Amortisation for the period	(33,553)
Exchange loss	(31,159)
Net book value as at 31 March 2014	<u>3,985,930</u>

#### Trade receivables

The trade receivable balance of HK\$148.0 million comprised receivables from waste services of HK\$25.8 million, electricity tariff of HK\$121.7 million and HK\$0.5 million for operation and maintenance service fee. Trade receivables increased by HK\$7.1 million mainly due to 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 gross amounts due from customers for contract work was mainly due to the utilisation of prepaid amount for the construction cost for the Huian phase 2 and Thailand projects. The decrease in gross amounts due to customers for contract work was mainly due to settlement to contractors for the Huian phase 2 project.

#### Other deposits and other receivables

	<b>31.3.2014 HK\$'000</b>	31.12.2013 HK\$'000	Changes
Other receivables	<b>14,572</b>	54,666	(73.3%)
Deposits	<b>44,433</b>	44,774	(0.8%)
Due from a joint venture	<b>5</b>	5	-
Value-added tax receivables	<b>38,839</b>	42,334	(8.3%)
Amount due from a related company	<b>341,867</b>	342,063	(0.1%)
	<u><b>439,716</b></u>	<u>483,842</u>	(9.1%)

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

company. The balance of other deposits and other receivables decreased by HK\$44.1 million was mainly because utilisation of the prepaid expenses paid to the contractor by HK\$40.8 million.

#### **Trade deposits and prepayments**

The increase in trade deposits and prepayments of HK\$2.3 million was mainly due to the increase in prepayment for spare parts and production materials used for Jinjiang plants partially offset with decrease in spare parts used for operation and maintenance services.

#### **Pledged bank deposits**

The pledged bank deposits represented deposit of HK\$25.3 million placed in the bank to facilitate the arrangement of performance guarantee to the Thailand government for the Bangkok WTE project. The balance decreased by HK\$18.7 million due to the decrease in deposit of HK\$18.7 million upon the maturity of bills payables to certain subcontractors as at the period end.

#### **Bank and cash balances**

The balance increased by HK\$8.3 million as at 31 March 2014. For the details of the cash movement, please also refer to the Statement of Cash Flows and the explanation notes in page 13.

### **LIABILITIES**

#### **Trade payables**

The balance decreased by HK\$5.9 million was mainly because of settlement of trade payable of Jinjiang and decrease in spare parts used for operation and maintenance services.

#### **Accruals and other payables**

	<b>31.3.2014</b>	31.12.2013	Changes
	<b>HK\$'000</b>	HK\$'000	
Bills payable	-	38,049	(100.0%)
Amounts due to contractors	<b>118,106</b>	154,097	(23.4%)
Due to the ultimate holding company	<b>128,370</b>	99,168	29.4%
Due to a related company	-	460	(100.0%)
Others	<b>51,109</b>	53,385	(4.3%)
	<b><u>297,585</u></b>	<u>345,159</u>	(13.8%)

Accruals and other payables decreased by HK\$47.8 million mainly due to the following reasons:

- (1) Settlement of bills payable of HK\$38.0 million;
- (2) Settlement of construction payables of HK\$36.0 million; and
- (3) Net off with increase in due to the ultimate holding company of HK\$29.0 million.

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

#### **Advance payment received**

The amount represented the brought forward balance of the advance payment of the cash consideration of RMB250 million (equivalent to HK\$317.5 million) paid by Grandblue Environment Company Limited ("the Purchaser") for the Proposed Sales according to the Framework Agreement entered into on 23 December 2013.

## Deferred income

	31.3.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Non-current portion	23,794	24,257	(1.9%)
Current portion	1,089	1,097	(0.7%)
	<u>24,883</u>	<u>25,354</u>	(1.9%)

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 decreased by 1.9% was mainly due to amortisation of deferred income for the period.

## Finance lease payables

	31.3.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Non-current portion	263	257	2.3%
Current portion	1,082	1,136	(4.8%)
	<u>1,345</u>	<u>1,393</u>	(3.4%)

The finance lease payables represented the payable for the purchase of vehicles under hire purchase agreements. The balance decreased by 3.4% was due to the repayment of the finance lease payables for the period.

## Interest-bearing borrowings

	31.3.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Non-current portion	1,953,305	1,984,086	(1.6%)
Current portion	311,911	432,369	(27.9%)
	<u>2,265,216</u>	<u>2,416,455</u>	(6.3%)

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

In Q1 2014, HK\$61.7 million was drawn down and HK\$198.0 million was repaid. The loans were secured by the intangible assets. As at 31 March 2014, the Group's gearing ratio decreased slightly to 64.0% from 65.4% 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 of prepaid expenses paid on behalf of contractors.

### 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 offset with the drawdown of interest-bearing borrowings and advance from the ultimate holding company.

## **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.**

Further to the announcements made on 23 October 2013, 24 November 2013, 24 December 2013 and 29 January 2014 in relation to the proposed sale of the Group's WTE business and assets in the PRC to Grandblue Environment Company Limited ("the Purchaser") at the consideration of RMB1.85billion, consisting of RMB1.1 billion in cash and the balance RMB0.75 billion in shares of Grandblue. The Group and the Purchaser are currently in the process of obtaining all the required consents, approvals, waivers, authorisations, submission and filings, as necessary, from any governmental or regulatory body, or relevant competent authority, including, but not limited to, the SGX-ST, China Securities Regulatory Commission ("CSRC") and Shanghai Stock Exchange "SSE". Besides, the Group is in the process of obtaining approval from Ministry of Commerce of the PRC for the proposed strategic investment in the Purchaser.

The Group has dispatched the circular to shareholders to seek approval for the Proposed Sale at a Special General Meeting ("SGM") to be held on 7 May 2014.

The Group's current municipal solid waste incineration power plant project in Bangkok is under construction and is expected to be completed by first half of 2015. The plant has obtained the relevant approvals, licences, and consents from relevant government authorities for construction works, and is on track to commence operations shortly after the completion of construction works, barring any unforeseen circumstances. The Group has received and signed the term sheet with a development financial institution for the project and is in the process of final preparation of loan documentation for project financing which is expected to be completed by Q2 2014.

The Group's foray into Malaysia through a 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 is currently in negotiation with the State Government of Terengganu on the terms of its investment.

Going forward, the Group would focus on leveraging its WTE experience to expand its geographical reach in Southeast Asia. The Group could work individually or in partnership with other Southeast Asian WTE operators to bid for projects on a Build-Operate-Transfer (BOT) model. In addition, the Group is looking to expand into other environmental related businesses such as the providing technology advice, equipment and installation services for industrial waste water treatment and air pollution (PM2.5). This would be undertaken through investment in in-house capabilities, acquisition or strategic alliance.

**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 FY2014 financial statements to be materially false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Lin Yan  
Director  
6 May 2014

Loo Cheng Guan  
Director