

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Third Quarter Results and Dividend Announcement for the Period Ended 30 September 2014

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 30 September 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 30 September			nine months ended 30 September		
	2014 HK\$'000	2013 HK\$'000	% Increase / (Decrease)	2014 HK\$'000	2013 HK\$'000	% Increase / (Decrease)
Revenue	176,482	163,700	7.81	587,820	417,374	40.84
Cost of sales	<u>(125,021)</u>	<u>(116,774)</u>	7.06	<u>(388,112)</u>	<u>(263,711)</u>	47.17
Gross profit	51,461	46,926	9.66	199,708	153,663	29.96
Other income	7,714	15,785	(51.13)	25,341	29,179	(13.15)
Administrative expenses	(27,587)	(19,811)	39.25	(70,575)	(60,057)	17.51
Other operating income/(expense)	<u>1,007</u>	<u>(3,912)</u>	125.74	<u>3,506</u>	<u>(3,912)</u>	189.62
Profit from operations	32,595	38,988	(16.40)	157,980	118,873	32.90
Finance costs	<u>(37,116)</u>	<u>(31,337)</u>	18.44	<u>(110,147)</u>	<u>(91,417)</u>	20.49
(Loss)/profit before tax	(4,521)	7,651	(159.09)	47,833	27,456	74.22
Income tax expense	<u>(1,003)</u>	<u>(3,282)</u>	(69.44)	<u>(19,668)</u>	<u>(4,749)</u>	314.15
(Loss)/profit for the year attributable to the owners of the Company	(5,524)	4,369	(226.44)	28,165	22,707	24.04
Other comprehensive income, net of tax: Items that may be reclassified to profit or Exchange difference on translating foreign	<u>4,000</u>	<u>11,044</u>	(63.78)	<u>(9,645)</u>	<u>45,585</u>	(121.16)
Total comprehensive income for the year attributable to the owners	<u>(1,524)</u>	<u>15,413</u>	(109.89)	<u>18,520</u>	<u>68,292</u>	(72.88)

1 (a)(ii) Explanatory Notes:

Other income comprises:

	The Group			
	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	26	551	240	810
Exchange gain	-	4	-	39
(Loss)/gain on disposal of fixed assets	-	(1)	-	25
Government grants	520	645	3,106	2,051
Refund of value-added tax	6,973	6,605	21,767	18,057
Fair value gain on financial liabilities at fair value through profit or loss	-	110	-	215
Reimbursement income from a contractor	-	7,482	-	7,482
Sundry income	195	389	228	500
	7,714	15,785	25,341	29,179

(Loss)/profit before tax is arrived at after charging/(crediting):

	The Group			
	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	34,120	33,488	102,751	99,172
Interest on bank loans	37,098	31,326	110,090	91,393
Interest on finance lease	18	11	57	24
Reversal of impairment loss of value-added tax receivables	(1,007)	-	(3,506)	-

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	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Fixed assets	8,592	10,113	-	-
Intangible assets	4,129,794	4,041,219	-	-
Long term prepayment	11,015	-	11,015	-
Investment in subsidiaries	-	-	575,396	575,396
Investment in a joint venture	71	71	-	-
	<u>4,149,472</u>	<u>4,051,403</u>	<u>586,411</u>	<u>575,396</u>
Current assets				
Inventories	10,191	7,743	-	-
Trade receivables	158,068	140,901	-	-
Gross amounts due from customers for contract work	193,650	237,335	107,336	-
Other deposits and other receivables	418,665	483,842	2	-
Trade deposits and prepayments	16,752	21,726	49	-
Due from a subsidiary	-	-	906,203	906,203
Pledged bank deposits	53,548	44,044	9,316	-
Bank and cash balances	44,722	54,930	195	134
	<u>895,596</u>	<u>990,521</u>	<u>1,023,101</u>	<u>906,337</u>
TOTAL ASSETS	<u>5,045,068</u>	<u>5,041,924</u>	<u>1,609,512</u>	<u>1,481,733</u>
Capital and reserves				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,664,192	1,645,026	1,364,874	1,372,657
Equity attributable to owners of the Company	<u>1,761,494</u>	<u>1,742,328</u>	<u>1,462,176</u>	<u>1,469,959</u>
Non-current liabilities				
Interest-bearing borrowings	1,980,389	1,984,086	71,637	-
Finance lease payables	976	1,136	-	-
Deferred income	25,003	24,257	-	-
Deferred tax liabilities	116,173	97,059	-	-
	<u>2,122,541</u>	<u>2,106,538</u>	<u>71,637</u>	<u>-</u>
Current liabilities				
Trade payables	39,177	42,434	-	-
Gross amounts due to customers for contract work	45,836	53,001	-	-
Accruals and other payables	419,578	345,159	2,263	2,255
Advance payment received	317,075	317,075	-	-
Due to a subsidiary	-	-	73,436	9,519
Deferred income	1,091	1,097	-	-
Finance lease payables	269	257	-	-
Interest-bearing borrowings	336,350	432,369	-	-
Current tax liabilities	1,657	1,666	-	-
	<u>1,161,033</u>	<u>1,193,058</u>	<u>75,699</u>	<u>11,774</u>
Total liabilities	<u>3,283,574</u>	<u>3,299,596</u>	<u>147,336</u>	<u>11,774</u>
TOTAL EQUITY AND	<u>5,045,068</u>	<u>5,041,924</u>	<u>1,609,512</u>	<u>1,481,733</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 September 2014		As at 31 December 2013	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
336,350	Nil	432,369	Nil

Amount repayable after one year

As at 30 September 2014		As at 31 December 2013	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
1,980,389	Nil	1,984,086	Nil

Details of any collateral

At 30 September 2014, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$4,129,794,000.

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 30 September		Group nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(4,521)	7,651	47,833	27,456
Adjustments for:				
Depreciation and amortisation	34,120	33,488	102,751	99,172
Interest expenses	37,116	31,337	110,147	91,417
Profit from construction services	(2,628)	-	(7,135)	(414)
Amortisation of deferred income	(272)	(267)	(818)	(794)
Interest income	(26)	(551)	(240)	(810)
Gain on financial liability at fair value through profit or loss	-	(110)	-	(215)
Written off of construction in progress and fixed assets	-	3,912	-	3,912
Reversal of impairment loss of value-added tax receivables	(1,007)	-	(3,506)	-
Net loss/(gain) on disposal of fixed asset	-	1	-	(25)
Share based payment expenses	204	247	646	380
Operating profit before working capital changes	62,986	75,708	249,678	220,079
Increase in long term prepayment	(11,015)	-	(11,015)	-
Decrease/(increase) in inventories	208	907	(2,448)	(2,437)
Decrease/(Increase) in trade receivables	11,335	(15,122)	(17,167)	5,354
Decrease/(increase) in other deposits and other receivables	14,632	7,532	68,683	(4,329)
(Increase)/decrease in trade deposits and prepayments	(159)	(12,014)	4,974	(20,150)
Increase/(decrease) in trade payables	4,898	1,831	(3,257)	7,850
Increase/(decrease) in accruals and other payables	5,268	(22,814)	(10,450)	(15,718)
Increase in deferred income	1,702	1,041	1,702	6,819
Cash generated from operations	89,855	37,069	280,700	197,468
Interest paid	(45,836)	(45,553)	(127,829)	(120,826)
Net cash generated from/(used in) operating activities	44,019	(8,484)	152,871	76,642
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for construction work for BOT projects	(136,479)	31,224	(244,782)	(78,081)
Investment in a joint venture	-	(71)	-	(71)
Proceeds from disposal of fixed assets	-	50	7	100
Purchase of fixed assets	(470)	(322)	(1,146)	(1,663)
Interest received	26	551	240	810
Net cash (used in)/generated from investing activities	(136,923)	31,432	(245,681)	(78,905)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in amount due to contractors	-	(24,892)	-	(67,294)
Advance from/(repayment to) ultimate holding company and a related company	91,390	(66,695)	134,271	(56,515)
(Increase)/decrease in pledged bank deposits	(9,350)	31,469	(9,504)	(33)
Repayment of finance lease payables	(66)	(37)	(194)	(85)
Repayment of interest-bearing borrowings	(117,551)	(117,141)	(423,165)	(310,306)
Drawdown of Interest-bearing borrowings	122,449	505,430	322,592	745,630
Net cash generated from financing activities	86,872	328,134	24,000	311,397
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,032)	351,082	(68,810)	309,134
Effect on foreign exchange rate changes	25,397	(19,534)	58,602	33,670
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	25,357	21,249	54,930	9,993
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	44,722	352,797	44,722	352,797
ANALYSIS OF THE BALANCES OF CASH AND CASH				
Bank and cash balances	44,722	352,797	44,722	352,797

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
Group								
For the three months ended								
30 September 2014								
At 1 July 2014	97,302	786,115	102,151	39,768	1,071	209,568	526,839	1,762,814
Share-based payment	-	-	-	-	204	-	-	204
Total comprehensive income for the financial period	-	-	-	-	-	4,000	(5,524)	(1,524)
At 30 September 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>1,275</u>	<u>213,568</u>	<u>521,315</u>	<u>1,761,494</u>
For the three months ended								
30 September 2013								
At 1 July 2013	97,302	786,115	102,151	39,768	133	204,730	534,264	1,764,463
Share-based payment	-	-	-	-	247	-	-	247
Total comprehensive income for the financial period	-	-	-	-	-	11,044	4,369	15,413
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>380</u>	<u>215,774</u>	<u>538,633</u>	<u>1,780,123</u>
For the nine months ended								
30 September 2014								
At 1 January 2014	97,302	786,115	102,151	39,768	629	223,213	493,150	1,742,328
Share based payment	-	-	-	-	646	-	-	646
Total comprehensive income for the financial period	-	-	-	-	-	(9,645)	28,165	18,520
At 30 September 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>1,275</u>	<u>213,568</u>	<u>521,315</u>	<u>1,761,494</u>
For the nine months ended								
30 September 2013								
At 1 January 2013	97,302	786,115	102,151	39,768	-	170,189	515,926	1,711,451
Share-based payment	-	-	-	-	380	-	-	380
Total comprehensive income for the financial period	-	-	-	-	-	45,585	22,707	68,292
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>380</u>	<u>215,774</u>	<u>538,633</u>	<u>1,780,123</u>

Attributable to owners of the Company

	Share capital	Share premium	Contributed surplus	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
Company							
For the three months ended							
30 September 2014							
At 1 July 2014	97,302	786,115	102,151	1,071	125,755	352,383	1,464,777
Share-based payment	-	-	-	204	-	-	204
Total comprehensive income for the financial period	-	-	-	-	-	(2,805)	(2,805)
At 30 September 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>1,275</u>	<u>125,755</u>	<u>349,578</u>	<u>1,462,176</u>
For the three months ended							
30 September 2013							
At 1 July 2013	97,302	786,115	102,151	133	125,755	362,190	1,473,646
Share-based payment	-	-	-	247	-	-	247
Total comprehensive income for the financial period	-	-	-	-	-	(1,589)	(1,589)
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>380</u>	<u>125,755</u>	<u>360,601</u>	<u>1,472,304</u>
For the nine months ended							
30 September 2014							
At 1 January 2014	97,302	786,115	102,151	629	125,755	358,007	1,469,959
Share-based payment	-	-	-	646	-	-	646
Total comprehensive income for the financial period	-	-	-	-	-	(8,429)	(8,429)
At 30 September 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>1,275</u>	<u>125,755</u>	<u>349,578</u>	<u>1,462,176</u>
For the nine months ended							
30 September 2013							
At 1 January 2013	97,302	786,115	102,151	-	125,755	364,572	1,475,895
Share-based payment	-	-	-	380	-	-	380
Total comprehensive income for the financial period	-	-	-	-	-	(3,971)	(3,971)
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>380</u>	<u>125,755</u>	<u>360,601</u>	<u>1,472,304</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 September 2013 and 30 September 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 30 September 2014, the number of outstanding share options was 2,778,000 (30 September 2013: 2,585,000).

(ii) Performance Share Plan ("PSP")

As at 30 September 2014, the number of shares outstanding under the Company's PSP was 1,665,800 (30 September 2013: 1,550,000).

(iii) Restricted Share Plan ("RSP")

As at 30 September 2014, the number of shares outstanding under the Company's RSP was 1,111,200 (30 September 2013: 1,034,000).

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 September 2014	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 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).

	Three months ended 30 September 2014 HK\$ cents	Three months ended 30 September 2013 HK\$ cents	Nine months ended 30 September 2014 HK\$ cents	Nine months ended 30 September 2013 HK\$ cents
Earnings per share				
- Basic ⁽¹⁾	(0.57)	0.45	2.89	2.33
- Diluted ⁽²⁾	N/A	N/A	N/A	N/A

Explanatory notes:

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 30 September 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 30 September 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.

	The Group 30.9.2014	The Group 31.12.2013	The Company 30.9.2014	The Company 31.12.2013
Net asset value (HK\$'000)	1,761,494	1,742,328	1,462,176	1,469,959
Number of issued shares	973,023,354	973,023,354	973,023,354	973,023,354
Net asset value per share (HK\$ cents)	181.03	179.06	150.27	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) construction income, (ii) electricity tariff and waste handling fee (i.e. revenue from WTE operation services) and (iii) equipment sales. The revenue mix is shown in the table below:

	Three months ended 30 September 2014	Three months ended 30 September 2013	Increase / (decrease)
	HK\$'000	HK\$'000	%
Revenue from operation services	118,857	109,045	9.0
Revenue from construction services	57,625	54,655	5.4
Total	176,482	163,700	7.8

In Q3 2013, there were six plants in operation with a total capacity of 5,100 tonnes, namely Jinjiang, Huangshi, Huian, Anxi, Fuqing and Jianyang. In Q3 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 comprised of power generation and waste handling fees of HK\$117.8 million and equipment sales of HK\$1.1 million. Revenue from operation services increased by 9.0% to HK\$118.9 million for Q3 2014. During the review quarter, the Group processed approximately 455,000 tonnes of waste and generated 113,996,000 kWh of on-grid electricity which were sold, an increase of 5.9% and 9.4% respectively compared with Q3 2013. The average utilisation rate for waste handling remained stable at 91.5% in Q3 2014 compared to Q3 2013, and the average utilisation rate for electricity generation increased from 65.9% in Q3 2013 to 72.1% in Q3 2014. The increase in revenue from operation services was mainly attributable to an upward adjustment of waste handling fee for the Huian plant since October 2013 and contributions from the improved operational efficiency in both waste processing and electricity generation at 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 were mainly generated from the Thailand and Huian Phase 2 projects. The higher construction revenue for the Thailand and Huian Phase 2 projects recognised in Q3 2014 was in line with the progress of the construction work.

Gross profit

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

	Three months ended 30 September 2014	Three months ended 30 September 2013	Increase / (decrease)
	HK\$'000	HK\$'000	%
Gross profit			
Operation services	48,833	46,926	4.1
Construction services	2,628	-	N.M
Total	51,461	46,926	9.7
Gross profit margin			
Operation services	41.1%	43.0%	
Construction services	4.6%	0.0%	
Total	29.2%	28.7%	

Gross profit margin from operation services decreased from 43.0% in Q3 2013 to 41.1% in Q3 2014. For details, please refer to the explanation in the paragraph below under Net loss.

Other income

Other income decreased mainly because there was no reimbursement income from a contractor for the use of facilities in Q3 2014 compared to HK\$7.5 million which was recognised in other income in Q3 2013.

Administrative expenses

Administrative expenses which include payroll expenses, legal and professional expenses, travelling and business development-related expenses amounted to HK\$27.6 million for Q3 2014. The balance increased by HK\$7.8 million mainly due to higher legal and professional fee arising from securing the term loan facility with China Development Bank Corporation for the Bangkok WTE Project, recognition of the under-provision of China building taxes from prior years and increased in travelling expenses.

Other operating income/(expense)

Other operating income/(expense) amounted to HK\$1.0 million due to the reversal of impairment loss of value added tax receivables upon the receipt of the value added tax invoices from a contractor. In Q3 2013, other operating expense represented construction in progress and fixed assets of HK\$3.9million which were written off due to the Nanping project which was in the process of deregistration.

Finance costs

Finance costs increased from HK\$31.3 million to HK\$37.1 million for the three months ended 30 September 2014. This was mainly due to an increase in the bank loan interest paid for the new bank loans for the Jinjiang, Huian and Anxi projects.

Income tax expense

Income tax expense comprises deferred tax expense. The decrease was mainly due to a decrease in deferred tax expense arising from temporary differences between the international and PRC GAAP.

	Three months ended 30 September 2014 HK\$'000	Three months ended 30 September 2013 HK\$'000	Changes
<u>Income tax expense</u>	-	-	
<u>Deferred tax expense</u>			
Temporary differences on assets recognised under IFRIC 12	(4,745)	(433)	995.8%
Tax loss	14,244	(973)	(1,563.9%)
Temporary differences between the international and PRC GAAP	(8,496)	4,688	(281.2%)
Total	<u>1,003</u>	<u>3,282</u>	(69.4%)

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.

	Three months ended 30 September 2014	Three months ended 30 September 2013	Increase / (decrease)
	HK\$'000	HK\$'000	%
EBITDA (exclude construction profit)	64,088	76,387	(16.1)

For details, please refer to the explanation in the paragraph below under Net loss.

Net loss

The Group recorded a net loss of HK\$5.5million for Q3 2014 compared to a net earnings of HK\$4.3million for Q3 2013.

During the quarter under review, legal and professional fee increased by HK\$2.5 million for securing and preparing the documentation of the loan facility from China Development Bank Corporation, additional provision of HK\$1.7million was made for the under provision of China Building tax, reimbursement income from contractor dropped by HK\$7.5million and non-recurring expenses of HK\$8million (approximately RMB6.35million) was incurred as a result of an industrial accident in C&G Environmental Protection (Anxi) Company Limited (hereinafter "Anxi Plant"), a wholly-owned subsidiary of the Group. Subsequent to the accident, the Group has launched a review and introduced improvements to the safety measures and practices for all the subsidiaries. Anxi plant having obtained the necessary approvals from relevant departments for resumption of operation, has since resumed normal operations. In the meanwhile, the Group had submitted the claims to the insurance companies to recover the non-recurring expenses. As at the date of this report, HK\$1.2million (approximately RMB0.96million) has been recovered. The final amount of the claims that can be recovered from the insurance companies is still under assessment and will be credited to the Income Statement according to IAS 37 when it is virtually certain.

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 work for each project. The increase of HK\$88.6 million in intangible assets was due to the movement below:

	HK\$'000
Net book value as at 1 January 2014	4,041,219
Add: Addition during the period	211,348
Less: Amortisation for the period	(100,103)
Exchange loss	(22,670)
Net book value as at 30 September 2014	<u>4,129,794</u>

Trade receivables

The trade receivable balance of HK\$158.1 million comprised receivables from waste services of HK\$25.3 million, electricity tariff of HK\$132.3 million and equipment sales of HK\$0.5 million. Trade receivables increased by HK\$17.2 million mainly due to the overall increase in operational revenue.

Long term prepayment

Long term prepayment of HK\$11.0 million represented the unamortised portion of the export credit insurance for the equipment for our Bangkok Nong Khaem Municipal Solid Waste Incineration Power Plant in Q3 2014 as required by the lender, China Development Bank Corporation. The balance will be amortised over the tenure of the loan (i.e. 9 years).

Gross amounts due (to)/from customers for contract work

Gross amounts due (to)/from customers for contract work represented 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 Langfang project.

Other deposits and other receivables

	30.9.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Other receivables	16,300	54,666	(70.2%)
Deposits	32,064	44,774	(28.4%)
Due from a joint venture	5	5	-
Value-added tax receivables	28,025	42,334	(33.8%)
Amount due from a related company	342,271	342,063	0.1%
	<u>418,665</u>	<u>483,842</u>	(13.5%)

Other deposits and other receivables mainly represented tender deposit paid for the BOT contracts, value-added tax receivables, prepaid expenses paid to contractors and amount due from a related company. The balance of other deposits and other receivables decreased by HK\$65.2 million was mainly because utilisation of the prepaid expenses paid to the contractor, amounting to HK\$44.4 million and the refund of tender deposit paid for the BOT contracts of HK\$12.7 million.

Trade deposits and prepayments

The decrease in trade deposits and prepayments of HK\$5.0 million was mainly due to the utilisation of the prepaid spare parts cost of HK\$5.0 million.

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, deposit of HK\$18.9 million to secure the repayment of bills payable to the subcontractor and 12-month fixed deposit of US\$1.2 million (equivalent to HK\$9.3 million) pledged to secure the bank loan of the Bangkok WTE Project. The balance increased by HK\$9.5 million mainly due to the HK\$9.3 million fixed deposit as at 30 September 2014.

Bank and cash balances

Bank and cash balances decreased by HK\$10.2 million as at 30 September 2014. For details of the cash movement, please refer to the Statement of Cash Flows and the explanation notes on page 15.

LIABILITIES

Trade payables

Trade payables decreased by HK\$3.3 million mainly because of decrease in spare parts used for operation and maintenance services.

Accruals and other payables

	30.9.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Bills payable	38,589	38,049	1.4%
Amounts due to contractors	97,474	154,097	(36.7%)
Due to the ultimate holding company	232,736	99,168	134.7%
Due to a related company	1,163	460	152.8%
Others	49,616	53,385	(7.1%)
	<u>419,578</u>	<u>345,159</u>	21.6%

Others comprised mainly of accrued salaries, other payables, bank interest payable, other tax payables, retirement benefit payable and value-added tax payable.

Accruals and other payables increased by HK\$74.4 million mainly due to the following reasons:

- (1) Settlement of construction payables of HK\$61.0 million; and
- (2) Increase in amount due to the ultimate holding company of HK\$133.6 million.

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

	30.9.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Non-current portion	25,003	24,257	3.1%
Current portion	1,091	1,097	(0.5%)
	<u>26,094</u>	<u>25,354</u>	2.9%

Deferred income 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 2.9% mainly due to the receipt of government subsidy of HK\$1.7 million for the Jianyang project in Q3 2014 which was partially net off with the amortisation of deferred income for the period.

Finance lease payables

	30.9.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Non-current portion	269	257	4.7%
Current portion	976	1,136	(14.1%)
	<u>1,245</u>	<u>1,393</u>	(10.6%)

The finance lease payables represented the payable for the purchase of vehicles under hire purchase agreements. The balance decreased by 10.6% due to the repayment of the finance lease payables for the period.

Interest-bearing borrowings

	30.9.2014 HK\$'000	31.12.2013 HK\$'000	Changes
Non-current portion	1,980,389	1,984,086	(0.19%)
Current portion	336,350	432,369	(22.2%)
	<u>2,316,739</u>	<u>2,416,455</u>	(4.1%)

The interest-bearing borrowings decreased by 4.1% as compared with prior year. The loan was borrowed as project loans to finance the construction of WTE plants.

In Q3 2014, HK\$322.6 million was drawn down and HK\$423.2 million was repaid. The loans were secured by the intangible assets. As at 30 September 2014, the Group's gearing ratio remained relatively stable at 65.1% compared to 65.4% as at 31 December 2013.

Financial Position of the Company

Long term prepayment

Long term prepayment of HK\$11.0 million represented the unamortised portion of the paid insurance fee in Q3 2014 for the term loan facility in the amount of US\$24.0 million with China Development Bank Corporation for 9 years for the Bangkok WTE Project.

Gross amounts due from customers for contract work

Gross amounts due from customers for contract work represented the amount prepaid to the contractors, calculated based on the percentage of completion of construction work. The increase in gross amounts due from customers for contract work was mainly due to the prepaid amount for the construction cost for the Thailand project.

Trade deposits and prepayments

Trade deposits and prepayments represented the current portion of the long term prepayment. For details, please refer to the explanation paragraph of the long term prepayment item.

Pledged bank deposits

The pledged bank deposits represented a 12-month fixed deposit of US\$1.2 million (equivalent to HK\$9.3 million) pledged to secure the bank loan of the Bangkok WTE Project which was drawdown in Q3 2014.

Interest-bearing borrowings

The interest-bearing borrowings represented non-current portion of the term loan facility in the amount of US\$24.0 million with China Development Bank Corporation for 9 years for the Bangkok WTE Project.

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 the decrease in prepaid expenses paid to contractors and the settlement of trade receivables.

Net cash used in investing activities

Net cash used in investing activities in this quarter represented mainly the payment of construction costs for the BOT projects.

Net cash generated from financing activities

Net cash generated from financing activities in this quarter represented mainly net cash inflow from the drawdown of interest-bearing borrowings and advance from the ultimate holding company offset by the repayment of interest-bearing borrowings and increase in pledged bank deposits.

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, 29 January 2014, 8 April 2014, 7 May 2014, 30 June 2014, 7 July 2014, 14 August 2014, 15 September, 22 October 2014, 29 October 2014 (the "Previous Announcements") and its circular to shareholders dated 14 April 2014 (the "Circular") in relation to the proposed sale of the Group's WTE business and assets in the PRC to the Purchaser, the Listed Company Acquisition and Restructuring Review Committee of China Securities Regulatory Commission ("CSRC") has conditionally approved the Purchaser's application for the issue and allotment of its shares to C&G (HK) as part consideration for acquisition of C&G (China). Further announcement will be made upon the receipt of the formal approval documents from CSRC by the Purchaser and will keep shareholders informed of further significant developments.

The Company has successfully secured the term loan facility in the amount of US\$24.0 million with China Development Bank Corporation on 18 August 2014 with a loan tenure of 9 years for financing the equipment cost for our Bangkok WTE project. As of the date of this report, US\$15.5 million was drawdown. The Bangkok WTE project is currently under construction and is expected to be completed by the first half of 2015.

The Company has incorporated a subsidiary in Shenzhen and it has commenced the equipment sales business since Q3 2014. In Q4 2014, it has further secured the second contract of approximately RMB0.8million. More contracts are expected to be secured or awarded in coming 12 months.

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 3Q FY2014 financial statements to be materially false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lin Yan
Director
7 November 2014

Loo Cheng Guan
Director