

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Third Quarter Results and Dividend Announcement for the Period Ended 30 September 2015

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 30 September 2015. 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		
	2015	2014	%	2015	2014	%
	HK\$'000	HK\$'000 (Restated)	Increase / (Decrease)	HK\$'000	HK\$'000 (Restated)	Increase / (Decrease)
Revenue	31,585	21,422	47.44	155,054	36,046	330.15
Cost of sales	(24,756)	(20,201)	22.55	(146,473)	(33,805)	333.29
Gross profit	6,829	1,221	459.12	8,581	2,241	282.84
Other income	794	187	325.29	1,266	295	329.60
Administrative expenses	(17,843)	(9,445)	88.91	(50,136)	(25,821)	94.17
Loss from operations	(10,220)	(8,037)	27.16	(40,289)	(23,285)	73.03
Finance costs	(393)	(67)	488.89	(425)	(322)	32.10
Loss before taxation from continuing operations	(10,613)	(8,104)	30.96	(40,714)	(23,607)	72.47
Income tax expense	-	-	N.M	-	-	N.M
Loss from continuing operations attributable to the owners of the Company	(10,613)	(8,104)	30.96	(40,714)	(23,607)	72.47
Gain from discontinuing operations attributable to the owners of the Company	-	2,579	(100.00)	113,162	51,772	118.58
Net Profit / (Loss)	(10,613)	(5,525)		72,448	28,165	
Other comprehensive income, net of tax:						
Items that may be reclassified to profit or loss:						
Exchange difference on translating foreign operations	(11,982)	4,001	(399.48)	(11,181)	(9,645)	15.93
Available-for-sale financial assets:						
Fair value losses	(522,868)	-	N.M	(260,533)	-	N.M
Total comprehensive loss for the year attributable to the owners of the Company	(545,463)	(1,524)	35,696.93	(199,266)	18,520	(1,175.94)

1 (a)(ii) Explanatory Notes:

Other income/(loss) comprises:				
Continuing operations	The Group		The Group	
	Three months ended 30 September	Three months ended 30 September	Nine months ended 30 September	Nine months ended 30 September
	Continuing operations		Continuing operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Interest income	20	1	281	5
Other Income	801	186	985	290
	821	187	1,266	295
Profit/(Loss) before tax is arrived at after charging/(crediting)				
Discontinued operations	The Group		The Group	
	Three months ended 30 September	Three months ended 30 September	Nine months ended 30 September	Nine months ended 30 September
	Discontinued operations		Discontinued operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Depreciation and amortisation	435	139	790	389
Interest on bank loans	377	48	377	265
Interest on finance lease	16	18	48	57
Other income/(loss) comprises:				
Discontinued operations	The Group		The Group	
	Three months ended 30 September	Three months ended 30 September	Nine months ended 30 September	Nine months ended 30 September
	Discontinued operations		Discontinued operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Other Income	-	7,527	-	25,046
Reversal of impairment loss of value-added tax receivables	-	1,007	-	3,506
	-	8,534	-	28,552
Profit/(Loss) before tax is arrived at after charging/(crediting)				
Discontinued operations	The Group		The Group	
	Three months ended 30 September	Three months ended 30 September	Nine months ended 30 September	Nine months ended 30 September
	Discontinued operations		Discontinued operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Depreciation and amortisation	-	33,981	-	102,362
Interest on bank loans	-	37,050	-	109,825

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	
	30.9.2015 HK\$'000	31.12.2014 HK\$'000	30.9.2015 HK\$'000	31.12.2014 HK\$'000
Non-current assets				
Fixed assets	3,324	2,479	-	-
Intangible assets	269,601	176,499	-	-
Available-for-sale financial assets	1,067,749	1,328,283	-	-
Investment in subsidiaries	-	-	575,396	575,396
Goodwill	47,628	-	-	-
Investment in a joint venture	71	71	-	-
	1,388,373	1,507,332	575,396	575,396
Current assets				
Inventories	43,522	-	-	-
Trade receivables	58,263	410	-	-
Gross amounts due from customers for contract work	53,979	35,767	-	-
Other deposits and other receivables	152,445	1,313,311	128	13
Trade deposits and prepayments	1,658	58	-	-
Due from a subsidiary	-	-	1,104,766	1,060,675
Pledged bank deposits	31,871	34,305	9,316	9,316
Bank and cash balances	215,326	1,490	96	216
	557,064	1,385,341	1,114,306	1,070,220
TOTAL ASSETS	1,945,437	2,892,673	1,689,702	1,645,616
Capital and reserves				
Share capital	97,776	97,302	97,776	97,302
Reserves	1,438,802	1,986,531	1,011,584	1,363,222
Equity attributable to owners of the Company	1,536,578	2,083,833	1,109,360	1,460,524
Non-current liabilities				
Interest-bearing borrowings	304,438	106,724	145,508	106,724
Finance lease payables	593	809	-	-
	305,031	107,533	145,508	106,724
Current liabilities				
Trade payables	50,789	323	-	-
Accruals and other payables	52,671	385,493	714	3,020
Advance payment received	-	315,165	-	-
Due to a subsidiary	-	-	434,120	75,348
Finance lease payables	368	326	-	-
	103,828	701,307	434,834	78,368
Total liabilities	408,859	808,840	580,342	185,092
TOTAL EQUITY AND LIABILITIES	1,945,437	2,892,673	1,689,702	1,645,616

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 2015		As at 31 December 2014	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$000)
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30 September 2015		As at 31 December 2014	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
304,438	Nil	106,724	Nil

Details of any collateral

The Group's interest-bearing borrowings of HK\$304,438,000 as at 30 September 2015 are secured by the following:

- (i) Share pledge of 75,183,993 shares in its wholly-owned subsidiary, C&G Environmental Protection (Thailand) Company Limited ("C&G (Thailand)");
- (ii) Corporate guarantee provided by C&G (Thailand);
- (iii) Pledged bank deposit of US\$1,200,000 (equivalent to approximately HK\$ 9,316,000);
- (iv) Share pledged of 42,000,000 shares of Grandblue Environment Co. Ltd. which held as available-for-sale financial assets.

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

	Group		Group	
	Three months ended 30 September		Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax				
- Continuing operation	(10,613)	(8,104)	(40,714)	(23,607)
- Discontinued operation	-	3,583	113,162	71,441
Adjustments for:				
Depreciation and amortisation	435	34,120	790	102,751
Interest expenses	393	37,116	425	110,147
Profit from construction services	22	(2,628)	(546)	(7,135)
Amortisation of deferred income	-	(272)	-	(818)
Interest income	191	(26)	(281)	(240)
Reversal of impairment loss of value-added tax receivables	-	(1,007)	-	(3,506)
Share based payment expenses	38	204	166	646
Operating profit before working capital changes	(9,534)	62,986	73,002	249,679
Decrease/(increase) in inventories	(40,581)	208	(43,522)	(2,448)
Decrease/(increase) in trade receivables	(926)	11,335	(17,160)	(17,167)
Decrease/(increase) in other deposits and other receivables	12,090	14,632	860,835	68,683
Decrease/(increase) in trade deposits and prepayments	(125)	(11,174)	(1,600)	(6,041)
(Decrease)/increase in trade payables	16,819	4,898	8,807	(3,257)
(Decrease)/increase in accruals and other payables	(3,878)	5,268	(61,377)	(10,450)
Effect on exchange rate changes	(9,667)	-	(6,059)	-
Increase in deferred income	-	1,702	-	1,702
Cash generated from/(used in) operations	(35,802)	89,855	812,926	280,701
Tax paid	-	-	-	-
Interest paid	(4,234)	(45,836)	(5,732)	(127,829)
Net cash generated from/(used in) operating activities	(40,036)	44,019	807,194	152,872
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for construction work for Construction projects	(17,107)	(136,479)	(108,342)	(244,782)
Net cash outflow to acquisition of subsidiary	-	-	(57,635)	-
Proceeds from disposal of fixed assets	-	-	-	7
Purchase of fixed assets	536	(470)	(1,177)	(1,146)
Interest received	(191)	26	281	240
Net cash from investing activities	(16,762)	(136,923)	(166,873)	(245,681)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	-	(349,657)	-
Share issued upon exercise of share options and share awards	-	-	1,501	-
(Repayment to)/advance from ultimate holding company and a related company	-	91,390	(278,160)	134,271
(Increase)/decrease in pledged bank deposits	2,486	(9,350)	2,434	(9,504)
Repayment of finance lease payables	(184)	(66)	(318)	(194)
Repayment of interest-bearing borrowings	-	(117,551)	-	(423,165)
Draw down of interest-bearing borrowings	158,930	122,449	197,714	322,592
Net cash generated from/(used in) financing activities	161,232	86,872	(426,486)	24,000
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	104,434	(6,032)	213,835	(68,809)
Effect on foreign exchange rate changes	-	25,397	1	58,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	110,892	25,357	1,490	54,930
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	215,326	44,722	215,326	44,722
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	215,326	44,722	215,326	44,722

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	Available-for-sale reserve	Retained earnings	Total reserve	Attributable to owners of the Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group										
For the three months ended										
30 September 2015										
At 1 July 2015	97,776	188,517	702,151	-	210	68,711	316,953	707,685	1,984,227	2,082,003
Dividend paid	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	38	-	-	-	38	38
Share issued upon exercise of share options and share awards	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	(11,983)	(522,868)	(10,612)	(545,463)	(545,463)
Profit for the year	-	-	-	-	-	-	-	(10,612)	(10,612)	(10,612)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	(11,983)	-	-	(11,983)	(11,983)
Available-for-sale financial assets:										
Fair value gains	-	-	-	-	-	-	(522,868)	-	(522,868)	(522,868)
Total other comprehensive income, net of taxation	-	-	-	-	-	(11,983)	(522,868)	-	(534,851)	(534,851)
At 30 September 2015	97,776	188,517	702,151	-	248	56,728	(205,915)	697,073	1,438,802	1,536,578
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	1,665,512	1,762,814
Share-based payment	-	-	-	-	204	-	-	-	204	204
Total comprehensive income for the financial year	-	-	-	-	-	4,000	-	(5,524)	(1,524)	(1,524)
At 30 September 2014	97,302	786,115	102,151	39,768	1,275	213,568	-	521,315	1,664,192	1,761,494
For the nine months ended										
30 September 2015										
At 1 January 2015	97,302	186,115	702,151	-	1,457	67,909	54,618	974,281	1,986,531	2,083,833
Dividend paid	-	-	-	-	-	-	-	(349,657)	(349,657)	(349,657)
Share-based payment	-	-	-	-	166	-	-	-	166	166
Share issued upon exercise of share options and share awards	474	2,402	-	-	(1,375)	-	-	-	1,027	1,501
Total comprehensive income for the financial year	-	-	-	-	-	(11,181)	(260,533)	72,449	(199,265)	(199,265)
Profit for the year	-	-	-	-	-	-	-	72,449	72,449	72,449
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	(11,181)	-	-	-	-
Available-for-sale financial assets:										
Fair value gains	-	-	-	-	-	-	(260,533)	-	-	-
Total other comprehensive income, net of taxation	-	-	-	-	-	(11,181)	(260,533)	-	-	-
At 30 September 2015	97,776	188,517	702,151	-	248	56,728	(205,915)	697,073	1,438,802	1,536,578
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	1,645,026	1,742,328
Share-based payment	-	-	-	-	646	-	-	-	646	646
Total comprehensive income for the financial year	-	-	-	-	-	(9,645)	-	28,165	18,520	18,520
At 30 September 2014	97,302	786,115	102,151	39,768	1,275	213,568	-	521,315	1,664,192	1,761,494
Company										
For the three months ended										
30 September 2015										
At 1 July 2015	97,776	188,517	702,151	-	210	125,747	-	(4,388)	1,012,237	1,110,013
Dividend paid	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	38	-	-	-	38	38
Share issued upon exercise of share options and share awards	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	-	-	(691)	(691)	(691)
At 30 September 2015	97,776	188,517	702,151	-	248	125,747	-	(5,079)	1,011,584	1,109,360
For the three months ended										
30 September 2014										
At 1 July 2014	97,302	786,115	102,151	-	1,071	125,755	-	352,383	1,367,475	1,464,777
Share-based payment	-	-	-	-	204	-	-	-	204	204
Total comprehensive income for the financial year	-	-	-	-	-	-	-	(2,805)	(2,805)	(2,805)
At 30 September 2014	97,302	786,115	102,151	-	1,275	125,755	-	349,578	1,364,874	1,462,176
For the nine months ended										
30 September 2015										
At 1 January 2015	97,302	186,115	702,151	-	1,457	125,755	-	347,744	1,363,222	1,460,524
Dividend paid	-	-	-	-	-	-	-	(349,657)	(349,657)	(349,657)
Share-based payment	-	-	-	-	166	-	-	-	166	166
Share issued upon exercise of share options and share awards	474	2,402	-	-	(1,375)	-	-	-	1,027	1,501
Total comprehensive income for the financial year	-	-	-	-	-	(8)	-	(3,166)	(3,174)	(3,174)
At 30 September 2015	97,776	188,517	702,151	-	248	125,747	-	(5,079)	1,011,584	1,109,360
For the nine months ended										
30 September 2014										
At 1 January 2014	97,302	786,115	102,151	-	629	125,755	-	358,007	1,372,657	1,469,959
Share-based payment	-	-	-	-	646	-	-	-	646	646
Total comprehensive income for the financial year	-	-	-	-	-	-	-	(8,429)	(8,429)	(8,429)
At 30 September 2014	97,302	786,115	102,151	-	1,275	125,755	-	349,578	1,364,874	1,462,176

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 2015	0.10	973,023,354	97,302,335
	Par value HK\$	Number of shares	Issued and paid-up share capital HK\$
Issued and fully paid-up ordinary shares and balances as at 1 January 2015	0.10	973,023,354	97,302,335
New shares issued on 14 January 2015 (Note)	0.10	4,732,000	473,200
Issued and fully paid-up ordinary shares and balance as at 30 September 2015	0.10	<u>977,755,354</u>	<u>97,775,535</u>

Note:

The Board of Directors of the Company was authorized to allot and issue new ordinary shares ("new shares") from time to time in the capital of the Company to the exercise of options under the Employee Share Option Scheme ("CG ESOS"), to the vesting of awards under the Performance Share Plan ("CG PSP") and Restricted Share Plan ("CG RSP"). On 14 January 2015, there were 2,585,000 shares, 1,550,000 shares and 597,000 shares allotted and issued under CG ESOS, CG PSP and CG RSP respectively.

(i) CG ESOS

There were 2,585,000 shares exercised during Q1 2015. As at 30 September 2015, the number of outstanding share options under CG ESOS was 193,000 (30 September 2014: 2,778,000)

(ii) CG PSP

There were 1,550,000 shares vested during Q1 2015. As at 30 September 2015, the number of outstanding shares under CG PSP was 115,800 (30 September 2014: 1,665,800)

(iii) CG RSP

There were 597,000 shares vested during Q1 2015. As at 30 September 2015, the number of outstanding shares under CG PSP was 419,200 (30 September 2014: 1,111,200)

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 2015	0.10	973,023,354
New shares issued on 14 January 2015	0.10	4,732,000
Issued and fully paid-up ordinary shares and balance as at 30 September 2015	0.10	<u>977,755,354</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 2014.

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		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	HKD cents	HKD cents	HKD cents	HKD cents
Earnings per Share				
- Basic (1)				
Continuing operations	(1.09)	(0.83)	(4.16)	(2.43)
Discontinued operations	0.00	0.27	11.57	5.32
- Diluted (2)				
Continuing operations	N/A	N/A	N/A	N/A
Discontinued operations	0.00	0.26	11.57	5.29

Explanatory notes:

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 30 September 2015 and 30 September 2014 and the weighted average number of shares for the period ended 30 September 2015 was 977,755,354 (2014: 973,023,354).

2. No diluted earnings per share for continuing operations were presented as the diluted potential ordinary shares were anti-dilutive during the periods ended 30 September 2015 and 30 September 2014.

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 30.9.2015	The Group 31.12.2014	The Company 30.9.2015	The Company 31.12.2014
Net asset value (HKD'000)	1,536,578	2,083,833	1,109,360	1,460,524
Number of issued shares	977,755,354	973,023,354	977,755,354	973,023,354
Net asset value per share (HKD cents)	157.15	214.16	113.46	150.10

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

8.1 Continuing operations

8.1.1 Revenue

Revenue from continuing operations comprised of construction income and equipment sales. The revenue mix is shown in the table below:

	Three months ended 30 September 2015 HK\$'000	Three months ended 30 September 2014 HK\$'000
Revenue from construction services	31,626	21,422
Revenue from equipment sales	(41)	0
Total	31,585	21,422

Construction services revenue is recognised according to the percentage of completion for construction projects. During the period under review, revenue from construction services was generated from the Thailand projects. The higher construction revenue for the Thailand recognised in Q3 2015 was in line with the progress of the construction work.

On 28 May 2015, the Group has acquired the entire share capital of New Sky (Thailand) Company Limited ("the EPC Company") which engages in equipment, procurement and construction of environmental related projects. Currently, the EPC Company is constructing a waste transfer station in Thailand which is almost completed as at Q3 2015. The revenue contributed by New Sky for Q3 is approximately HK\$31.7 million.

With the establishment of the Group's wholly owned subsidiary, C&G Green Energy (Shenzhen) Company Limited ("C&G SZ") in May 2014, the Group also generated revenue from the sales of environmental protection related equipment (such as the sludge dewatering system) in Q2 2015. But no revenue recorded in Q3 2015. There is a negative exchange loss in Q3 2015.

8.1.2 Gross profit

	Three months ended 30 June 2015	Three months ended 30 June 2014
	HK\$'000	HK\$'000
Gross profit		
Construction services	6,843	1,221
Equipment sales	(14)	0
Total	6,829	1,221
Gross profit margin		
Construction services	21.6%	5.7%
Equipment sales	33.3%	N.M
Total	21.6%	5.7%

Gross profit margin increased from 5.7% in Q3 2014 to 21.6% gross profit margin in Q3 2015 mainly due to the increase of overall gross profit for the construction project from the new acquired EPC Company. In Q3 2014, the gross profit for construction services was only derived from civil engineering work of the Bangkok WTE Project which was around 5.7%.

8.1.3 Other income

Other income increased mainly due to increase in the amounts claimed to the subcontractors for using the water and electricity in the construction sites from the new acquired EPC Company.

8.1.4 Administrative expenses

	Three months ended 30 September 2015	Three months ended 30 September 2014	Increase / (Decrease)	
	HK\$'000	HK\$'000	HK\$'000	%
Entertainment	1,349	292	1,056	361%
Legal and Professional	752	3,466	(2,714)	-78%
Other expenses	7,217	1,731	5,486	317%
Staff cost	7,493	3,353	4,141	123%
Travelling	1,032	603	430	71%
	17,843	9,445	8,399	89%

Administrative expenses rose 89% to HK\$17.8 million in Q3 2015, from HK\$9.4 million in Q3 2014, largely due to payroll expenses, travelling and business development-related expenses, which is associated with the Group's strategic diversification of its business operations and geographical focus.

As the Group is in the year of transformation and new businesses development period, the travelling expenses and entertainment expenses increased for the purpose of identifying new businesses, conducting the feasibility studies and due diligence of the potential projects in different countries.

Staff costs increased due to headcount increase which was in line with the new group structure. The Group believes that staff with worldwide professional experience will strengthen the competitive advantages for the Group in long term

8.1.5 Net loss

The increase in net loss of the continuing operations of the Group of HK\$10.6 million was mainly due to an increase of the administrative expenses explained in 8.1.4.

8.2 Discontinued operations

On 25 March 2015, the completion conditions for the Dalian project as stated in the Acquisition Agreement had been fulfilled and the gross sub-tranche payment of RMB100 million (equivalent to approximately HK\$125.7 million) out of the Tranche 2 payment had been duly received, of which, the tax amount of RMB10 million (equivalent to approximately HK\$12.6 million) was deducted and paid to the Tax Bureau of Guangdong Province, PRC. The net sub-tranche payment received was RMB90 million (equivalent to approximately HK\$113.2 million). The net profit for the discontinued operations for Q1 2015 of HK\$113.2 million represented the net sub-tranche payment received of RMB90 million (equivalent to approximately HK\$113.2 million) for the Dalian project.

8.3 Financial Position of the Group

ASSETS

8.3.1 Intangible assets

Intangible assets represented the service concession rights for WTE Construction projects in Bangkok. As disclosed in FY 2014 Annual Report, the service concession rights represented a BOT concession right for a period of 20 years for the Bangkok Nong khaem MSW Incineration Power Plant in Thailand with a daily treatment capacity of 500 tonnes. Under the BOT arrangement, the Group is responsible for the construction and operation of the plant during the concession period and the plant will be transferred to the government by the end of the concession period. 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 the project. The increase of HK\$93 million in intangible assets was due to the movement below:

	HK\$'000
Net book value as at 1 January 2015	176,499
Add: Addition during the period	110,296
Exchange loss	(17,195)
Net book value as at 30 September 2015	<u>269,600</u>

8.3.2 Available-for-sale financial assets

Available-for-sale financial assets represented the equity interest (i.e. 91,019,417 shares) in Grandblue Environment Company Limited ("Grandblue"). The shares are classified as available-for-sale financial assets under IAS 32 and measured at fair value. A fair value loss of HK\$522.9 million was subsequently recognised in other comprehensive income in Q3 2015. The market price per share decreased from RMB14.47 as at 31 December 2014 to RMB12.06 as at 30 September 2015.

8.3.3 Goodwill

Goodwill represents the excess of the cost of a business combination over, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

On 28 May 2015, the Group has acquired the entire share capital of the EPC Company which engages in equipment, procurement and construction of environmental related projects. Currently, the consideration is approximately RMB 50 million.

8.3.4 Inventories

Inventories represented the machinery and equipments for the construction projects.

8.3.5 Trade receivables

Trade receivables represented the construction income receivable from Bangkok Metropolitan Administration.

8.3.6 Gross amounts due from/to customers for contract work

Gross amounts due from customers for contract work represented the amount prepaid/payable to the contractors and suppliers, calculated based on the percentage of completion of construction work. The decrease in gross amounts due from/to customers for contract work was mainly due to the decrease in prepaid/payable amount for the construction cost for the Bangkok construction projects.

8.3.7 Other deposits and other receivables

	30.9.2015	31.12.2014	Changes
	HK\$'000	HK\$'000	
Other receivables (i)	29,903	8,785	240.4%
Deposits	1,816	651	178.9%
Due from a joint venture	5	5	0.0%
Cash consideration receivable (ii)	-	988,705	-100.0%
Compensation receivable (iii)	120,721	-	N.M.
Amount due from a related company (iv)	-	315,165	-100.0%
	152,445	1,313,311	-88.4%

The balance of other deposits and other receivables decreased by HK\$1,161 million was mainly because of the following:

- (i) Other receivables mainly represented prepaid expenses paid to contractors and other tax receivables including value-added tax receivables. Increase in other receivable are mainly contributed by the new acquired EPC Company;
- (ii) The cash consideration receivable of HK\$988.7 million was received in January 2015;
- (iii) As disclosed in Note 39 of FY 2014 Annual Report, the Group has terminated the contracts with a contractor for the construction projects in Xiaogan, Dalian and Guiyang as a result of the disposal of the WTE businesses in China. The Group has signed the compensation agreement with the contractor and the amount of RMB96,000,000 (approximately HK\$121 million) was fully paid. The ultimate holding company confirmed the undertaking letter signed on 28 March 2014 and will undertake the compensation. The balance represented the compensation receivable from the ultimate holding company.
- (iv) For amount due from a related company, the amount for 2014 represented the receipt of advance payment of RMB250 million (equivalent to approximately HK\$315.2 million) collected from Grandblue by a related company (a subsidiary of the ultimate holding company), Xiamen C&G Group Co., Ltd. ("Xiamen C&G") on behalf of the Group's wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited ("C&G (HK)") for the disposal of subsidiaries. Please also refer to 8.3.12 for details.

8.3.8 Pledged bank deposits

The pledged bank deposits represented deposit of HK\$25.2 million placed in the bank to facilitate the arrangement of performance guarantee to the Thailand government for the Bangkok WTE Project and 12-month fixed deposit of US\$1.2 million (equivalent to approximately HK\$9.3 million) pledged to secure the bank loan of the Bangkok WTE Project. There was no significant fluctuation for the period.

8.3.9 Bank and cash balances

Bank and cash balances increased by HK\$213.8 million as at 30 September 2015 mainly because of drawdown of a bank loan at Q3 2015. For details of the cash movement, please refer to the Statement of Cash Flows and the explanation notes in page 14.

LIABILITIES

8.3.10 Trade payables

The trade payable represented the payable by C&G Shenzhen to suppliers regarding the equipment sales contracts and the subcontractor fee for construction projects. The balance increased was in line with an increase in cost from the sales.

8.3.11 Accruals and other payables

		30.9.2015	31.12.2014	Changes
		HK\$'000	HK\$'000	
Indemnity liabilities	(i)	33,673	66,446	-49.3%
Tax payable for cash consideration	(ii)	-	31,280	-100.0%
Amounts due to contractors		4,786	3,104	54.2%
Due to the ultimate holding company	(iii)	-	241,681	-100.0%
Due to a related company	(iii)	-	37,734	-100.0%
Others	(iv)	14,212	5,248	170.8%
		52,671	385,493	-86.3%

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

Accruals and other payables decreased by HK\$332.8 million mainly due to the following reasons:

- (i) The decrease of the Indemnity liabilities of HK\$32.8 million is mainly because of the utilisation of the provision for inspection costs for the disposed WTE projects.
- (ii) Settlement of capital gain tax of HKD31.3 million.
- (iii) Repayment to the ultimate holding company of HK\$241.7 million and a related company of HK\$37.7 million.
- (iv) The increase in amount HK\$9 million for other payables, mainly due to the retention deposit integrated from the new acquired EPC Company in Q3 2015.

8.3.12 Advance payment received

In 2013, the Group had, through C&G (HK), entered into a framework acquisition agreement (the "Framework Agreement") with Grandblue for the disposal of subsidiaries. According to the acquisition agreement, Grandblue paid C&G (HK) a sum of RMB250 million (approximately HK\$315.2.1million) 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 disposal by the relevant authorities, C&G (HK) entrusted Xiamen C&G to collect the advance payment on its behalf. Once the disposal is approved, the related company will fully repay the advance payment to Grandblue.

The disposal transaction was already approved and completed, Xiamen C&G fully refunded RMB250 million to Grandblue on behalf of C&G (HK).

8.3.13 Finance lease payables

	30.9.2015	31.12.2014	Changes
	HK\$'000	HK\$'000	
Non-current portion	593	809	(26.7%)
Current portion	368	326	12.9%
	<u>961</u>	<u>1,135</u>	(15.3%)

The finance lease payables represented the payable for the purchase of vehicles under hire purchase agreements. The balance decreased by 15.3% due to the Hire purchase leasing – non-current portion of the finance lease payables for the period.

8.3.14 Interest-bearing borrowings

	30.9.2015	31.12.2014	Changes
	HK\$'000	HK\$'000	
Non-current portion	<u>304,438</u>	<u>106,724</u>	185.3%

The interest-bearing borrowings of HK\$304.4 million as at 30 September 2015 represented the bank loans for financing the equipment cost for the Bangkok WTE Project and ready money available to potential new projects. The balance increased by 185.3% mainly due to the drawdown of US\$25.5 million (equivalent to approximately HK\$197.7 million) in this quarter.

Financial Position of the Company

8.3.15 Due from subsidiaries

Due from subsidiaries represented amounts due from its wholly-owned subsidiaries, C&G Environmental Protection International Limited of HK\$906.2 million and C&G (Thailand) of HK\$177.6 million. The balance increased by HK\$23.2 million due to construction payment of equipment cost for the Bangkok WTE Project paid by the Company on behalf of C&G (Thailand) in Q1 2015.

8.3.16 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 drawn down in 2014. There was no change in Q3 2015.

8.3.17 Interest-bearing borrowings

	30.9.2015 HK\$'000	31.12.2014 HK\$'000	Changes
Non-current portion	<u>158,931</u>	-	N.M

The interest-bearing borrowings of HK\$158.9 million as at 30 September 2015 represented the bank loans for ready money available to potential new projects. The balance is due to the drawdown in this quarter.

8.3.18 Due to subsidiaries

Due to subsidiaries mainly represented amounts due to its wholly-owned subsidiary, C&G (HK) of HK\$357.2 million. The balance increased by HK\$282.2 million due to the payment of first interim dividend by C&G (HK) of HK\$279.5 million.

8.4 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 settlement of cash consideration receivables.

Net cash used in investing activities

Net cash used in investing activities in this quarter mainly represented the payment of construction cost for the construction projects and the net cash outflow to acquisition of subsidiary.

Net cash used in financing activities

Net cash used in financing activities in this quarter mainly represented the payment of special dividend.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

As stated in Q2 2015 results announcement, the management expected the construction of the Bangkok WTE plant will be completed by the end of 2015. However, due to the late arrival of some equipment, the construction schedule is delayed and is expected to be completed by the first quarter of 2016.

Other than the abovementioned, there is no other material deviation in the actual results for the third quarter ended 30 September 2015 from what was previously discussed under paragraph 10 of the announcement of the Company's financial results for the financial period ended 30 June 2015.

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.

In Thailand, the Bangkok WTE Project is currently under construction and is expected to be completed by the first quarter of 2016. The Group's newly acquired EPC Company will commence the construction of medical waste incineration plant within the next 12 months.

The wholly-owned PRC subsidiary signed an equipment sales contract of sludge dewatering system with the contract sum amount to approximately RMB20.1 million which is expected to generate an income within the next 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).

We, Lam Chik Tsan and Tam Sau Fung 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 Q3 FY2015 financial statements to be materially false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lam Chik Tsan
Director

Tam Sau Fung
Director

11 November 2015