

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

First Quarter Results and Dividend Announcement for the Period Ended 31 March 2016

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 31 March 2016. 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		
	2016 HK\$'000	2015 HK\$'000	% Increase / (Decrease)
Revenue	7,161	28,920	(75.24)
Cost of sales	(5,382)	(27,916)	(80.72)
Gross profit	1,779	1,004	77.19
Other income	2,384	360	562.22
Administrative expenses	(9,314)	(16,445)	(43.36)
Loss from operations	(5,151)	(15,081)	(65.84)
Finance costs	(1,228)	(16)	7,575.00
Loss before taxation from continuing operations	(6,379)	(15,097)	(57.75)
Income tax expense	-	-	N.M
Loss from continuing operations attributable to the owners of the Company	(6,379)	(15,097)	(57.75)
(Loss)/gain from discontinuing operations attributable to the owners of the Company	-	113,162	(100.00)
Net Profit / (Loss)	(6,379)	98,065	
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange difference on translating foreign operations	(3,641)	882	(512.81)
Available-for-sale financial assets: Fair value (losses)/gains	(281,186)	232,430	(220.98)
Total comprehensive loss for the year attributable to the owners of the Company	(291,206)	331,377	(187.88)

1 (a)(ii) Explanatory Notes:

Other income/(loss) comprises:	The Group	
	Three months ended 31 March	Three months ended 31 March
	2016	2015
	HKD'000	HKD'000
Interest income	-*	288
Other Income	2,384	72
	2,384	360
* Denotes an amount of less than HK\$1,000		
Profit/(Loss) before tax is arrived at after charging/(crediting)	The Group	
	Three months ended 31 March	Three months ended 31 March
	Continuing operations	
	2016	2015
	HKD'000	HKD'000
Depreciation and amortisation	251	198
Interest on bank loans	1,215	-
Interest on finance lease	13	16
Loss on disposal of fixed assets	-	10

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	31.03.2016 HK\$'000	31.12.2015 HK\$'000	31.03.2016 HK\$'000	31.12.2015 HK\$'000
Non-current assets				
Fixed assets	5,466	5,328	-	-
Intangible assets	395,356	385,128	-	-
Available-for-sale financial assets	974,739	1,255,926	-	-
Investment in subsidiaries	-	-	575,396	575,396
Investment in a joint venture	71	71	-	-
	1,375,632	1,646,453	575,396	575,396
Current assets				
Inventories	15,391	15,965	-	-
Trade receivables	1,483	13,320	-	-
Gross amounts due from customers for contract work	42,369	20,838	-	-
Other deposits and other receivables	45,818	39,541	-	-
Amount due from ultimate holding company	118,773	118,773	-	-
Prepayments	1,248	714	-	-
Due from a subsidiary	-	-	1,134,511	1,115,378
Pledged bank deposits	23,403	32,160	-	9,362
Bank and cash balances	10,104	13,406	96	252
	258,589	254,717	1,134,607	1,124,992
TOTAL ASSETS	1,634,221	1,901,170	1,710,003	1,700,388
Capital and reserves				
Share capital	97,776	97,776	97,776	97,776
Reserves	1,140,705	1,431,911	1,006,848	1,007,077
Equity attributable to owners of the Company	1,238,481	1,529,687	1,104,624	1,104,853
Non-current liabilities				
Interest-bearing borrowings	159,746	159,746	-	-
Finance lease payables	513	538	-	-
	160,259	160,284	-	-
Current liabilities				
Trade payables	59,178	51,957	-	-
Accruals and other payables	175,956	158,877	20,012	1,134
Due to a subsidiary	-	-	585,367	594,401
Finance lease payables	347	365	-	-
	235,481	211,199	605,379	595,535
Total liabilities	395,740	371,483	605,379	595,535
TOTAL EQUITY AND LIABILITIES	1,634,221	1,901,170	1,710,003	1,700,388

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

As at 31 March 2016		As at 31 December 2015	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31 March 2016		As at 31 December 2015	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
159,746	Nil	159,746	Nil

Details of any collateral

The Group's interest-bearing borrowings of HK\$159,746,000 as at 31 March 2016 are secured by the following:

- (i) Share pledged of 33,650,000 shares of Grandblue Environment Co. Ltd ("Grandblue") 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	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax		
- Continuing operation	(6,379)	(15,097)
- Discontinued operation	-	113,162
Adjustments for:		
Depreciation and amortisation	251	198
Interest expenses	1,228	16
Profit from construction services	-	(568)
Interest income	-	(288)
Net loss on disposal of fixed asset	-	10
Share based payment expenses	-	81
Operating (loss)/ profit before working capital changes	(4,900)	97,514
Decrease in inventories	574	-
Decrease in trade receivables	11,838	62
(Increase)/decrease in other deposits and other receivables	(8,674)	866,164
Increase in trade deposits and prepayments	(534)	(505)
Increase in trade payables	7,221	1,029
Increase/(decrease) in accruals and other payables	11,610	(31,354)
Effect on exchange rate changes	(3,643)	2,788
Cash generated from/(used in) operations	13,492	935,698
Interest paid	(1,228)	(1,265)
Net cash generated (used in) / from operating activities	12,264	934,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for construction work for Construction projects	(19,134)	(36,727)
Purchase of fixed assets	(389)	(109)
Interest received	-	288
Net cash (to)/from investing activities	(19,523)	(36,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(279,503)
Share issued upon exercise of share options and share awards	-	1,501
Advance from/(repayment to) ultimate holding company and a related company	5,469	(278,160)
(Increase)/decrease in pledged bank deposits	8,757	(251)
Repayment of finance lease payables	(43)	(66)
Draw down of Interest-bearing borrowings	-	21,724
Net cash generated from/(used in) financing activities	14,183	(534,755)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,924	363,130
Effect on foreign exchange rate changes	(10,226)	1,170
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	13,406	1,490
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	10,104	365,790
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	10,104	365,790

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									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	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group										
For the three months ended										
31 March 2016										
At 1 January 2016	97,776	188,517	702,151	-	29	62,831	(17,739)	496,122	1,431,911	1,529,687
Dividend paid	-	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-	-	-
Share issued upon exercise of share options and share awards	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	(3,641)	(281,186)	(6,379)	(291,206)	(291,206)
Profit for the year	-	-	-	-	-	-	-	(6,379)	(6,379)	(6,379)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	(3,641)	-	-	(3,641)	(3,641)
Available-for-sale financial assets:										
Fair value gains	-	-	-	-	-	-	(281,186)	-	(281,186)	(281,186)
Total other comprehensive income, net of taxation	-	-	-	-	-	(3,641)	(281,186)	-	(284,827)	(284,827)
At 31 March 2016	97,776	188,517	702,151	-	29	59,190	(298,925)	489,743	1,140,705	1,238,481
For the three months ended										
31 March 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	-	-	-	-	-	-	-	(279,503)	(279,503)	(279,503)
Share based payment	-	-	-	-	81	-	-	-	81	81
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	-	-	-	-	-	881	232,430	98,065	331,376	331,376
Profit for the year	-	-	-	-	-	-	-	98,065	98,065	98,065
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	881	-	-	881	881
Available-for-sale financial assets:										
Fair value gains	-	-	-	-	-	-	232,430	-	232,430	232,430
Total other comprehensive income, net of taxation	-	-	-	-	-	881	232,430	-	233,311	233,311
At 31 March 2015	97,776	188,517	702,151	-	163	68,790	287,048	792,843	2,039,512	2,137,288
Company										
For the three months ended										
31 March 2016										
At 1 January 2016	97,776	188,517	702,151	-	29	125,749	-	(9,369)	1,007,077	1,104,853
Dividend paid	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	-	-	-	-	-
Share issued upon exercise of share options and share awards	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	-	-	(229)	(229)	(229)
At 31 March 2016	97,776	188,517	702,151	-	29	125,749	-	(9,597)	1,006,848	1,104,624
For the three months ended										
31 March 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	-	-	-	-	-	-	-	(279,503)	(279,503)	(279,503)
Share-based payment	-	-	-	-	81	-	-	-	81	81
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	-	-	-	-	-	-	-	(1,475)	(1,475)	(1,475)
At 31 March 2015	97,776	188,517	702,151	-	163	125,755	-	66,766	1,083,352	1,181,128

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 2015	0.10	977,755,354	97,775,535
	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 2016 and 31 March 2016	0.10	977,755,354	97,775,535

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

As at 31 March 2016, there was no outstanding share options under CG ESOS (31 March 2015: 193,000)

(ii) CG PSP

As at 31 March 2016, there was no outstanding shares options under CG PSP (31 March 2015: 115,800)

(iii) CG RSP

There was no share vested during Q1 2016. As at 31 March 2016, the number of outstanding shares under CG PSP was 342,000 (31 March 2015: 419,000)

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\$	Number of shares	Issued and paid-up share capital HK\$
Issued and fully paid-up ordinary shares and balances as at 1 January 2016 and 31 March 2016	0.10	977,755,354	97,775,535

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 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Three months ended	
	31 March 2016	31 March 2015
	HKD cents	HKD cents
Earnings per Share		
- Basic (1)		
Continuing operations	(0.65)	(1.55)
Discontinued operations	N/A	11.63
- Diluted (2)		
Continuing operations	N/A	N/A
Discontinued operations	N/A	11.57

Explanatory notes:

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 31 March 2016 and 31 March 2015 and the weighted average number of shares for the period ended 31 March 2016 was 977,755,354 (2015: 977,755,354).

2. No diluted earnings per share for continuing operations were presented as the diluted potential ordinary shares were anti-dilutive during the periods ended 31 March 2016 and 31 March 2015.

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	The Group	The Company	The Company
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Net asset value (HKD'000)	1,238,481	1,529,687	1,104,624	1,104,853
Number of issued shares	977,755,354	977,755,354	977,755,354	977,755,354
Net asset value per share (HKD cents)	126.67	156.45	112.98	113.00

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 31 March 2016	Three months ended 31 March 2015	Increase / (decrease)
	HK\$'000	HK\$'000	%
Revenue from construction services	-	27,448	(100.0)
Revenue from equipment sales	7,161	1,472	386.5
Total	7,161	28,920	(75.2)

Construction services revenue is recognised according to the percentage of completion for construction projects of Waste-to-Energy ("WTE"). During the period, no construction service revenue was recognised in Q1 2016. The construction of the plant was completed.

The Group also generated revenue from the sales of environmental protection related equipment (such as the sludge dewatering system) in Q1 2016.

8.1.2 Gross (loss)/profit

	Three months ended 31 March 2016	Three months ended 31 March 2015	Increase / (decrease)
	HK\$'000	HK\$'000	%
Gross profit			
Construction services	(129)	568	(122.7)
Equipment sales	1,908	436	337.6
Total	1,779	1,004	77.2
Gross profit margin			
Construction services	N.M.	2.1%	
Equipment sales	26.6%	29.6%	
Total	24.8%	3.5%	

Gross profit margin increase from 3.5% in Q1 2015 to 24.8% in Q1 2016 mainly due to the increase of overall gross profit for the equipment sales. There was HK\$0.1 million minor cost of construction service recorded for the WTE project and no income was recognised as the project was substantially completed as at 31 March 2016.

8.1.3 Other income

Other income increased mainly due to the recognition of the dividend income of HK\$2.3million from Grandblue.

8.1.4 Administrative expenses

	Three months ended 31 March 2016	Three months ended 31 March 2015	Increase / (Decrease)	
	HK\$'000	HK\$'000	HK\$'000	%
Exchange loss	353	4,529	(4,176)	
Legal and Professional	446	2,103	(1,657)	-79%
Other expenses	2,840	2,853	(13)	0%
Staff cost	5,309	6,086	(777)	-13%
Travelling	366	875	(509)	-58%
	9,314	16,446	(7,132)	-43%

Administrative expenses decrease 43% to HK\$9.3 million in Q1 2016, from HK\$16.4 million in Q1 2015, largely due to the decreasing of HK\$4.2 million exchange different losses.

8.1.5 Net loss

The decrease by net loss of the continuing operations of the Group of HK\$6.4 million was mainly due to a decrease of the administrative expenses explained in 8.1.4.

8.2 Discontinued operations

There was no operations and financial impact of discontinued operations in Q1 2016.

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).

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 2015 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\$10.3 million in intangible assets was due to the exchange gain.

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\$281.2 million was subsequently recognised in other comprehensive income in Q4 2015. The market price per share decreased from RMB16.05 as at 31 December 2015 to RMB12.04 as at 31 March 2016. Also PRC government sets several shares restrictions for the significant shareholders to sell out the shares. Although it is temporary restriction, we cannot estimate when this policy will be withdrawn and it will harm the liquidity of trading value of the shares.

8.3.3 Inventories

Inventories represented the machinery and equipment for the equipment sales.

8.3.4 Trade receivables

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

8.3.5 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.

8.3.6 Other deposits and other receivables

	31.3.2016	31.12.2015	Changes
	HK\$'000	HK\$'000	
Other receivables (i)	28,661	25,460	12.6%
Deposits	1,779	2,088	-14.8%
Other tax receivable (ii)	15,378	11,993	100.0%
	45,818	39,541	15.9%

The balance of other deposits and other receivables increased in HK\$6.3 million was mainly because of the following:

- (i) Other receivables mainly represented prepaid expenses paid to contractors, other tax receivables including value-added tax receivables and approximately HKD 2.4 million dividend receivable from Grandblue. Increase in other receivable are mainly contributed by the new acquired EPC Company;
- (ii) Other tax receivable represents the Value Added Tax prepaid.

8.3.7 Amount due from ultimate holding company

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\$118.7 million) was fully paid. The ultimate holding company confirmed will undertake the compensation. The balance represented the compensation receivable from the ultimate holding company.

8.3.8 Pledged bank deposits

The pledged bank deposits represented deposit of HK\$23.4 million placed in the bank to facilitate the arrangement of performance guarantee to the Thailand government for the Bangkok WTE Project. A fixed deposit of US\$1.2 million (equivalent to approximately HK\$9.2 million) pledged to secure the bank loan of the Bangkok WTE Project was released for the period.

8.3.9 Bank and cash balances

Bank and cash balances increased by HK\$10.1 million as at 31 March 2016 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 to suppliers regarding the equipment sales contracts and the subcontractor fee for construction projects.

8.3.11 Accruals and other payables

		31.3.2016	31.12.2015	Changes
		HK\$'000	HK\$'000	
Indemnity liabilities	(i)	87,524	87,524	0.0%
Amounts due to contractors		-	3,947	-100.0%
Due to the ultimate holding company	(ii)	42,175	36,706	14.9%
Others	(iii)	46,257	30,700	50.7%
		175,956	158,877	10.8%

Accruals and other payables increased in HK\$17.1 million mainly due to the following reasons:

- (i) In 2015, the Group has provided the indemnity liability of HK\$87.5 million for the claw back of profit guarantee.
- (ii) Due to the ultimate holding company increased HK\$5.5 million.
- (iii) The increase in amount HK\$15.5 million for other payables including the retention deposit integrated of several construction projects from the new acquired EPC Company in 2015, And the remain others payables mainly comprised of value-added tax payable, other tax payables, accrued salaries, retirement benefit payable and other accruals.

8.3.12 Finance lease payables

	31.3.2016	31.12.2015	Changes
	HK\$'000	HK\$'000	
Non-current portion	513	538	(4.6%)
Current portion	347	365	(4.9%)
	860	903	(4.7%)

The finance lease payables represented the payable for the purchase of vehicles under hire purchase agreements. The balance decreased by 4.7% due to the payment of instalment for the period.

8.3.13 Interest-bearing borrowings

	31.3.2016	31.12.2015	Changes
	HK\$'000	HK\$'000	
Non-current portion	159,746	159,746	-

The interest-bearing borrowings of HK\$159.7 million as at 31 March 2016 represented which was used to finance the construction costs of the WTE plant in Bangkok, Thailand.

Financial Position of the Company

8.3.14 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\$228.3 million.

8.3.15 Pledged bank deposits

The pledged bank deposits represented a 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. The pledged bank deposit was release in Q1 2016.

8.3.16 Due to subsidiaries

Due to subsidiaries mainly represented amounts due to its wholly-owned subsidiary, C&G (HK).

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 purchase the fixed asset.

Net cash used in financing activities

Net cash used in financing activities in this quarter mainly represented the refund of pledged bank deposit.

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

The current results are in line with the Company's commentary on previous quarter outlook in paragraph 10 of its previous quarterly results announcement.

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 2013, the Group has entered into a Clawback Agreement with Grandblue Environment Company Limited ("Grandblue") to provide, inter alia, an undertaking to compensate Grandblue in the event that the Disposal Group (C&G China) fails to meet the profit targets for the year ended/ending 2014, 2015 and 2016. Base on the management assessment and estimation, C&G China is unlikely to meet the profit targets for FY 2016 and a provision of indemnity liability was made in the financial statements of FY 2015 for the estimated shortfall amount. The actual shortfall will only be ascertained after the closing of FY2016.

Further, the Group has undertook to bear any excess capital expenditure related to Langfang and inspection cost for Huian phase II, Jingjian sludge and Langfang. The inspection of these projects are yet to be completed. The total inspection cost and excess capital expenditure amount can only be ascertained until the passing of the inspection tests conducted by relevant authorities.

In Thailand, the construction of the WTE plant was completed and it is currently under the trial run period. The Management expected the plant will be commissioned by the second quarter of 2016.

Business environment remains tough and the Group is in the process of a restructuring exercise to adopt new strategies to enhance shareholders' value. The Group will continue to tighten costs control.

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 1Q FY2016 financial statements to be materially false or misleading in any material aspect.

15. Confirmation pursuant to Rule 720(1).

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Lam Chik Tsan
Director

Tam Sau Fung
Director

11 May 2016