

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated financial statements of C&G Environmental Protection Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 113, which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the Group's results and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the following:

1. Material uncertainty relating to going concern

As is more fully disclosed in note 2 to the financial statements, the Group incurred a loss of approximately HK\$22,776,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities of approximately HK\$202,537,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern. As discussed more fully in note 2 to the financial statements, the ability of the Group and the Company to continue as a going concern is dependent on the financial support from the banks and the ultimate holding company and the Group's ability to generate sufficient cash flows from its operations.

2. Long outstanding trade receivables

As is more fully disclosed in note 19 to the financial statements, there were long outstanding trade receivables of approximately RMB24,957,000 (approximately HK\$31,654,000) as at 31 December 2013 arising from subsidy revenue of renewable energy recognised in 2011.

3. Advance payment received

As is more fully disclosed in notes 21 and 39(a) to the financial statements, the Group is undergoing the procedures to dispose the Group's waste-to-energy business (the "Proposed Sale") in the People's Republic of China (the "PRC") to a purchaser (the "Purchaser"). The Group has recognised a refundable advance payment of RMB250,000,000 received from the Purchaser. The Proposed Sale had not been approved by the regulatory bodies as at 31 December 2013 and the receipt of any Renminbi denominated payments by foreign entities under the PRC laws is subject to the laws and regulations of the PRC foreign exchange controls administrated by the State Administration of Foreign Exchange (the "SAFE") of the PRC. Accordingly, without the approval of the SAFE, the Group is unable to receive the advance payment. The Group therefore entrusted a related company, Xiamen C&G Group Co., Ltd ("Xiamen C&G"), to receive the amount on behalf of the Group in December 2013.

On 17 March 2014, a Custodian Agreement was entered into between C&G Environmental Protection (Hong Kong) Company Limited ("C&G Hong Kong") and Xiamen C&G, pursuant to which Xiamen C&G was appointed as the custodian on behalf of C&G Hong Kong to hold and deal with the advance payment. Although the advance payment shall be applied as part payment towards the cash consideration, Xiamen C&G will repay the advance payment in full back to the Purchaser if the Proposed Sale is unsuccessful, or if the conditions to the completion of the Proposed Sale are satisfied, and C&G Hong Kong shall receive RMB250,000,000 as part of the cash consideration from the Purchaser directly.

According to the Custodian Agreement dated 17 March 2014, Xiamen C&G shall release the advance payment or any portion thereof to any designate payee, including C&G Hong Kong and the Company, only in accordance with the terms of a payment instruction signed by two authorised representatives of C&G Hong Kong, one of whom shall be the Chairman of the Audit Committee of the Company. The advance payment has to be maintained in a designated bank account of Xiamen C&G. In order to strengthen the control in the designated bank account, the Group has appointed the Chairman of the Audit Committee as the authorised representative who acts jointly with a representative of Xiamen C&G as the authorised signatories of the designated bank account. The seals of both authorised representatives as registered with the bank where the designated bank account is maintained shall be jointly affixed to their respective signatures for the purpose of operating the designated bank account.

INDEPENDENT AUDITORS' REPORT

Pursuant to a tripartite agreement signed between Xiamen C&G, the ultimate holding company and the Group on 20 March 2014, the ultimate holding company agreed to waive the amount due from the Group to the ultimate holding company if Xiamen C&G is unable to refund the advance payment to the Purchaser. As at 2 April 2014, the amount due by the Group to the ultimate holding company was approximately HK\$128,191,000 and the balance of the designated bank account held under Xiamen C&G was approximately RMB167,101,000, representing approximately the amount due from Xiamen C&G at 2 April 2014 after offsetting the amount due to the ultimate holding company at 2 April 2014.

4. Potential compensation to a contractor

As is more fully disclosed in note 39(b) to the financial statements, there was an event after the reporting period in relation to potential compensations claimed by a contractor for the termination of certain contracts with the contractor. The ultimate holding company has agreed to undertake the compensation.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

Partner-in-charge:
Lim Lee Meng

Partner-in-charge:
Wong Wo Cheung

4 April 2014

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Office F, 23/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2013, C&G Holdings (Hong Kong) Limited, a company incorporated in Hong Kong, is the immediate holding and ultimate holding company and Mr. Lam Chik Tsan is the ultimate controlling party of the Company.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$22,776,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities of approximately HK\$202,537,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the following:

- (i) The Company has received a letter of financial support from the ultimate holding company to continue to provide or procure financial support to the Company and its subsidiaries to enable them to continue to operate as going concern at least for the next twelve months from 31 December 2013, if necessary.
- (ii) The undrawn portion of bank loans granted before 31 December 2013 was approximately RMB239 million which can be used to finance the construction cost of the projects. Further, the Company has obtained a term sheet from China Development Bank in the PRC to provide a loan of US\$24 million to finance the equipment and construction cost of the Bangkok waste-to-energy project. The Company is in the process to finalise the loan documentation which shall be completed by the second quarter of 2014.
- (iii) The directors have carried out a review of the cash flow forecasts of the Group and the Company for the twelve months ending 31 December 2014 prepared by the management. Based on such forecasts, the directors have estimated that adequate liquidity exists to finance the working capital requirements of the Group and the Company for the next financial year. In reviewing the cash flow forecasts, the directors have considered the cash requirements of the Group and the Company as well as other key factors, including the ability of the Group to generate sufficient revenue and collection of receivables to satisfy the Group's and the Company's future working capital needs, which may impact the operations of the Group and the Company during the next financial year. The directors are of the opinion that assumptions which are included in the cash flow forecasts are reasonable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. GOING CONCERN BASIS (CONTINUED)

The directors believe that the Group and the Company will have sufficient cash resources to satisfy their working capital requirements for at least the next financial year. Accordingly, the directors consider it appropriate that these financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their liquidation amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to the Group and effective for its accounting year beginning on 1 January 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has assessed the impact of adopting these new IFRSs and do not expect these new IFRSs to have a material impact on its results of operations and financial position.

Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Name	2013	
	C&G Padu Sdn Bhd HK\$'000	
Year ended 31 December:		
Revenue		-
Interest income		-
Income tax expense		-
Loss from continuing operations		-
Other comprehensive income		-
Total comprehensive income		-

As at 31 December 2013, the bank and cash balances of the Group' joint venture in Malaysia denominated in Malaysian Ringgit ("MYR") amounted to approximately HK\$238,000. Conversion of MYR into foreign currencies is subject to regulation.

18. INVENTORIES

	The Group	
	2013 HK\$'000	2012 HK\$'000
Raw materials and spare parts	7,743	3,612

19. TRADE RECEIVABLES

	The Group	
	2013 HK\$'000	2012 HK\$'000
Trade receivables	140,901	145,557

The Group's trading terms with customers are mainly on credit. The credit terms are generally 30 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	The Group	
	2013 HK\$'000	2012 HK\$'000
0 to 90 days	79,899	51,903
91 to 180 days	12,758	16,487
181 to 365 days	6,409	32,635
Over 365 days	41,835	44,532
	140,901	145,557

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For the financial year ended 31 December 2013

19. TRADE RECEIVABLES (CONTINUED)

At 31 December 2013, trade receivables of approximately HK\$95,586,000 (2012: HK\$89,267,000) were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables, based on the due date, is as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
0 to 30 days	17,969	8,900
31 to 60 days	16,616	6,389
Over 60 days	61,001	73,978
	95,586	89,267

The carrying amounts of the Group's trade receivables are denominated in RMB.

Included in trade receivables were amounts of approximately RMB24,957,000 (equivalent to approximately HK\$31,654,000) (2012: approximately RMB24,957,000 (equivalent to approximately HK\$30,626,000)) relating to the renewable energy subsidy revenue of C&G Jinjiang, C&G Huangshi, C&G Huian and C&G Anxi for the period from May 2011 to December 2011. These receivables are long outstanding and there were no settlements during 2013. Pursuant to a memorandum issued by the National Energy Administration ("NEA") on 28 September 2012, C&G Jinjiang, C&G Huangshi, C&G Huian and C&G Anxi are qualified to receive the subsidy revenue from the National Development and Reform Commission ("NDRC"). Based on discussion between management and electricity companies, management believes that the settlement of these receivables for 2011 is only a matter of time and there is no recoverability issue.

20. GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	184,334	424,705
Less: Progress billings	-	-
	184,334	424,705
Gross amounts due from customers for contract work	237,335	458,168
Gross amounts due to customers for contract work	(53,001)	(33,463)
	184,334	424,705

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For the financial year ended 31 December 2013

21. OTHER DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other receivables	54,666	50,629	-	7
Deposits	44,774	46,693	-	-
Due from a joint venture	5	-	-	-
Due from a related company (note)	342,063	-	-	-
Value-added tax receivables	42,334	40,006	-	-
	483,842	137,328	-	7

Note:

The amounts are due from Xiamen C&G Group Co., Ltd. ("Xiamen C&G") which is a related company controlled by the ultimate controlling shareholder, Mr. Lam Chik Tsan. The amounts include:

- (a) An advance payment of RMB250,000,000 (equivalent to approximately HK\$317,075,000) arising from the Proposed Sale of the Disposal Group received on behalf of the Group by Xiamen C&G. Details of the Proposed Sale are set out in note 39(a) to the financial statements;

Pursuant to a tripartite agreement signed among Xiamen C&G, the ultimate holding company and the Group on 20 March 2014, the ultimate holding company agreed to waive the Group's amount due to the ultimate holding company whenever Xiamen C&G is unable to refund the advance payment to the Purchaser when the SAFE approved the remittance or when the Proposed Sale is not successful.

- (b) Amount of compensation of approximately HK\$24,988,000 made by the Group to a contractor with respect to a litigation which was settled in 2011. Xiamen C&G has agreed to undertake the compensation pursuant to a tripartite agreement among the ultimate holding company, Xiamen C&G and the Group.

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For the financial year ended 31 December 2013

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) The Group has entered into a contract to acquire machinery with a company under the control of the ultimate holding company on 30 August 2011. The consideration of the acquisition is RMB30,000,000 (equivalent to approximately HK\$36,618,000). In order to satisfy the consideration, the Group has issued a bill payable of RMB30,000,000. The machinery has not been delivered in 2011. During the year ended 31 December 2012, the Group and the related company agreed to cancel the contract. The related company has refunded RMB30,000,000 back to the Group.
- (d) During the year ended 31 December 2013, the Group had rented office from Xiamen C&G. The rent paid to the related party was approximately RMB360,000 (equivalent to approximately HK\$450,540) (2012: RMBNil).
- (e) The Group has entered into a services agreement with Mr. Loo Cheng Keat, the brother of an executive director Mr. Loo Cheng Guan, for business development in Malaysia. The services charged for the year was approximately HK\$235,000.

39. EVENTS AFTER THE REPORTING PERIOD

- (a) On 22 October 2013, the Company entered into a letter of intent with the Purchaser to facilitate the negotiation and finalisation of a definitive sale and purchase agreement in respect of the Proposed Sale (see note 5). On 23 December 2013 and 29 January 2014, C&G Hong Kong and the Purchaser entered into a framework agreement and a conditional acquisition agreement respectively in respect of the Proposed Sale. The consideration, based on the valuation by a valuer appointed by the Purchaser in the PRC on 30 September 2013, is RMB1.85 billion, of which RMB1.1 billion shall be satisfied by cash, and the remaining RMB0.75 billion shall be satisfied by way of allotment and issue of 89,928,057 consideration shares at an issue price of RMB8.34 per consideration share by the Purchaser to C&G Hong Kong. The issue price of RMB8.34 was based on the volume weighted average price of the Purchaser's shares as quoted on SSE for a period of 20 trading days prior to the signing of the letter of intent.

Pursuant to the framework agreement, an advance payment of RMB250,000,000 has been paid by the Purchaser in December 2013. The Proposed Sale had not been approved by the regulatory bodies as at 31 December 2013 and the receipt of any Renminbi denominated payments by foreign entities under the PRC laws is subject to the laws and regulations of the PRC foreign exchange controls administered by the State Administration of Foreign Exchange (the "SAFE") of the PRC. Accordingly, without the approval of the SAFE, the Group is unable to receive the advance payment. The Group therefore entrusted a related company, Xiamen C&G, to receive the amount on behalf of the Group in December 2013.

On 17 March 2014, a Custodian Agreement was entered into between C&G Hong Kong and Xiamen C&G, pursuant to which Xiamen C&G was appointed as the custodian on behalf of C&G Hong Kong to hold and deal with the advance payment. Although the advance payment shall be applied as part payment towards the cash consideration, Xiamen C&G will repay the advance payment in full back to the Purchaser if the Proposed Sale is unsuccessful, or if the conditions to the completion of the Proposed Sale are satisfied, and C&G Hong Kong shall receive RMB250,000,000 as part of the cash consideration from the Purchaser directly.

According to the Custodian Agreement dated 17 March 2014, Xiamen C&G shall release the advance payment or any portion thereof to any designate payee, including C&G Hong Kong and the Company, only in accordance with the terms of a payment instruction signed by two authorised representatives of C&G Hong Kong, one of whom shall be the Chairman of the Audit Committee of the Company. The advance payment has to be maintained in a designated bank account of Xiamen C&G. In order to strengthen the control in the designated bank account, the Group has appointed the Chairman of the Audit Committee as the authorised representative who acts jointly with a representative of Xiamen C&G as the authorised signatories of the designated bank account. The seals of both authorised representatives as registered with the bank where the designated bank account is maintained shall be jointly affixed to their respective signatures for the purpose of operating the designated bank account.

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39. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) (CONTINUED)

Pursuant to a tripartite agreement signed between Xiamen C&G, the ultimate holding company and the Group on 20 March 2014, the ultimate holding company agreed to waive the amount due from the Group to the ultimate holding company if Xiamen C&G is unable to refund the advance payment to the Purchaser. As at 2 April 2014, the amount due by the Group to the ultimate holding company was approximately HK\$128,191,000 and the balance of the designated bank account held under Xiamen C&G was approximately RMB167,101,000, representing approximately the amount due from Xiamen C&G at 2 April 2014 after offsetting the amount due to the ultimate holding company at 2 April 2014.

As a condition for the payment of the advance payment by the Purchaser, the Group has pledged 100% of the equity interest of C&G Jinjiang to the Purchaser as security. If the framework agreement is aborted or terminated, the Group shall repay the advance payment together with interest accrued calculated based on the People's Bank of China's prime lending interest rate (for the same period) per annum to the Purchaser within 90 days from the date of such termination or abortion. In the event that the Group is unable to repay the advance payment together with all accrued interest within the period, the Group shall transfer 100% of the equity interest of C&G Jinjiang to the Purchaser at a purchase consideration based on a valuation to be conducted by a firm of expert valuers as appointed jointly by the Purchaser and the Group. If the valuation of C&G Jinjiang is higher than the sum of the advance payment together with interests accrued, the Purchaser shall pay the difference to C&G Hong Kong. Although the advance payment shall be applied as part payment towards the cash consideration, Xiamen C&G will repay the advance payment back to the Purchaser if the conditions to the completion of the Proposed Sale are satisfied, and C&G Hong Kong shall receive RMB250,000,000 as cash consideration from the Purchaser directly.

The remaining cash consideration will be paid in two tranches, and shall be subject to the satisfaction of certain conditions in relation to the BOT projects in Guiyang, Dalian and Xiaogan. In addition, C&G Hong Kong shall pledge 30,000,000 consideration shares to the Purchaser's designated third party escrow agent for a period of 36 months from the completion date as security for the Disposal Group's performance of the terms and conditions of the conditional acquisition agreement.

The consideration shares shall be issued by the Purchaser to the Group 30 days from the completion date. The Group undertakes to the Purchaser not to sell, assign, transfer or otherwise dispose of any of the consideration shares (other than the 30,000,000 consideration shares pledged to the Purchaser in accordance with the conditional acquisition agreement) allotted and issued to it on completion, for a period of 36 months commencing from the completion date of the Proposed Sale.

According to the conditional acquisition agreement, the Purchaser is entitled to, subject to the completion of the transaction, the retained earnings of the Disposal Group. C&G Hong Kong has to make good any losses since 30 September 2013 up to the date of transfer of equity interest of the Disposal Group to the Purchaser.

The completion of the disposal is subject to the following conditions:

- (i) the entry by the Purchaser and the Group into all requisite agreements in connection with the Proposed Sale;
- (ii) the approval being granted by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") for the restructuring of the Purchaser undertaken for the Proposed Sale;
- (iii) the approval being granted by the Ministry of Commerce for the PRC for the proposed strategic investment in the Purchaser by C&G Hong Kong;

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For the financial year ended 31 December 2013

39. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) (CONTINUED)

- (iv) the approval of the shareholders of the Company and C&G Hong Kong for the Proposed Sale upon the terms and conditions set out in the sale and purchase agreement, having been obtained;
- (v) the approval of the shareholders of the Purchaser for the transactions contemplated under the acquisition agreement, upon the terms and conditions set out in the acquisition agreement, having been obtained; and
- (vi) all licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings as may be necessary with any governmental or regulatory body or relevant competent authority, including, but not limited to, the SGX-ST, CSRC and SSE having jurisdiction over the Proposed Sale or to the entry into the Proposed Sale, being granted or obtained.

As announced by the Purchaser on 22 February 2014, the Purchaser has obtained approval in principle from Guangdong Province SASAC for the restructuring of the Purchaser undertaken for the Proposed Sale. On 25 February 2014, the Purchaser has obtained the approval in respect of the Proposed Sale from the shareholders at a special shareholder meeting. The Purchaser and the Company are in the process of obtaining all the required consents, approvals, waivers, authorisations, submission and filings as may be necessary with any governmental or regulatory body or relevant competent authority. Further, the Company is in the process of obtaining approval from Ministry of Commerce of the PRC for the proposed strategic investment in the Purchaser by C&G Hong Kong. The approvals by the remaining regulatory authorities are still subject to uncertainty.

Upon the completion of the Proposed Sale, C&G Hong Kong will have 11.04% stake in the Purchaser's shares and will become the second largest shareholder. A representative from the Company shall be appointed to the board of directors of the Purchaser within 30 days from the completion date of the Proposed Sale.

C&G Hong Kong has entered into a clawback agreement (the "ClawBack Agreement") with the Purchaser to provide, inter alia, an undertaking to compensate the Purchaser in the event that the Disposal Group fails to meet the profit targets for the years ending 31 December 2014, 2015 and 2016 as set out in the ClawBack Agreement. The profit targets set in the ClawBack Agreement are RMB68,442,300, RMB105,046,900 and RMB163,799,500 for the years ending 31 December 2014, 2015 and 2016 respectively. The determination of the actual consolidated net profit after tax of the Disposal Group for the purpose of the ClawBack Agreement shall be based on the consolidated financial statements of the Disposal Group prepared in accordance with the generally accepted accounting principles in the PRC.

- (b) As a result of the Proposed Sale as set out in note 39(a), at the request of the Purchaser, the Group will terminate the contracts with a contractor for the construction projects in Xiaogan, Dalian and Guiyang upon the approval of the Proposed Sale by all the regulatory bodies. The Group has not negotiated with the contractor the amount of compensation required. Pursuant to a confirmation dated 28 March 2014 made by the ultimate holding company to the Group, the ultimate holding company will undertake the compensation.