

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

First Quarter Results and Dividend Announcement for the Period Ended 31 March 2012

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 31 March 2012. 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 (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Three months ended 31 March		
	2012	2011	%
	HK\$'000	HK\$'000	Increase / Decrease
Revenue	224,946	258,941	-13%
Cost of sales	(189,561)	(224,221)	-15%
Gross profit	35,385	34,720	2%
Other income	513	17,138	-97%
Administrative expenses	(19,214)	(16,563)	16%
Profit from operations	16,684	35,295	-53%
Finance costs	(26,553)	(5,972)	345%
(Loss)/profit before taxation	(9,869)	29,323	-134%
Income tax credit/(expense)	1,628	(4,186)	-139%
Net (loss)/profit attributable to the Owners of the Company	(8,241)	25,137	-133%
<u>Other comprehensive income</u>			
Exchange difference on translating foreign operation	8,315	8,670	-4%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	74	33,807	-100%

1 (a)(ii) Explanatory Notes:

Other income comprises:

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Interest income	133	74
Exchange gain	1	2,621
Gain on disposal of fixed assets	5	-
Government grants	347	-
Refund of VAT	-	227
Rental income from a contractor	-	14,180
Sundry income	27	36
	513	17,138

Profit/(loss) from operations is arrived at after charging:

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Loss on disposal of fixed assets	-	3
Depreciation and amortisation	27,225	8,487
Interest on bank loans	26,553	5,927

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

	Group		Company	
	31.3.2012	31.12.2011	31.3.2012	31.12.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Fixed assets	9,059	9,808	-	-
Intangible assets	3,831,689	3,673,743	-	-
Long-term receivable	68,745	68,354		
Interests in subsidiaries	-	-	575,396	575,396
	<u>3,909,493</u>	<u>3,751,905</u>	<u>575,396</u>	<u>575,396</u>
Current assets				
Inventories	3,024	2,735	-	-
Trade receivables	96,577	76,971	-	-
Gross amounts due from customers for contract works	487,277	545,428	-	-
Other deposits and other receivables	326,625	289,072	-	-
Trade deposits and prepayments	12,814	8,924	-	-
Due from subsidiaries	-	-	913,817	914,596
Pledged bank deposits	76,110	32,956	-	-
Bank and cash balances	16,626	11,012	49	210
	<u>1,019,053</u>	<u>967,098</u>	<u>913,866</u>	<u>914,806</u>
Total assets	<u><u>4,928,546</u></u>	<u><u>4,719,003</u></u>	<u><u>1,489,262</u></u>	<u><u>1,490,202</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,659,625	1,659,551	1,387,255	1,389,191
Total equity	<u><u>1,756,927</u></u>	<u><u>1,756,853</u></u>	<u><u>1,484,557</u></u>	<u><u>1,486,493</u></u>
LIABILITIES				
Non-current liabilities				
Interest bearing borrowings	2,058,503	1,957,236	-	-
Long-term payables	68,745	68,354		
Deferred income	18,238	18,334		
Deferred tax liabilities	63,645	64,895	-	-
	<u>2,209,131</u>	<u>2,108,819</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	10,838	10,572	-	-
Gross amounts due to customers for contract works	201,687	228,732	-	-
Accruals and other payables	534,821	424,374	3,008	2,629
Due to a subsidiary	-	-	1,697	1,080
Deferred income	802	797	-	-
Interest-bearing borrowings	213,293	187,815	-	-
Current tax liabilities	1,047	1,041	-	-
	<u>962,488</u>	<u>853,331</u>	<u>4,705</u>	<u>3,709</u>
Total liabilities	<u><u>3,171,619</u></u>	<u><u>2,962,150</u></u>	<u><u>4,705</u></u>	<u><u>3,709</u></u>
Total equity and liabilities	<u><u>4,928,546</u></u>	<u><u>4,719,003</u></u>	<u><u>1,489,262</u></u>	<u><u>1,490,202</u></u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 March 2012

As at 31 December 2011

Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
213,293	Nil	187,815	Nil

Amount repayable after one year

As at 31 March 2012

As at 31 December 2011

Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
2,058,503	Nil	1,957,236	Nil

Details of any collateral

At 31 March 2012, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$3,815,829,000.

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

	Group	
	three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(9,869)	29,323
Adjustments for:		
Depreciation and amortisation	27,225	8,487
Interest expenses	26,553	5,972
Profit from construction services	(14,091)	(19,485)
Amortisation of deferred income	(200)	-
Interest income	(133)	(74)
Net (gain)/loss on disposals of fixed assets	(5)	3
Operating profit before working capital changes	29,480	24,226
Increase in inventories	(289)	(215)
(Increase)/decrease in trade receivables	(19,606)	(18,723)
(Increase)/decrease in other deposits and other receivables	(37,944)	(132,615)
Increase in trade deposits and prepayments	(3,890)	(1,669)
Increase/(decrease) in trade payables	266	(252)
Increase in accruals and other payables	40,024	47,776
Cash generated from/(used in) operations	8,041	(81,472)
Tax paid	-	(811)
Interest paid	(62,691)	(24,255)
Net cash used in operating activities	(54,650)	(106,538)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for construction work for BOT projects	(84,285)	(95,867)
Proceeds from disposal of fixed assets	15	-
Purchase of fixed assets	(41)	(343)
Interest received	133	74
Net cash used in investing activities	(84,178)	(96,136)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance to contractors	(27,887)	-
Advance from related parties	100,902	-
Increase in pledge bank deposits	(43,154)	-
Repayment of interest-bearing borrowings	(42,973)	(23,708)
Advances of Interest-bearing borrowings	156,851	82,979
Net cash generated from financing activities	143,739	59,271
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,911	(143,403)
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	703	2,655
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	11,012	517,344
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	16,626	376,596
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	16,626	376,596

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	Statutory reserve	Foreign currency translation reserve	Contributed surplus	Proposed final dividend	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group								
For the three months ended 31 March 2012								
At 1 January 2012	97,302	786,115	39,768	162,147	102,151	-	569,370	1,756,853
Dividend declared for FY2011	-	-	-	-	-	4,035	(4,035)	-
Total comprehensive income for the financial period	-	-	-	8,315	-	-	(8,241)	74
At 31 March 2012	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>170,462</u>	<u>102,151</u>	<u>4,035</u>	<u>557,094</u>	<u>1,756,927</u>
For the three months ended 31 March 2011								
At 1 January 2011	97,302	786,115	39,768	113,738	102,151	-	554,972	1,694,046
Dividend declared for FY2010	-	-	-	-	-	8,499	(8,499)	-
Total comprehensive income for the financial period	-	-	-	8,670	-	-	25,137	33,807
At 31 March 2011	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>122,408</u>	<u>102,151</u>	<u>8,499</u>	<u>571,610</u>	<u>1,727,853</u>
Company								
For the three months ended 31 March 2012								
At 1 January 2012	97,302	786,115	-	125,755	102,151	-	375,170	1,486,493
Dividend declared for FY2011	-	-	-	-	-	4,035	(4,035)	-
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,936)	(1,936)
At 31 March 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>4,035</u>	<u>369,199</u>	<u>1,484,557</u>
For the three months ended 31 March 2011								
At 1 January 2011	97,302	786,115	-	125,755	102,151	-	390,081	1,501,404
Dividend declared for FY2010	-	-	-	-	-	8,499	(8,499)	-
Total comprehensive income for the financial period	-	-	-	-	-	-	(296)	(296)
At 31 March 2011	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>8,499</u>	<u>381,286</u>	<u>1,501,108</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Par value HK\$	Number of shares	Issued and paid-up share capital HK\$
Issued and fully paid-up ordinary shares and balances as at 31 March 2011 and 31 March 2012	0.10	973,023,354	97,302,335

Note:

There were no changes in the Company's share capital since the end of the previous period reported on.

There were no outstanding convertibles or treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding year.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Par value HK\$	<u>Number of shares</u>
Issued and fully paid-up ordinary shares and balance as at 1 January and 31 March 2012	0.10	<u>973,023,354</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation adopted in the preparation of financial statements for the year ended 31 December 2011.

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.

	Three months ended 31 March 2012 HK\$ cents	Three months ended 31 March 2011 HK\$ cents
Earnings/(loss) per Share		
- Basic	(0.85)	2.58

Explanatory notes:

1. For the purpose of this announcement, basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the three months ended 31 March 2012 and 2011 and the weighted average number of shares 973,023,354 (2011: 973,023,354).
2. Diluted EPS has not been calculated as no dilution events existed during these periods.

7. Net asset value ("NAV") (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and**
- (b) immediately preceding financial year.**

	The Group 31.3.2012	The Group 31.12.2011	The Company 31.3.2012	The Company 31.12.2011
Net asset value (HK\$'000)	1,756,927	1,756,853	1,484,557	1,486,493
Number of issued shares	973,023,354	973,023,354	973,023,354	973,023,354
Net asset value per share (HK\$ cents)	180.56	180.56	152.57	152.77

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Operating Results of the Group

Revenue

Electricity generation and construction

The group entered into the Waste-to-Energy business in the PRC in 2011 and has since undertaken 10 BOT projects in Jinjiang, Huangshi, Huian, Anxi, Fuqing, Langfang, Yingkou, Nanping, Jianyang and Xiaogan in the PRC.

In 2012, the revenue comprised of (i) the construction income and (ii) electricity tariff and waste services fee (i.e. revenue from operation services). The revenue mix is shown in the table below:

	Three months ended 31 March 2012	Three months ended 31 March 2011	Increase / (Decrease)
	HK\$'000	HK\$'000	%
Revenue from operation services	61,607	28,294	117.7%
Revenue from construction services	163,339	230,647	(29.2%)
Total	224,946	258,941	(13.1%)

In Q1 2011, there was only one plant, Jinjiang, under operation. During Q1 2012, there are five plants, namely Jinjiang, Huangshi, Huian, Anxi and Fuqing, in operation. The daily waste treatment capacity increased by 60% from 1,800 tonnes/day to 4,500 tonnes/day.

The revenue from the operations increased by 118% for the three months ended 31 March 2012. During the quarter, the Group has processed an approximate 310,000 tonnes of waste and sold on-grid electricity of 61,432,000 kWh, an increase of 99% and 112% respectively compared with Q1 2011.

Construction services revenue is recognised according to the percentage of completion of the construction work for the Waste-to-Energy plants. During the period under review, less construction revenue is being recognised as the construction work for Huangshi, Huian and Anxi was completed and accordingly recognised in prior year. In this quarter, the construction services revenue is mainly generated from Langfang and Jianyang projects.

Gross profit

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

Sector	Three months ended 31 March 2012	Gross profit %	Three months ended 31 March 2011	Gross profit %
	HK\$'000		HK\$'000	
Operation services	21,294	34.6	15,235	53.8
Construction services	14,091	8.6	19,485	8.4
Total	35,385	15.7	34,720	13.4

The gross profit margin from the operations decreased from 53.8% for the three months ended 31 March 2011 to 34.6% for the three months ended 31 March 2012. This is mainly due to the recognition of the amortisation of the intangible assets (i.e. service concession rights), of the four new plants which commenced operations in 2011 and early 2012 while the plants have yet to reach the optimal level of operational efficiency. The amortization of the intangible assets contributed around 65% of the cost of sales. In order to improve operational efficiency, the project companies have requested local authorities concerned to build more waste collection and transfer stations, and the construction process is

underway. When compared to the gross profit margin in FY 2011, the Group recorded an improvement of 6.8% from 27.8% for the year ended FY 2011 to 34.6% for the three months ended 31 March 2012.

The gross profit margin for the construction services remains stable.

Other revenue

Other revenue decreased from HK\$17.1million to HK\$0.5million due to a drop of rental income of HK\$14.2million for Huangshi and Huian projects and a decrease in foreign exchange gain. A rental income is entitled in consideration for allowing the contractor to use the offices or other facilities for the projects during the construction stage. The rental income will be recognised at completion of the construction work. As there was no construction work for the new plants being completed during Q1 2012, no such item is being recognised in this quarter.

Administrative expenses

Administrative expenses amounted to HK\$19.2million for the three months ended 31 March 2012. The amount mainly comprised of payroll expenses, legal and professional expenses, depreciation, travelling expenses and entertainment. The increase of HK\$2.7million was mainly due to more plants being put in operation.

Finance costs

The finance costs increased from HK\$6.0million to HK\$26.6million for the three months ended 31 March 2012 with drawdown of new project loans during the period and the four new project companies (namely Huangshi, Huian, Anxi and Fuqing) ceased to have capitalisation of interest once the construction work was completed.

EBITDA

EBITDA on recurring items is shown as below. The construction profit is excluded in the below analysis as the amount is recognised according to the percentage of completion of the construction work of the plants which will fluctuate from each quarter.

	Three months ended 31 March 2012 HK\$'000	Three months ended 31 March 2011 HK\$'000	Changes %
EBITDA on recurring basis (exclude construction profit)	29,818	24,297	22.7%

The EBITDA on recurring basis for the three months ended 31 March 2012 increased by 22.7%.

Net (loss)/profit

The net loss of HK\$8.2million for the three months ended 31 March 2012 was mainly attributable to the decrease in the construction revenue as the substantial part of construction work for the plants were completed in FY 2011 and the five new plants have yet to reach the optimal scale of operation with the non-variable costs, such as depreciation and finance cost recognised in full amount. It usually takes about two years for new plants to achieve optimal scale of operation. Management has been proactively looking at ways to improve the scale of operation for the new plants by requesting the government to build more collection stations to linking the supply chain infrastructures and exploring opportunities to treat wastes in the cities nearby.

Financial Position of the Group

ASSETS

Intangible assets

The intangible assets represented the service concession rights for the Waste-To-Energy BOT projects in PRC. The intangible assets were stated at amortised cost with the initial measurement at the fair value which was assessed by the independent valuer with reference to the replacement cost and the percentage of completion of the construction of the work for each project. The increase of HK\$157.9million in intangible assets balance is in line with the construction progress.

Trade receivables

The trade receivables increased by HK\$19.6million. The balances comprised the receivables for the waste services fee and electricity tariff. Out of the balance as at 31 March 2012, HK\$63.7million (31 December 2011: HK\$47.4million) relates to the receivables for the subsidy of RMB0.25/kWh. During the period up to 31 March 2012, the on-grid electricity tariff is charged at a premium (i.e. subsidy) of RMB0.25/kWh above the provincial benchmark tariff for Waste-to-Energy industry. In 2011, National Development and Reform Commission ("NDRC") stated that there would be a potential change in pricing policy. The electricity authorities have hitherto delayed paying the subsidies to all Waste-to-Energy plants until the policy is issued.

With effect from 1 April 2012, NDRC has issued a policy to standardise the electricity tariff of all WTE projects across different provinces of the PRC at RMB0.65/kWh. With this policy in place, the management believes the outstanding receivable for the subsidy of RMB0.25/kWh will be collectable.

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

The balance represents the amount prepaid or payable to the contractors and suppliers calculated based on the percentage of completion of construction work. The decrease in the gross amounts due from customers for contract work was mainly due to the utilisation of the prepaid amount for the construction costs incurred for Langfang and Jianyang projects.

Other deposits and other receivables and long-term receivable

The increase of other deposits and other receivables of HK\$37.6million was mainly due to the following reasons:

- (i) Increase of tender deposits of HK\$27.3million for Thailand WTE project.

During Q1 2012, the Company has submitted the bidding document to Thailand government and paid HK\$27.3million as the tender deposit for Thailand WTE project.

- (ii) Increase in deposit of HK\$9.9million for Huian project

A security deposit of HK\$9.9million was placed to the bank to secure the borrowing of HK\$45million.

Pledged bank deposits

The pledged bank deposit is a guarantee to bank to secure the repayment of bills payables to certain subcontractors. As more bills were issued in Q1 2012, the pledged bank deposits increased.

LIABILITIES

Interest-bearing borrowings – secured

	31.3.2012	31.12.2011	
	HK\$'000	HK\$'000	Changes
Non-current portion	2,058,503	1,957,236	
Current portion	213,293	187,815	
	<u>2,271,796</u>	<u>2,145,051</u>	5.9%

The interest-bearing borrowings increased by 5.9% as compared with prior year. The loan was borrowed as project loans to finance the construction of the Waste-to-Energy plants.

During the quarter, HK\$156.9million was drawdown and HK\$43.0million was repaid. The loans were secured by the intangible assets. As at 31 March 2012, the gearing ratio of the Group increased to 64% from 63% as at 31 December 2011.

In 2011, Bank of China, Fujian, has granted the Company a Group credit facility of RMB2.284billion to finance the capital expenditure requirements of Company's subsidiaries which are engaged in Waste-to-Energy business. As at 31 March 2012, the available facility amount remains at RMB1billion.

Accruals and other payables

The accruals and other payables balances increased by HK\$110.4million due to the following reasons:

- (i) Increase in amount due from ultimate holding company of HK\$35.4million to finance the tender deposits of HK\$27.3million paid for the Thailand project and HK\$8.1million to finance the daily operating costs for the head office and Thailand office. The balance is interest free, unsecured and repayable on demand.
- (ii) Increase in amount due to a related company of HK\$65.5million. Additional funding of HK\$65.5million was obtained from the related company to finance the finance cost of the new project companies and repayment of bank loans. Amount due to the related company is interest free, unsecured and repayable on demand.
- (iii) Increase in bills payable of HK\$43.3million from HK\$54.9million to HK\$98.2million to suppliers through the banks as deposit for the acquisition of equipment in 2012. The bills payable balances represented the payable to the banks. A deposit of HK\$76.1 million was placed into the designated bank account as pledged deposit to facilitate this arrangement.
- (iv) Net off with the decrease in construction cost payable to contractors of HK\$27.5million.

Statement of Cashflow

Net cash used in operating activities

Net cash used in operating activities mainly due to increase in bank interest paid as more projects loans are drawdown during this quarter and the four new project companies (namely Huangshi, Huian, Anxi and Fuqing) have ceased the capitalization of the interest once the construction work was completed.

Net cash used in investing activities

Net cash used in investing activities mainly represented payment for the construction of the BOT projects mainly for the Langfang and Jianyang projects.

Net cash generated from financing activities

Net cash generated from financing activities mainly represented the drawdown of the bank loans and advances from related companies to finance the finance cost of the new project companies and repayment of bank loans. The net cash generated was net off with the repayment to bank loans and contractors and increase in pledge bank deposits to secure the repayment of bills payables.

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

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Growing nations in Asia continue to gear up the demand for clean, renewable energy. Authorities in China and many emerging economies in the region face the problems of accumulating landfills and rising energy consumption as their countries urbanise, prompting them to implement measures that will encourage environmental solutions. The closure of several landfill sites in the region will also drive more waste to incineration plants.

In China, aside from building more incineration plants, authorities recently increased the tariff collected on electricity generated from Waste-to-Energy projects. Early this year, the National Development and Reform Commission (“NDRC”) of the PRC issued a “Notice in Relation to the Optimisation of Waste-to-energy Electricity Tariff Policy” to standardise the electricity tariff of all WTE projects across different provinces of the PRC at RMB0.65/kWh, effective from 1 April, 2012. The adjustment of the electricity tariff of the WTE projects is expected to benefit the Group’s related business. The implementation of the new electricity tariff policy will have a positive impact for the Group’s BOT projects.

To capitalise on industry momentum, for the next 12 months, C&G plans the further consolidation of its WTE business. Construction of two new plants – Langfang in Hebei Province and Jianyang in Fujian Province, will be completed in 2012. Together, the plants will add 1,600 tonnes of daily waste treatment capacity to the five operating plants, bringing the total capacity to 6,100 tonnes per day. This represents an increase of over three times in capacity as compared to 2010, when only one plant operated at 1,800 tonnes per day.

In addition, the project companies are also working with local authorities to build more waste collection stations and exploring options to collect waste from nearby cities to boost utilisation rates.

At the same time, the Group is looking to expand into major cities. In March 2012, C&G was selected as the first preferred bidder of the Dalian WTE project. Dalian is the second largest city in Liaoning Province, next only to Shenyang, the capital city. It serves as a regional financial base and an important international shipping centre in Northeast Asia. Being selected as the first preferred bidder in Dalian marks an important milestone for C&G, a testament that the Group is able to compete with state-owned competitors in building and operating large-scale WTE projects in major cities of the PRC.

To obtain additional funding for its consolidation efforts, C&G has undertaken fundraising initiatives and is pleased that it has received support from international institutions such as International Finance Corporation (“IFC”). All warrants have been issued on 10 April, 2012; the warrants can be exercised at any time within 18 months of the warrants issue date. Upon full exercise of the unlisted warrants at the exercise price of S\$0.185, C&G is able to raise proceeds of about US\$5 million for additional working capital to support the business development of WTE projects.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no general mandate obtained from shareholders on Interested Person Transactions.

14. Negative confirmation pursuant to Rule 705(5).

Confirmation by the Board

We, Lin Yan and Loo Cheng Guan being two Directors of C&G Environmental Protection Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 1Q FY2012 financial statements to be materially false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lin Yan
Executive Chairman
10 May 2012