

## C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

### Third Quarter Results and Dividend Announcement for the Period Ended 30 September 2013

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 30 September 2013. 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		
	2013 HK\$'000	2012 HK\$'000	% Increase / (Decrease)	2013 HK\$'000	2012 HK\$'000	% Increase / (Decrease)
Revenue	163,700	93,777	74.56	417,374	452,846	(7.83)
Cost of sales	(116,774)	(42,643)	173.84	(263,711)	(331,603)	(20.47)
Gross profit	46,926	51,134	(8.23)	153,663	121,243	26.74
Other income	15,785	1,660	850.90	29,179	3,355	769.72
Administrative expenses	(19,811)	(19,976)	(0.83)	(60,057)	(61,602)	(2.51)
Other operating (expenses)/income	(3,912)	1,109	452.75	(3,912)	(12,734)	(69.28)
<b>Profit from operations</b>	38,988	33,927	14.92	118,873	50,262	136.51
Finance costs	(31,337)	(27,331)	14.66	(91,417)	(78,046)	17.13
<b>Profit/(loss) before taxation</b>	7,651	6,596	15.99	27,456	(27,784)	198.82
Income tax expense	(3,282)	(4,143)	(20.78)	(4,749)	(7,902)	(39.90)
Net profit/(loss) attributable to the owners of the Company	4,369	2,453	78.11	22,707	(35,686)	163.63
<b>Other comprehensive income</b>						
Exchange difference on translating foreign operation	11,044	(3,145)	451.16	45,585	4,137	1,001.89
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	15,413	(692)	2,327.31	68,292	(31,549)	316.46

**1 (a)(ii) Explanatory Notes:**

**Other income comprises:**

	<b>The Group</b>			
	three months ended 30 September <b>2013</b> HK\$'000	2012 HK\$'000	nine months ended 30 September <b>2013</b> HK\$'000	2012 HK\$'000
Interest income	<b>551</b>	811	<b>810</b>	1,296
Exchange gain	<b>4</b>	3	<b>39</b>	4
(Loss)/gain on disposal of fixed assets	<b>(1)</b>	-	<b>25</b>	5
Government grants	<b>378</b>	368	<b>1,257</b>	758
Refund of value added tax	<b>6,605</b>	252	<b>18,057</b>	356
Deferred income	<b>267</b>	200	<b>794</b>	601
Fair value gain on financial liabilities at fair value through profit or loss	<b>110</b>	-	<b>215</b>	-
Reimbursement income from a contractor	<b>7,482</b>	-	<b>7,482</b>	-
Sundry income	<b>389</b>	26	<b>500</b>	335
	<b>15,785</b>	1,660	<b>29,179</b>	3,355

**Profit from operations is arrived at after charging:**

	<b>The Group</b>			
	three months ended 30 September <b>2013</b> HK\$'000	2012 HK\$'000	nine months ended 30 September <b>2013</b> HK\$'000	2012 HK\$'000
Loss on disposal of fixed assets	-	23	-	27
Depreciation and amortisation	<b>33,488</b>	22,396	<b>99,172</b>	76,730
Interest on bank loans	<b>31,326</b>	27,331	<b>91,393</b>	78,046
Interest on finance lease	<b>11</b>	-	<b>24</b>	-

**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.**

	<b>The Group</b>		<b>The Company</b>	
	<b>30.9.2013</b>	31.12.2012	<b>30.9.2013</b>	31.12.2012
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>				
Fixed assets	9,257	9,211	-	-
Intangible assets	4,059,163	3,944,712	-	-
Investment in a jointly controlled entity	71	-	-	-
Investment in subsidiaries	-	-	575,396	575,396
	<u>4,068,491</u>	<u>3,953,923</u>	<u>575,396</u>	<u>575,396</u>
<b>Current assets</b>				
Inventories	6,049	3,612	-	-
Trade receivables	140,203	145,557	-	-
Gross amounts due from customers for contract work	354,470	458,168	-	-
Other deposits and other receivables	141,657	137,328	-	7
Trade deposits and prepayments	31,602	11,452	-	-
Due from subsidiaries	-	-	906,203	906,203
Pledged bank deposits	45,138	45,105	-	-
Bank and cash balances	352,797	9,993	113	21
	<u>1,071,916</u>	<u>811,215</u>	<u>906,316</u>	<u>906,231</u>
<b>TOTAL ASSETS</b>	<u><u>5,140,407</u></u>	<u><u>4,765,138</u></u>	<u><u>1,481,712</u></u>	<u><u>1,481,627</u></u>
<b>Capital and reserves</b>				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,682,821	1,614,149	1,375,002	1,378,593
<b>Equity attributable to owners of the Company</b>	<u>1,780,123</u>	<u>1,711,451</u>	<u>1,472,304</u>	<u>1,475,895</u>
<b>Non-current liabilities</b>				
Interest-bearing borrowings - secured	2,177,985	1,862,701	-	-
Finance lease payables	917	334	-	-
Deferred income	23,880	18,613	-	-
Deferred tax liabilities	86,099	79,120	-	-
	<u>2,288,881</u>	<u>1,960,768</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade payables	27,364	19,514	-	-
Gross amounts due to customers for contract work	18,383	33,463	-	-
Accruals and other payables	424,275	626,826	1,390	1,401
Due to a subsidiary	-	-	8,018	4,116
Deferred income	1,070	801	-	-
Financial liability at fair value through profit or loss	-	215	-	215
Finance lease payables	71	80	-	-
Interest-bearing borrowings - secured	599,165	410,973	-	-
Current tax liabilities	1,075	1,047	-	-
	<u>1,071,403</u>	<u>1,092,919</u>	<u>9,408</u>	<u>5,732</u>
<b>Total liabilities</b>	<u>3,360,284</u>	<u>3,053,687</u>	<u>9,408</u>	<u>5,732</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>5,140,407</u></u>	<u><u>4,765,138</u></u>	<u><u>1,481,712</u></u>	<u><u>1,481,627</u></u>

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

**Amount repayable in one year or less, or on demand**

<b>As at 30 September 2013</b>		<b>As at 31 December 2012</b>	
<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>	<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>
<b>599,165</b>	<b>Nil</b>	<b>410,973</b>	<b>Nil</b>

**Amount repayable after one year**

<b>As at 30 September 2013</b>		<b>As at 31 December 2012</b>	
<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>	<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>
<b>2,177,985</b>	<b>Nil</b>	<b>1,862,701</b>	<b>Nil</b>

**Details of any collateral**

At 30 September 2013, the banking facilities of the Group were secured by the following:

The pledge of the Group's intangible assets of approximately HK\$4,059,163,000.

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

	Group		Group	
	three months ended 30		nine months ended 30	
	September		September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>CASH FLOW FROM OPERATING ACTIVIES</b>				
Profit/(loss) before tax	7,651	6,596	27,456	(27,784)
Adjustments for:				
Depreciation and amortisation	33,488	22,396	99,172	76,730
Interest expenses	31,337	27,331	91,417	78,046
Profit from construction services	-	(70)	(414)	(17,217)
Amortisation of deferred income	(267)	(200)	(794)	(601)
Interest income	(551)	(811)	(810)	(1,296)
(Gain)/loss on financial liability at fair value through profit or loss	(110)	(1,109)	(215)	802
Written off of intangible asset	-	-	-	11,932
Written off of construction in progress and fixed assets	3,912	-	3,912	-
Share based payment expense	247	-	380	-
Net loss/(gain) on disposal of fixed asset	1	23	(25)	22
Operating profit before working capital changes	75,708	54,156	220,079	120,634
Decrease/(increase) in inventories	907	(587)	(2,437)	(752)
(Increase)/decrease in trade receivables	(15,122)	(29,948)	5,354	(75,122)
Decrease/(increase) in other deposits and other receivables	7,532	44,199	(4,329)	(10,365)
(Increase)/decrease in trade deposits and prepayments	(12,014)	197	(20,150)	(2,425)
Increase in trade payables	1,831	5,118	7,850	6,763
Increase in deferred income	1,041	612	6,819	612
Decrease in accruals and other payables	(22,814)	(30,363)	(15,718)	(23,580)
Cash generated from operations	37,069	43,384	197,468	15,765
Interest paid	(45,553)	(52,553)	(120,826)	(128,370)
Net cash (used in)/generated from operating activities	(8,484)	(9,169)	76,642	(112,605)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Refund/(payment) for construction work for BOT projects	31,224	(104,138)	(78,081)	(388,635)
Investment in a jointly controlled entity	(71)	-	(71)	-
Proceeds from disposal of fixed assets	50	13	100	34
Purchase of fixed assets	(322)	(521)	(1,663)	(1,458)
Interest received	551	811	810	1,296
Net cash generated from/(used in) investing activities	31,432	(103,835)	(78,905)	(388,763)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	-	-	-	(4,035)
(Decrease)/increase in amount due to contractors	(24,892)	25,515	(67,294)	67,845
Repayment from a contractor	-	197,876	-	197,876
(Repayment to)/advance from related parties	(66,695)	(137,984)	(56,515)	4,614
Decrease/(increase) in pledge bank deposits	31,469	16,492	(33)	(3,331)
Repayment of finance lease payable	(37)	-	(85)	-
Repayment of interest-bearing borrowings	(117,141)	(48,743)	(310,306)	(111,686)
Advances of Interest-bearing borrowings	505,430	56,214	745,630	340,577
Net cash generated from financing activities	328,134	109,370	311,397	491,860
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>351,082</b>	<b>(3,634)</b>	<b>309,134</b>	<b>(9,508)</b>
<b>EFFECT ON FOREIGN EXCHANGE RATE CHANGE</b>	<b>(19,534)</b>	<b>3,771</b>	<b>33,670</b>	<b>8,665</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>21,249</b>	<b>10,032</b>	<b>9,993</b>	<b>11,012</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>352,797</b>	<b>10,169</b>	<b>352,797</b>	<b>10,169</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Bank and cash balances	352,797	10,169	352,797	10,169

**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	Share based compensation reserve	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	HK\$'000
<b>Group</b>									
<b>For the three months ended</b>									
<b>30 September 2013</b>									
At 1 July 2013	97,302	786,115	133	39,768	204,730	102,151	-	534,264	1,764,463
Share based payment	-	-	247	-	-	-	-	-	247
Total comprehensive income for the financial period	-	-	-	-	11,044	-	-	4,369	15,413
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>380</u>	<u>39,768</u>	<u>215,774</u>	<u>102,151</u>	<u>-</u>	<u>538,633</u>	<u>1,780,123</u>
<b>For the three months ended</b>									
<b>30 September 2012</b>									
At 1 July 2012	97,302	786,115	-	39,768	169,429	102,151	-	527,196	1,721,961
Total comprehensive income for the financial period	-	-	-	-	(3,145)	-	-	2,453	(692)
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>39,768</u>	<u>166,284</u>	<u>102,151</u>	<u>-</u>	<u>529,649</u>	<u>1,721,269</u>
<b>For the nine months ended</b>									
<b>30 September 2013</b>									
At 1 January 2013	97,302	786,115	-	39,768	170,189	102,151	-	515,926	1,711,451
Share based payment	-	-	380	-	-	-	-	-	380
Total comprehensive income for the financial period	-	-	-	-	45,585	-	-	22,707	68,292
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>380</u>	<u>39,768</u>	<u>215,774</u>	<u>102,151</u>	<u>-</u>	<u>538,633</u>	<u>1,780,123</u>
<b>For the nine months ended</b>									
<b>30 September 2012</b>									
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)	-
Dividend paid for FY2011	-	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial period	-	-	-	-	4,137	-	-	(35,686)	(31,549)
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>39,768</u>	<u>166,284</u>	<u>102,151</u>	<u>-</u>	<u>529,649</u>	<u>1,721,269</u>

**Attributable to owners of the Company**

	Share capital	Share premium	Share based compensation 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
<b>Company</b>								
<b>For the three months ended</b>								
<b>30 September 2013</b>								
At 1 July 2013	97,302	786,115	133	125,755	102,151	-	362,190	1,473,646
Share based payment	-	-	247	-	-	-	-	247
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,589)	(1,589)
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>380</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>360,601</u>	<u>1,472,304</u>
<b>For the three months ended</b>								
<b>30 September 2012</b>								
At 1 July 2012	97,302	786,115	-	125,755	102,151	-	365,164	1,476,487
Total comprehensive income for the financial period	-	-	-	-	-	-	20	20
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>365,184</u>	<u>1,476,507</u>
<b>For the nine months ended</b>								
<b>30 September 2013</b>								
At 1 January 2013	97,302	786,115	-	125,755	102,151	-	364,572	1,475,895
Share based payment	-	-	380	-	-	-	-	380
Total comprehensive income for the financial period	-	-	-	-	-	-	(3,971)	(3,971)
At 30 September 2013	<u>97,302</u>	<u>786,115</u>	<u>380</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>360,601</u>	<u>1,472,304</u>
<b>For the nine months ended</b>								
<b>30 September 2012</b>								
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)	-
Dividend paid for FY2011	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial period	-	-	-	-	-	-	(5,951)	(5,951)
At 30 September 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>365,184</u>	<u>1,476,507</u>

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

	Par value HK\$	Number of shares	Issued and paid-up share capital HK\$
Issued and fully paid-up ordinary shares and balances as at 30 September 2012 and 30 September 2013	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.

As at 30 September 2013, the number of new shares to be allotted and issued by the Company, pursuant to the exercise of warrants issued to International Finance Corporation ("IFC") was 34,008,108 ordinary shares. (2012: Nil).

(i) Employee Share Option Plan

As at 30 September 2013, the number of outstanding share options was 2,585,000 (30 September 2012: Nil).

(ii) Performance Share Plan ("PSP")

As at 30 September 2013, the number of shares outstanding under the Company's PSP was 1,550,000 (30 September 2012: Nil).

(iii) Restricted Share Plan ("RSP")

As at 30 September 2013, the number of shares outstanding under the Company's RSP was 1,034,000 (30 September 2012: Nil).

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

	Par value HK\$	<u>Number of shares</u>
Issued and fully paid-up ordinary shares and balance as at 1 January and 30 September 2013	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 2012.

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).

	<b>Three months ended 30 September 2013 HK\$ cents</b>	Three months ended 30 September 2012 HK\$ cents	<b>Nine months ended 30 September 2013 HK\$ cents</b>	Nine months ended 30 September 2012 HK\$ cents
Earnings/(loss) per Share				
- Basic <sup>(1)</sup>	0.45	0.25	2.33	(3.67)
- Diluted <sup>(2)</sup>	0.45	0.25	2.33	(3.67)

**Explanatory notes:**

- Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the period ended 30 September 2013 and 2012 and the weighted average number of shares 973,023,354 (2012: 973,023,354).
- Diluted EPS is calculated based on weighted average number of fully paid shares in issue after adjusting for dilution of shares under the employee share option plan, PSP and RSP. The unlisted warrants have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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.

	<b>The Group 30.9.2013</b>	The Group 31.12.2012	<b>The Company 30.9.2013</b>	The Company 31.12.2012
Net asset value (HK\$'000)	<b>1,780,123</b>	1,711,451	<b>1,472,304</b>	1,475,895
Number of issued shares	<b>973,023,354</b>	973,023,354	<b>973,023,354</b>	973,023,354
Net asset value per share (HK\$ cents)	<b>182.95</b>	175.89	<b>151.31</b>	151.68

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:—
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## Review of Operating Results of the Group

### Revenue

#### Electricity generation and construction

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

	<b>Three months ended 30 September 2013 HK\$'000</b>	Three months ended 30 September 2012 HK\$'000	Increase / (decrease) %
Revenue from operation services	<b>109,045</b>	89,156	22.3
Revenue from construction services	<b>54,655</b>	4,621	1,082.8
Total	<b>163,700</b>	93,777	74.6

In Q3 2012, there were five plants in operation, namely Jinjiang, Huangshi, Huian, Anxi and Fuqing. In Q3 2013, there are six plants including Jianyang in operation. The aggregate daily waste treatment capacity of the six operating plants is 5,100 tonnes.

Revenue from operation services comprises power generation and waste handling fees of HK\$108.6million and operation and maintenance service fees of HK\$0.4million. The revenue from operation services increased by 22.3% for the three months ended 30 September 2013. During the quarter, the Group processed approximately 429,000 tonnes of waste and generated 104,195,000 kWh of sold on-grid electricity, an increase of 16.2% and 17.5% respectively compared with Q3 2012. The average utilisation rate for waste handling increased from 89.2% in Q3 2012 to 91.5% in Q3 2013, and the average utilisation rate for electricity generation increased from 60.7% in Q3 2012 to 65.9% in Q3 2013. The increase in revenue from operation services for power generation and waste handling fee was mainly attributable to additional sources of waste supply from the cities in proximity to the plants, upward adjustment of waste handling fee of Jinjiang, Huian and Anxi plants and the contribution from newly-operational plants. The operating plants are gradually improving their operational efficiency in both waste processing and electricity generation.

Construction services revenue is recognised according to the percentage of completion for construction of Waste-to-Energy ("WTE") plants. During the period under review, the revenue from construction services was mainly generated from Anxi phase 2. Less construction revenue was recognised as construction work for Langfang and Jianyang were substantially completed in prior period.

## Gross profit

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

	Three months ended 30 September 2013 HK\$'000	Three months ended 30 September 2012 HK\$'000	Increase / (decrease) %
Gross profit			
Operation services	46,926	51,064	(8.1)
Construction services	-	70	(100.0)
Total	<u>46,926</u>	<u>51,134</u>	(8.2)
Gross profit margin			
Operation services	43.0%	57.3%	
Construction services	0.0%	1.5%	
Total	28.7%	54.5%	

The gross profit margin from the operations decreased from 57.3% for the three months ended 30 September 2012 to 43.0% for the three months ended 30 September 2013. This is mainly due to Jinjiang plant having gone through overhauls in the second half of year 2013.

## Other income

Other income increased mainly due to the increase in value added tax refund from the relevant authorities of HK\$6.4million and reimbursement income from a contractor for the use of facilities of HK\$7.5million for the three months ended 30 September 2013. Entitlement to the value added tax refund was subjected to the discretion of the relevant authorities. In Q3 2013, Jinjiang, Huangshi, Huian and Anxi projects were entitled to receive the value added tax refund, which was recognised as other income. In Q3 2012, however the authorities requested to offset value added tax on acquisition of equipment with value added tax on the sales of electricity, which was recognised as a reduction of the assets cost.

## Administrative expenses

Administrative expenses which include payroll expenses, legal and professional expenses, travelling and business development-related expenses amounted to HK\$23.7million for the three months ended 30 September 2013. The balance remained relatively constant compared to Q3 2012.

## Other operating expenses/(income)

In September 2013, Nanping project was put through process of deregistration following an internal review. As a result, the Group has written off the construction in progress and fixed assets of HK\$3.9million as other operating expenses. In Q3 2012, other operating expenses include written off intangible asset of the Yingkou project which amounted to HK\$11.9million and the fair value change of the warrants of HK\$0.8million.

## Finance costs

Finance costs increased from HK\$27.3million to HK\$31.3million for the three months ended 30 September 2013. This was mainly due to cessation of capitalisation of interest of the Jianyang project with the completion of construction work.

## Income tax expense

Income tax expense comprises deferred tax. The increase was mainly due to increase in deferred tax expense arising from the GAAP differences for intangible assets in accordance with IFRIC 12.

## EBITDA

EBITDA on recurring items is shown in the table below. Construction profit is excluded in the below analysis as the amount is recognised according to the percentage of completion of the construction work of the plants. This amount fluctuates every quarter.

	Three months ended 30 September 2013 HK\$'000	Three months ended 30 September 2012 HK\$'000	Increase / (decrease) %
EBITDA on recurring basis (exclude construction profit)	76,387	56,253	35.8

The EBITDA on a recurring basis for the three months ended 30 September 2013 increased by 35.8% due to the improvement of the operational efficiency and increase of the operating profit.

## Net profit/(loss)

The net profit of HK\$4.4million for the quarter was mainly attributable to the increase in revenue from operation services mainly due to upward adjustment of waste handling fee of Jinjiang, Huian and Anxi plants and additional sources of waste from the cities in proximity to the plants.

## Financial Position of the Group

### ASSETS

#### Intangible assets

Intangible assets represent the service concession rights for WTE BOT projects in PRC. The intangible assets were stated at amortised cost with the initial measurement at the fair value, which was assessed by an independent valuer with reference to the replacement cost and the percentage of completion of the construction of the work for each project. The increase of HK\$114.5million in intangible assets was due to the movement below:

	HK\$'000
Net book value as at 1 January 2013	3,944,712
Add: Addition during the year	103,888
Less: Amortisation for the year	(96,501)
Exchange gain	107,064
Net book value as at 30 September 2013	<u>4,059,163</u>

#### Trade receivables

The trade receivable balance of HK\$140.2million comprised receivables from waste services of HK\$19.7million, electricity tariff of HK\$120.4million and HK\$0.1million for operation and maintenance service fee. Trade receivables decreased by HK\$5.4million due to settlement of electricity receivables for the period from October 2010 to April 2011 and for the year 2012. This was partially offset by the overall increase in operational revenue.

#### 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 gross amounts due from customers for contract work was mainly due to the utilisation of prepaid amount for the construction cost for the Anxi phase two project and refund for construction cost of Xiaogan project. This was partially offset by the increase in payments for construction work for the Thailand project. The drop in gross amounts due to customers for contract work was mainly due to settlement to contractors for the Anxi phase two project.

#### Other deposits and other receivables

The balance mainly represents tender deposit paid for the BOT contracts, value-added tax receivables and prepaid expenses paid on behalf of contractors. The balance increase of

HK\$4.3million was mainly because of the increase in other receivables for the reimbursement income from a contractor for the Jianyang project.

### Trade deposit and prepayment

The increase in trade deposit and prepayment of HK\$20.2million was mainly due to the increase in prepayment for spare parts used for operation and maintenance services in year 2013 and the prepaid bank charge for refinancing loans.

### Pledged bank deposits

The pledged bank deposits represented: (i) deposit of HK\$26.2million placed in the bank to facilitate the arrangement of performance guarantee to the Thailand government for the Bangkok WTE project; (ii) HK\$10.1million guarantee to bank to secure the repayment of bills payable to certain subcontractors and (iii) HK\$8.8million deposit pledged for obtaining short-term loan for the Jinjiang project. The balance has no significant change from last year.

### Bank and cash balances

The balance increased by HK\$342.8million as at 30 September 2013. It was mainly due to the drawdown of a refinancing loan for Jinjiang project of RMB400million (equivalent to HK\$504.2million) which was used to repay the amount due to a related company of HK\$74.4million and construction payable. The remaining balance will be used in Q4 2013 for repayment of outstanding bank loans of Jinjiang. For the details of the cash movement, please also refer to the Statement of Cash Flows and the explanation notes in page 14.

## LIABILITIES

### Trade payables

The increase was mainly because of the increase in material cost payable for the Jinjiang, Huian and Fuqing projects due to the increase in waste handling volume.

### Interest-bearing borrowings – secured

	30.9.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	2,177,985	1,862,701	16.9%
Current portion	599,165	410,973	45.8%
	<u>2,777,150</u>	<u>2,273,674</u>	22.1%

The interest-bearing borrowings increased by 22.1% as compared with prior year. The loan was borrowed as project loans to finance the construction of WTE plants.

In 2013, HK\$745.6million was drawn down and HK\$310.3million was repaid. The loans were secured by the intangible assets. As at 30 September 2013, the Group's gearing ratio was relatively constant.

### Finance lease payable

	30.9.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	71	80	(11.3%)
Current portion	917	334	174.6%
	<u>988</u>	<u>414</u>	138.6%

The finance lease payable represented the payable for the purchase of vehicles under hire purchase agreements. The balance increased by 138.6% as compared with prior year was mainly due to two vehicles acquired in year 2013.

## Deferred income

	30.9.2013 HK\$'000	31.12.2012 HK\$'000	Changes
Non-current portion	23,880	18,613	28.3%
Current portion	1,070	801	33.6%
	<u>24,950</u>	<u>19,414</u>	28.5%

The balance represented the unrecognised part of government subsidies received by the project companies. These balances will be recognised over the remaining concession periods of the related projects upon commencement of operation.

The balance increase of 28.5% was mainly due to the HK\$5.8million received for the slope construction near the Fuqing plant in year 2013.

## Accruals and other payables

Accruals and other payables decreased by HK\$202.6million mainly due to the following reasons:

- (1) Decrease in construction payables of HK\$130.5million;
- (2) Decrease in receipt in advance for waste handling fee for Jinjiang of HK\$15.2million;
- (3) Repayment of amounts due to a related company of HK\$74.4million; and
- (4) Net off with increase in amount due to the ultimate holding company of HK\$17.9million.

## Financial liability at fair value through profit or loss

The amount represents the fair value of the outstanding 34,008,108 unlisted warrants issued to IFC as at 30 September 2013. The balance decrease was due to the fair value changes for the current period.

## Statement of Cash Flows

### Net cash used in operating activities

The Group recorded a net cash outflow in operating activities for the period mainly because of the increase in prepayments made for operation and maintenance services in year 2013 and increase in loan interest expenses.

### Net cash generated from investing activities

Net cash generated from investing activities in this quarter mainly represented the refund of overpayments for the BOT projects' construction cost.

### Net cash generated from financing activities

Net cash generated from financing activities in this quarter mainly represents net cash inflow from the drawdown of interest-bearing borrowings offset by repayment of interest-bearing borrowings and related parties.

## **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.**

In September 2013, Nanping project was put through the process of deregistration following an internal review and it is expected to complete the deregistration within the next few months.

On 22 October 2013, the Group signed a letter of intent with a potential purchaser, a company listed on a stock exchange in the PRC, to facilitate the negotiation and finalisation of a definitive sale and

purchase agreement (“SPA”) in respect of a proposed sale of the Group’s waste-to-energy business and assets (including concession rights) and the principal operating subsidiaries of the Company in the PRC. The Group will make an announcement disclosing further details of the proposed sale upon execution of the SPA and will make appropriate update announcements on the proposed sale in the next 12 months.

In Thailand, the Group has received and signed the term sheet with a development financial institution for its Bangkok project and is in the process of final negotiation and preparation of loan documentation for project financing.

In the PRC, phase two of the Group’s Anxi plant commenced operation in November 2013, adding an additional daily waste treatment capacity of 300 tonnes. In addition to bringing the Anxi plant’s total daily waste treatment capacity to 600 tonnes, the new facilities are expected to improve the overall operational efficiency there.

Construction for phase two of the Group’s Huian plant has already commenced and is expected to complete by 2014, bringing the Huian plant’s total daily waste treatment capacity to 1,200 tonnes. The new facilities are also expected to improve the overall operational efficiency for the Huian plant.

**11. If a decision regarding dividend has been made:—**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended).**

None

**(b) (i) Amount per share and (ii) previous corresponding period.**

None

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable.**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared.

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

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

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

**Confirmation by the Board**

We, Lin Yan and Loo Cheng Guan being two Directors of C&G Environmental Protection Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 3Q FY2013 financial statements to be materially false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Lin Yan  
Director  
11 November 2013

Loo Cheng Guan  
Director