

## C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

### Second Quarter Results and Dividend Announcement for the Period Ended 30 June 2015

The Board of Directors are pleased to announce the consolidated results of the Group for the three months ended 30 June 2015. The figures presented below have not been audited.

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Three months ended 30 June			Six months ended 30 June		
	2015 HK\$'000	2014 HK\$'000 (Restated)	% Increase / (Decrease)	2015 HK\$'000	2014 HK\$'000 (Restated)	% Increase / (Decrease)
<b>Revenue</b>	94,549	11,577	716.70	123,469	14,624	744.29
Cost of sales	(93,801)	(10,769)	771.03	(121,717)	(13,604)	794.71
<b>Gross profit</b>	748	808	(7.43)	1,752	1,020	71.76
Other income	112	104	7.69	472	108	337.04
Administrative expenses	(15,848)	(8,431)	87.97	(32,293)	(16,376)	97.20
<b>Loss from operations</b>	(14,988)	(7,519)	99.34	(30,069)	(15,248)	97.20
Finance costs	(16)	(19)	(15.79)	(32)	(255)	(87.45)
<b>Loss before taxation from continuing operations</b>	(15,004)	(7,538)	99.04	(30,101)	(15,503)	94.16
Income tax expense	-	-	N.M	-	-	N.M
Loss from continuing operations attributable to the owners of the Company	(15,004)	(7,538)	99.04	(30,101)	(15,503)	94.16
Gain from discontinuing operations attributable to the owners of the Company	-	28,273	(100.00)	113,162	49,193	130.04
<b>Net Profit / (Loss)</b>	(15,004)	20,735		83,061	33,690	
<b>Other comprehensive income, net of tax:</b>						
Items that may be reclassified to profit or loss:						
Exchange difference on translating foreign operations	(79)	(725)	(89.10)	801	(13,646)	(105.87)
Available-for-sale financial assets:						
Fair value gains	29,905	-	N.M	262,335	-	N.M
Total comprehensive income for the year attributable to the owners of the Company	14,822	20,010	(25.93)	346,197	20,044	1,627.19

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

Continuing operations	The Group		The Group	
	Three months ended 30 June	Three months ended 30 June	Six months ended 30 June	Six months ended 30 June
	Continuing operations		Continuing operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Interest income	-	-	261	4
Other Income	112	104	211	104
	<b>112</b>	<b>104</b>	<b>472</b>	<b>108</b>
Profit/(Loss) before tax is arrived at after charging/(crediting)				
Discontinued operations	The Group		The Group	
	Three months ended 30 June	Three months ended 30 June	Six months ended 30 June	Six months ended 30 June
	Discontinued operations		Discontinued operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Depreciation and amortisation	157	129	355	250
Interest on bank loans	-	-	-	216
Interest on finance lease	16	19	32	39
Other income/(loss) comprises:				
Discontinued operations	The Group		The Group	
	Three months ended 30 June	Three months ended 30 June	Six months ended 30 June	Six months ended 30 June
	Discontinued operations		Discontinued operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Other Income	-	10,774	-	17,519
Reversal of impairment loss of value-added tax receivables	-	1,078	-	2,499
	<b>-</b>	<b>11,852</b>	<b>-</b>	<b>20,018</b>
Profit/(Loss) before tax is arrived at after charging/(crediting)				
Discontinued operations	The Group		The Group	
	Three months ended 30 June	Three months ended 30 June	Six months ended 30 June	Six months ended 30 June
	Discontinued operations		Discontinued operations	
	2015	2014	2015	2014
	HKD'000	HKD'000	HKD'000	HKD'000
Depreciation and amortisation	-	34,027	-	68,381
Interest on bank loans	-	35,024	-	72,776

**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>30.6.2015</b>	31.12.2014	<b>30.6.2015</b>	31.12.2014
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>				
Fixed assets	4,295	2,479	-	-
Intangible assets	281,036	176,499	-	-
Available-for-sale financial assets	1,590,617	1,328,283	-	-
Investment in subsidiaries	-	-	575,396	575,396
Goodwill	47,628	-	-	-
Investment in a joint venture	71	71	-	-
	<u>1,923,647</u>	<u>1,507,332</u>	<u>575,396</u>	<u>575,396</u>
<b>Current assets</b>				
Inventories	2,941	-	-	-
Trade receivables	57,337	410	-	-
Gross amounts due from customers for contract work	23,934	35,767	-	-
Other deposits and other receivables	164,535	1,313,311	128	13
Trade deposits and prepayments	1,533	58	-	-
Due from a subsidiary	-	-	1,100,925	1,060,675
Pledged bank deposits	34,357	34,305	9,316	9,316
Bank and cash balances	110,892	1,490	366	216
	<u>395,529</u>	<u>1,385,341</u>	<u>1,110,735</u>	<u>1,070,220</u>
<b>TOTAL ASSETS</b>	<u>2,319,176</u>	<u>2,892,673</u>	<u>1,686,131</u>	<u>1,645,616</u>
<b>Capital and reserves</b>				
Share capital	97,776	97,302	97,776	97,302
Reserves	1,984,227	1,986,531	1,012,237	1,363,222
<b>Equity attributable to owners of the Company</b>	<u>2,082,003</u>	<u>2,083,833</u>	<u>1,110,013</u>	<u>1,460,524</u>
<b>Non-current liabilities</b>				
Interest-bearing borrowings	145,508	106,724	145,508	106,724
Finance lease payables	673	809	-	-
	<u>146,181</u>	<u>107,533</u>	<u>145,508</u>	<u>106,724</u>
<b>Current liabilities</b>				
Trade payables	33,971	323	-	-
Accruals and other payables	56,549	385,493	714	3,020
Advance payment received	-	315,165	-	-
Due to a subsidiary	-	-	429,896	75,348
Finance lease payables	472	326	-	-
	<u>90,992</u>	<u>701,307</u>	<u>430,610</u>	<u>78,368</u>
<b>Total liabilities</b>	<u>237,173</u>	<u>808,840</u>	<u>576,118</u>	<u>185,092</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,319,176</u>	<u>2,892,673</u>	<u>1,686,131</u>	<u>1,645,616</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 June 2015</b>		<b>As at 31 December 2014</b>	
<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>	<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>
<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**Amount repayable after one year**

<b>As at 30 June 2015</b>		<b>As at 31 December 2014</b>	
<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>	<b>Secured (HK\$'000)</b>	<b>Unsecured (HK\$'000)</b>
<b>145,508</b>	<b>Nil</b>	<b>106,724</b>	<b>Nil</b>

**Details of any collateral**

The Group's interest-bearing borrowings of HK\$145,508,000 as at 30 June 2015 are secured by the following:

- (i) Share pledge of 75,183,993 shares in its wholly-owned subsidiary, C&G Environmental Protection (Thailand) Company Limited ("C&G (Thailand)");
- (ii) Corporate guarantee provided by C&G (Thailand); and
- (iii) Pledged bank deposit of US\$1,200,000 (equivalent to approximately HK\$ 9,316,000).

**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		Six months ended 30	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before tax				
- Continuing operation	(15,004)	(7,538)	(30,101)	(15,503)
- Discontinued operation	-	37,789	113,162	67,857
Adjustments for:	-	-	-	-
Depreciation and amortisation	157	34,156	355	68,631
Interest expenses	16	35,043	32	73,031
Profit from construction services	-	(4,254)	(568)	(4,507)
Amortisation of deferred income	-	(272)	-	(546)
Interest income	(184)	(134)	(472)	(214)
Reversal of impairment loss of value-added tax receivables	-	(1,078)	-	(2,499)
Net gain/loss on disposal of fixed asset	(10)	-	-	-
Share based payment expenses	47	203	128	442
	<b>(14,978)</b>	93,915	<b>82,536</b>	186,692
Operating profit before working capital changes	(14,978)	93,915	82,536	186,692
Increase in inventories	(2,941)	(305)	(2,941)	(2,656)
Increase in trade receivables	(16,296)	(21,371)	(16,234)	(28,502)
Decrease/(increase) in other deposits and other receivables	(17,419)	8,504	848,745	54,051
Decrease/(increase) in trade deposits and prepayments	(970)	7,425	(1,475)	5,133
(Decrease)/increase in trade payables	(9,041)	(2,289)	(8,012)	(8,155)
Decrease in accruals and other payables	(26,145)	31,128	(57,499)	(15,718)
Effect on exchange rate changes	820	(12,620)	3,608	-
	<b>(86,970)</b>	104,387	<b>848,728</b>	190,845
Cash generated from/(used in) operations	(86,970)	104,387	848,728	190,845
Tax paid	-	-	-	-
Interest paid	(233)	(44,019)	(1,498)	(81,993)
	<b>(87,203)</b>	60,368	<b>847,230</b>	108,852
Net cash generated from/(used in) operating activities	(87,203)	60,368	847,230	108,852
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payment for construction work for Construction projects	(54,508)	(157,444)	(91,235)	(108,303)
Net cash outflow to acquisition of subsidiary	(57,635)	-	(57,635)	-
Proceeds from disposal of fixed assets	-	-	-	7
Purchase of fixed assets	(1,604)	(403)	(1,713)	(676)
Interest received	184	134	472	214
	<b>(113,563)</b>	(157,713)	<b>(150,111)</b>	(108,758)
Net cash from investing activities	(113,563)	(157,713)	(150,111)	(108,758)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(70,154)	-	(349,657)	-
Share issued upon exercise of share options and share awards	-	-	1,501	-
(Repayment to)/advance from ultimate holding company and a related company	-	14,139	(278,160)	42,881
(Increase)/decrease in pledged bank deposits	199	(18,899)	(52)	(154)
Repayment of finance lease payables	(68)	(64)	(134)	(128)
Repayment of interest-bearing borrowings	-	(107,571)	-	(305,614)
Drawdown of Interest-bearing borrowings	17,060	138,483	38,784	200,143
	<b>(52,963)</b>	26,088	<b>(587,718)</b>	(62,872)
Net cash generated from/(used in) financing activities	(52,963)	26,088	(587,718)	(62,872)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(253,729)</b>	(71,257)	<b>109,401</b>	(62,778)
Effect on foreign exchange rate changes	(1,169)	33,409	1	33,205
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>365,790</b>	63,205	<b>1,490</b>	54,930
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>110,892</b>	25,357	<b>110,892</b>	25,357
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Bank and cash balances	110,892	25,357	110,892	25,357

**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.**

Group	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Statutory reserve	Share-based payment reserve	Foreign currency translation reserve	Available-for-sale reserve	Retained earnings	Total reserve	Attributable to owners of the Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the three months ended</b>										
<b>30 June 2015</b>										
At 1 April 2015	97,776	188,517	702,151	-	163	68,790	287,048	792,843	2,039,512	2,137,288
Dividend paid	-	-	-	-	-	-	-	(70,155)	(70,155)	(70,155)
Share based payment	-	-	-	-	1,422	-	-	-	1,422	1,422
Share issued upon exercise of share options and share award	-	-	-	-	(1,375)	-	-	-	(1,375)	(1,375)
Total comprehensive income for the financial year	-	-	-	-	-	(79)	29,905	(15,003)	14,823	14,823
Profit for the year	-	-	-	-	-	-	-	(15,003)	(15,003)	(15,003)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	(79)	-	-	(79)	(79)
Available-for-sale financial assets:										
Fair value gains	-	-	-	-	-	-	29,905	-	29,905	29,905
Total other comprehensive income, net of taxation	-	-	-	-	-	(79)	29,905	-	29,826	29,826
At 30 June 2015	<u>97,776</u>	<u>188,517</u>	<u>702,151</u>	<u>-</u>	<u>210</u>	<u>68,711</u>	<u>316,953</u>	<u>707,685</u>	<u>1,984,227</u>	<u>2,082,003</u>
<b>For the three months ended</b>										
<b>30 June 2014</b>										
At 1 April 2014	97,302	786,115	102,151	39,768	868	210,292	-	506,105	1,645,299	1,742,601
Share-based payment	-	-	-	-	203	-	-	-	203	203
Total comprehensive income for the financial year	-	-	-	-	-	(724)	-	20,734	20,010	20,010
At 30 June 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>1,071</u>	<u>209,568</u>	<u>-</u>	<u>526,839</u>	<u>1,665,512</u>	<u>1,762,814</u>
<b>For the six months ended</b>										
<b>30 June 2015</b>										
At 1 January 2015	97,302	186,115	702,151	-	1,457	67,909	54,618	974,281	1,986,531	2,083,833
Dividend paid	-	-	-	-	-	-	-	(349,657)	(349,657)	(349,657)
Share-based payment	-	-	-	-	128	-	-	-	128	128
Share issued upon exercise of share options and share award	474	2,402	-	-	(1,375)	-	-	-	1,027	1,501
Total comprehensive income for the financial year	-	-	-	-	-	801	262,335	83,061	346,198	346,198
Profit for the year	-	-	-	-	-	-	-	83,061	83,061	83,061
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	-	801	-	-	801	801
Available-for-sale financial assets:										
Fair value gains	-	-	-	-	-	-	262,335	-	262,335	262,335
Total other comprehensive income, net of taxation	-	-	-	-	-	801	262,335	-	263,136	263,136
At 30 June 2015	<u>97,776</u>	<u>188,517</u>	<u>702,151</u>	<u>-</u>	<u>210</u>	<u>68,711</u>	<u>316,953</u>	<u>707,685</u>	<u>1,984,227</u>	<u>2,082,003</u>
<b>For the six months ended</b>										
<b>30 June 2014</b>										
At 1 January 2014	97,302	786,115	102,151	39,768	629	223,213	-	493,150	1,645,026	1,742,328
Share-based payment	-	-	-	-	442	-	-	-	442	442
Total comprehensive income for the financial year	-	-	-	-	-	(13,645)	-	33,689	20,044	20,044
At 30 June 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>39,768</u>	<u>1,071</u>	<u>209,568</u>	<u>-</u>	<u>526,839</u>	<u>1,665,512</u>	<u>1,762,814</u>

**Attributable to owners of the Company**

	Share capital	Share premium	Contributed surplus	Statutory reserve	Share-based payment reserve	Foreign currency translation reserve	Available-for-sale reserve	Retained earnings	Total reserve	Attributable to owners of the Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Company</b>										
<b>For the three months ended</b>										
<b>30 June 2015</b>										
At 1 April 2015	97,776	188,517	702,151	-	162	125,755	-	66,766	1,083,351	1,181,127
Dividend paid	-	-	-	-	-	-	-	(70,155)	(70,155)	(70,155)
Share-based payment	-	-	-	-	1,422	-	-	-	1,422	1,422
Share issued upon exercise of share options and share awards	-	-	-	-	(1,375)	-	-	-	(1,375)	(1,375)
Total comprehensive income for the financial year	-	-	-	-	-	(8)	-	(998)	(1,006)	(1,006)
At 30 June 2015	<u>97,776</u>	<u>188,517</u>	<u>702,151</u>	<u>-</u>	<u>210</u>	<u>125,747</u>	<u>-</u>	<u>(4,388)</u>	<u>1,012,237</u>	<u>1,110,013</u>
<b>For the three months ended</b>										
<b>30 June 2014</b>										
At 1 April 2014	97,302	786,115	102,151	-	868	125,755	-	354,958	1,369,847	1,467,149
Share-based payment	-	-	-	-	203	-	-	-	-	203
Total comprehensive income for the financial year	-	-	-	-	-	-	-	(2,575)	(3,049)	(2,575)
At 30 June 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>-</u>	<u>1,071</u>	<u>125,755</u>	<u>-</u>	<u>352,383</u>	<u>1,366,798</u>	<u>1,464,777</u>
<b>For the six months ended</b>										
<b>30 June 2015</b>										
At 1 January 2015	97,302	186,115	702,151	-	1,457	125,755	-	347,744	1,363,222	1,460,524
Dividend paid	-	-	-	-	-	-	-	(349,657)	(349,657)	(349,657)
Share-based payment	-	-	-	-	128	-	-	-	128	128
Share issued upon exercise of share options and share awards	474	2,402	-	-	(1,375)	-	-	-	1,027	1,501
Total comprehensive income for the financial year	-	-	-	-	-	(8)	-	(2,475)	(2,483)	(2,483)
At 30 June 2015	<u>97,776</u>	<u>188,517</u>	<u>702,151</u>	<u>-</u>	<u>210</u>	<u>125,747</u>	<u>-</u>	<u>(4,388)</u>	<u>1,012,237</u>	<u>1,110,013</u>
<b>For the six months ended</b>										
<b>30 June 2014</b>										
At 1 January 2014	97,302	786,115	102,151	-	629	125,755	-	358,007	1,372,657	1,469,959
Share-based payment	-	-	-	-	442	-	-	-	442	442
Total comprehensive income for the financial year	-	-	-	-	-	-	-	(5,624)	(5,624)	(5,624)
At 30 June 2014	<u>97,302</u>	<u>786,115</u>	<u>102,151</u>	<u>-</u>	<u>1,071</u>	<u>125,755</u>	<u>-</u>	<u>352,383</u>	<u>1,367,475</u>	<u>1,464,777</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.**

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

**Note:**

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

(i) CG ESOS

There were 2,585,000 shares exercised during Q1 2015. As at 30 June 2015, the number of outstanding share options under CG ESOS was 193,000 (31 March 2014: 2,585,000).

(ii) CG PSP

There were 1,550,000 shares vested during Q1 2015. As at 30 June 2015, the number of outstanding shares under CG PSP was 115,800 (31 March 2014: 1,550,000).

(iii) CG RSP

There were 597,000 shares vested during Q1 2015. As at 30 June 2015, the number of outstanding shares under CG RSP was 419,200 (31 March 2014: 1,034,000).

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

	<b>Par value HK\$</b>	<b>Number of shares</b>
Issued and fully paid-up ordinary shares and balance as at 1 January 2015	0.10	973,023,354
New shares issued on 14 January 2015	0.10	4,732,000
Issued and fully paid-up ordinary shares and balance as at 30 June 2015	0.10	<u>977,755,354</u>



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

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation adopted in the preparation of financial statements for the year ended 31 December 2014.

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

Not applicable.

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

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

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

	<b>Three months ended 30 June 2015 HK\$ cents</b>	Three months ended 30 June 2014 HK\$ cents	<b>Six months ended 30 June 2015 HK\$ cents</b>	Six months ended 30 June 2014 HK\$ cents
Earnings per share				
<b>- Basic (1)</b>				
Continuing operations	<b>(1.53)</b>	(0.77)	<b>(3.08)</b>	(1.59)
Discontinued operations	<b>N/A</b>	2.91	<b>11.57</b>	5.06
<b>- Diluted (2)</b>				
Continuing operations	<b>N/A</b>	N/A	<b>N/A</b>	N/A
Discontinued operations	<b>N/A</b>	2.89	<b>11.57</b>	5.03

**Explanatory notes:**

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

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

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	<b>The Group 30.6.2015</b>	The Group 31.12.2014	<b>The Company 30.6.2015</b>	The Company 31.12.2014
Net asset value (HK\$'000)	<b>2,082,003</b>	2,083,833	<b>1,110,013</b>	1,460,524
Number of issued shares	<b>977,755,354</b>	973,023,354	<b>977,755,354</b>	973,023,354
Net asset value per share (HK\$ cents)	<b>212.94</b>	214.16	<b>113.53</b>	150.10

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

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Review of Operating Results of the Group**

**8.1 Continuing operations**

**8.1.1 Revenue**

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

	<b>Three months ended 30 June 2015</b>	Three months ended 30 June 2014	Increase / (decrease)
	<b>HK\$'000</b>	HK\$'000	%
Revenue from construction services	<b>92,062</b>	11,577	695.2
Revenue from equipment sales	<b>2,487</b>	0	N.M
<b>Total</b>	<b>94,549</b>	<b>11,577</b>	<b>716.7</b>

Construction services revenue is recognised according to the percentage of completion for construction projects. During the period under review, revenue from construction services was generated from the Thailand projects. The higher construction revenue for the Thailand recognised in Q2 2015 was in line with the progress of the construction work.

On 28 May 2015, the Group has acquired the entire share capital of New Sky (Thailand) Company Limited ("the EPC Company") which engages in equipment, procurement and construction of environmental related projects. Currently, the EPC company is constructing a waste transfer station in Thailand which is almost completed as at Q2 2015. The revenue contributed by New Sky for Q2 is approximately HK\$20.4 million.

With the establishment of the Group's wholly owned subsidiary, C&G Green Energy (Shenzhen) Company Limited ("C&G SZ") in May 2014, the Group also generated revenue from the sales of environmental protection related equipment (such as the sludge dewatering system) in Q2 2015.

### **8.1.2 Gross profit**

Gross profit margin decreased from 7.0% in Q2 2014 to zero gross profit margin in Q2 2015 mainly due to the decrease of overall gross profit for the construction services. In Q2 2014, the gross profit for construction services was only derived from civil engineering work of the Bangkok WTE Project which was around 7%. In Q2 2015, the construction work for the Bangkok WTE project comprised civil engineering work and equipment installation of which equipment cost was of zero gross profit margin. Since the construction work progress for the equipment part increased in Q2 2015, the overall gross profit margin decreased.

### **8.1.3 Other income**

Other income increased mainly due to increase in interest income generated from bank balances upon the receipt of the cash consideration from the disposal of subsidiaries.

### **8.1.4 Administrative expenses**

Administrative expenses rose 88.0% to HK\$15.8 million in Q2 2015, from HK\$8.4 million in Q2 2014, largely due to payroll expenses, legal and professional expenses, travelling and business development-related expenses, which is associated with the Group's strategic diversification of its business operations and geographical focus.

### **8.1.5 Net profit**

The increase in net loss of the continuing operations of the Group of HK\$15.1 million was mainly due to an increase of the administrative expenses explained in 8.1.4.

## **8.2 Discontinued operations**

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

## 8.3 Financial Position of the Group

### ASSETS

#### 8.3.1 Intangible assets

Intangible assets represented the service concession rights for WTE Construction projects in Bangkok. The intangible assets were stated at amortised cost with the initial measurement at the fair value, which was assessed by an independent valuer, with reference to the replacement cost and the percentage of completion of the construction of the work for the project. The increase of HK\$105 million in intangible assets was due to the movement below:

	HK\$'000
Net book value as at 1 January 2015	176,499
Add: Addition during the period	101,112
Exchange gain	3,425
Net book value as at 30 June 2015	<u>281,036</u>

#### 8.3.2 Available-for-sale financial assets

Available-for-sale financial assets represented the equity interest (i.e. 91,019,417 shares) in Grandblue Environment Company Limited ("Grandblue"). The shares are classified as available-for-sale financial assets under IAS 32 and measured at fair value. A fair value gain of HK\$29.9 million was subsequently recognised in other comprehensive income in Q2 2015. The market price per share increased from RMB14.47 as at 31 December 2014 to RMB17.27 as at 30 June 2015.

#### 8.3.3 Goodwill

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

On 28 May 2015, the Group has acquired the entire share capital of the EPC Company which engages in equipment, procurement and construction of environmental related projects. Currently, The EPC Company is constructing a waste transfer station in Thailand which is almost completed as at Q2 2015. The consideration is approximately RMB 50 million.

#### 8.3.4 Trade receivables

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

#### 8.3.5 Gross amounts due from/to customers for contract work

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

#### 8.3.6 Other deposits and other receivables

	30.6.2015	31.12.2014	Changes
	HK\$'000	HK\$'000	
Other receivables	41,772	8,785	375.5%
Deposits	1,735	651	166.5%
Due from a joint venture	5	5	0.0%
Cash consideration receivable	-	988,705	-100.0%
Compensation receivable	121,023	-	N.M.
Amount due from a related company	-	315,165	-100.0%
	<u>164,535</u>	<u>1,313,311</u>	<u>-87.5%</u>

The balance of other deposits and other receivables decreased by HK\$1,126 million was mainly because of the following:

- (i) Other receivables mainly represented prepaid expenses paid to contractors and other tax receivables including value-added tax receivables. Increase in other receivable are mainly contributed by the new acquired EPC company;
- (ii) The cash consideration receivable of HK\$988.7 million was received in January 2015;

- (iii) Increase in compensation receivable of HK\$121.0 million. As a result of the disposal of subsidiaries, the Group has terminated the contracts with a contractor for the construction projects in Xiaogan, Dalian and Guiyang. The Group has signed the compensation agreement with the contractor on 2 January 2015 and the compensation amount of RMB96.0 million (equivalent to approximately HK\$121.0 million) was paid in Q1 2015. The ultimate holding company will continue to undertake the compensation; and
- (iv) For amount due from a related company, the amount for 2014 represented the receipt of advance payment of RMB250 million (equivalent to approximately HK\$315.2 million) collected from Grandblue by a related company (a subsidiary of the ultimate holding company), Xiamen C&G Group Co., Ltd. ("Xiamen C&G") on behalf of the Group's wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited ("C&G (HK)") for the disposal of subsidiaries. Please also refer to 8.3.11 for details.

### 8.3.7 Pledged bank deposits

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

### 8.3.8 Bank and cash balances

Bank and cash balances increased by HK\$85.5 million as at 30 June 2015 mainly because of the receipt of cash consideration from the Purchaser. For details of the cash movement, please refer to the Statement of Cash Flows and the explanation notes in page 15.

## LIABILITIES

### 8.3.9 Trade payables

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

### 8.3.10 Accruals and other payables

		30.6.2015	31.12.2014	Changes
		HK\$'000	HK\$'000	
Indemnity liabilities	(i)	43,673	66,446	-34.3%
Tax payable for cash consideration	(ii)	-	31,280	-100.0%
Amounts due to contractors		5,172	3,104	66.6%
Due to the ultimate holding company	(iii)	-	241,681	-100.0%
Due to a related company	(ii)	-	37,734	-100.0%
Others	(iv)	7,703	5,248	46.8%
		<u>56,549</u>	<u>385,493</u>	-85.3%

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

Accruals and other payables decreased by HK\$328.9 million mainly due to the following reasons:

- (i) The decrease of the Indemnity liabilities of HK\$22.8 million is mainly because of the utilisation of the provision for inspection costs for the disposed WTE projects.
- (ii) Settlement of capital gain tax of HKD31.3 million.
- (iii) Repayment to the ultimate holding company of HK\$241.7 million and a related company of HK\$37.7 million.
- (iv) Mainly increase in amount HK\$2.5 million for other payables

### 8.3.11 Advance payment received

In 2013, the Group had, through C&G (HK), entered into a framework acquisition agreement (the "Framework Agreement") with Grandblue for the disposal of subsidiaries. According to the acquisition agreement, Grandblue paid C&G (HK) a sum of RMB250 million (approximately HK\$315.2 million) as the advance payment. However, due to the foreign exchange control policy in the PRC and limitation to remit the advance payment to Hong Kong before the approval of the disposal by the relevant authorities, C&G (HK) entrusted Xiamen C&G to collect the advance payment on its behalf. Once the disposal is approved, the related company will fully repay the advance payment to Grandblue.

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

### 8.3.12 Finance lease payables

	30.6.2015 HK\$'000	31.12.2014 HK\$'000	Changes
Non-current portion	673	809	(16.8%)
Current portion	472	326	44.8%
	<u>1,145</u>	<u>1,135</u>	0.9%

The finance lease payables represented the payable for the purchase of vehicles under hire purchase agreements. The balance increased by 0.9% due to the Hire purchase leasing - current portion of the finance lease payables for the period.

### 8.3.13 Interest-bearing borrowings

	30.6.2015 HK\$'000	31.12.2014 HK\$'000	Changes
Non-current portion	<u>145,508</u>	<u>106,724</u>	36.3%

The interest-bearing borrowings of HK\$145.5 million as at 30 June 2015 represented the bank loans for financing the equipment cost for the Bangkok WTE Project. The balance increased by 36.3% mainly due to the drawdown of US\$5 million (equivalent to approximately HK\$38.8 million) in this quarter.

## Financial Position of the Company

### 8.3.14 Due from subsidiaries

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

### 8.3.15 Pledged bank deposits

The pledged bank deposits represented a 12-month fixed deposit of US\$1.2 million (equivalent to HK\$9.3 million) pledged to secure the bank loan of the Bangkok WTE Project which was drawn down in 2014. There was no change in Q2 2015.

### 8.3.16 Interest-bearing borrowings

For details, please refer to 8.3.13.

### 8.3.17 Due to subsidiaries

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

## 8.4 Statement of Cash Flows

### Net cash generated from operating activities

The Group recorded a net cash inflow in operating activities for the period mainly because of settlement of cash consideration receivables.

### Net cash used in investing activities

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

### Net cash used in financing activities

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

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

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

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

In 2015, C&G intends to leverage on its existing knowledge and expertise in managing WTE plants in Bangkok to build its presence around the growing Asian market. The Bangkok WTE Project is currently under construction and is expected to be completed by 2015. The Group will also diversify to explore opportunities in Asian regions such as China and Taiwan, where C&G expects a buoyant market for environmental protection related business.

The Group's newly acquired EPC Company will commence the construction of medical waste incineration plant in Thailand within the next 12 months.

The wholly-owned PRC subsidiary signed an equipment sales contract of sludge dewatering system with the contract sum amount to approximately RMB20.1 million which is expected to generate an income within the next 12 months.

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

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

None

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

None

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

No dividend has been declared.

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

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

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

Confirmation by the Board We, Lin Yan and Tam Sau Fung being two Directors of C&G Environmental Protection Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 2Q FY2015 financial statements to be materially false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Lin Yan  
Director  
12 August 2015

Tam Sau Fung  
Director