

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Full Year Results and Dividend Announcement for the Period Ended 31 December 2012

The Board of Directors are pleased to announce the consolidated results of the Group for the three months and year ended 31 December 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 and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	three months ended 31 December			year ended 31 December		
	2012 HK\$'000	2011 HK\$'000	% Increase / Decrease	2012 HK\$'000	2011 HK\$'000	% Increase / Decrease
Revenue	237,766	401,635	-40.80	690,612	1,400,671	-50.69
Cost of sales	<u>(192,017)</u>	<u>(367,431)</u>	-47.74	<u>(523,620)</u>	<u>(1,251,558)</u>	-58.16
Gross profit	45,749	34,204	33.75	166,992	149,113	11.99
Other income	9,883	25,931	-61.89	13,238	30,443	-56.52
Administrative expenses	(28,025)	(29,500)	-5.00	(89,627)	(86,342)	3.80
Other operating expenses	<u>(3,339)</u>	-	N/A	<u>(16,073)</u>	-	N/A
Profit from operations	24,268	30,635	-20.78	74,530	93,214	-20.04
Finance costs	<u>(32,020)</u>	<u>(21,761)</u>	47.14	<u>(110,066)</u>	<u>(56,625)</u>	94.38
(Loss)/profit before taxation	(7,752)	8,874	NM	(35,536)	36,589	NM
Income tax expense	<u>(5,971)</u>	<u>(165)</u>	3,518.79	<u>(13,873)</u>	<u>(13,691)</u>	1.33
Net (loss)/profit attributable to the owners of the Company	(13,723)	8,709	NM	(49,409)	22,898	NM
Other comprehensive income						
Exchange difference on translating foreign operation	<u>3,905</u>	<u>3,517</u>	11.03	<u>8,042</u>	<u>48,360</u>	-83.37
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(9,818)</u>	<u>12,226</u>	NM	<u>(41,367)</u>	<u>71,258</u>	NM

1 (a)(ii) Explanatory Notes:

Other income comprises:

	The Group			
	three months ended 31 December		year ended 31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	249	35	1,545	236
Exchange gain/(loss)	7	(15)	11	2,578
(Loss)/gain on disposal of fixed assets	(5)	127	-	127
Government grants	637	560	1,996	966
Refund of VAT	8,942	(349)	9,298	191
Reimbursement income from a contractor	-	25,255	-	25,255
Gain on refund of land cost	-	683	-	683
Sundry income	53	(365)	388	407
	9,883	25,931	13,238	30,443

Loss from operations is arrived at after charging:

	The Group			
	three months ended 31 December		year ended 31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Gain)/loss on disposal of fixed assets	(3)	41	24	42
Depreciation and amortisation	31,650	28,427	108,380	68,199
Interest on bank loans	32,014	21,761	110,060	56,625
Interest on finance lease	6	-	6	-
Written off of intangible asset	-	-	11,932	-
Impairment loss of intangible asset	3,926	-	3,926	-

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.

	Group		Company	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Fixed assets	9,211	9,808	-	-
Intangible assets	3,944,712	3,673,743	-	-
Long-term receivable	-	68,354	-	-
Investment in subsidiaries	-	-	575,396	575,396
	<u>3,953,923</u>	<u>3,751,905</u>	<u>575,396</u>	<u>575,396</u>
Current assets				
Inventories	3,612	2,735	-	-
Trade receivables	145,557	76,971	-	-
Gross amounts due from customers for contract work	458,168	545,428	-	-
Other deposits and other receivables	137,328	289,072	7	-
Trade deposits and prepayments	11,452	8,924	-	-
Due from subsidiaries	-	-	906,203	914,596
Pledged bank deposits	45,105	32,956	-	-
Bank and cash balances	9,993	11,012	21	210
	<u>811,215</u>	<u>967,098</u>	<u>906,231</u>	<u>914,806</u>
Total assets	<u><u>4,765,138</u></u>	<u><u>4,719,003</u></u>	<u><u>1,481,627</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	1,614,149	1,659,551	1,378,593	1,389,191
Total equity	<u><u>1,711,451</u></u>	<u><u>1,756,853</u></u>	<u><u>1,475,895</u></u>	<u><u>1,486,493</u></u>
LIABILITIES				
Non-current liabilities				
Interest-bearing borrowings - secured	1,862,701	1,957,236	-	-
Finance lease payable	334	-	-	-
Long-term payables	-	68,354	-	-
Deferred income	18,613	18,334	-	-
Deferred tax liabilities	79,120	64,895	-	-
	<u>1,960,768</u>	<u>2,108,819</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	19,514	10,572	-	-
Gross amounts due to customers for contract work	33,463	228,732	-	-
Accruals and other payables	626,826	424,374	1,401	2,629
Due to a subsidiary	-	-	4,116	1,080
Deferred income	801	797	-	-
Financial liability at fair value through profit or loss	215	-	215	-
Finance lease payable	80	-	-	-
Interest-bearing borrowings - secured	410,973	187,815	-	-
Current tax liabilities	1,047	1,041	-	-
	<u>1,092,919</u>	<u>853,331</u>	<u>5,732</u>	<u>3,709</u>
Total liabilities	<u><u>3,053,687</u></u>	<u><u>2,962,150</u></u>	<u><u>5,732</u></u>	<u><u>3,709</u></u>
Total equity and liabilities	<u><u>4,765,138</u></u>	<u><u>4,719,003</u></u>	<u><u>1,481,627</u></u>	<u><u>1,490,202</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

As at 31 December 2012		As at 31 December 2011	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
410,973	Nil	187,815	Nil

Amount repayable after one year

As at 31 December 2012		As at 31 December 2011	
Secured (HK\$'000)	Unsecured (HK\$'000)	Secured (HK\$'000)	Unsecured (HK\$'000)
1,862,701	Nil	1,957,236	Nil

Details of any collateral

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

The pledge of the Group's intangible assets of approximately HK\$3,944,712,000.

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 31 December		year ended 31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CASH FLOW FROM OPERATING ACTIVIES				
(Loss)/profit before tax	(7,752)	8,874	(35,536)	36,589
Adjustments for:				
Depreciation and amortisation	31,650	28,427	108,380	68,199
Interest expenses	32,020	21,761	110,066	56,625
Profit from construction services	(3,911)	(45,928)	(21,128)	(103,064)
Amortisation of deferred income	(201)	(197)	(802)	(393)
Interest income	(249)	(35)	(1,545)	(236)
(Gain)/loss on financial liability at fair value through profit or loss	(587)	-	215	-
Written off of intangible asset	-	-	11,932	-
Impairment loss of intangible asset	3,926	-	3,926	-
Net loss/(gain) on disposal of fixed asset	2	(86)	24	(85)
Gain on refund of land cost	-	(683)	-	(683)
Operating profit before working capital changes	54,898	12,133	175,532	56,952
(Increase)/decrease in inventories	(125)	258	(877)	(1,677)
Decrease/(increase)/ in trade receivables	6,536	(30,510)	(68,586)	(60,205)
Increase in other deposits and other receivables	(2,509)	(12,244)	(12,874)	(26,112)
(Increase)/decrease in trade deposits and prepayments	(103)	5,193	(2,528)	316
Increase in trade payables	2,179	7,614	8,942	6,400
Increase in deferred income	370	-	982	-
Increase/(decrease) in accruals and other payables	22,319	(48,997)	(1,261)	21,433
Cash generated from/(used in) operations	83,565	(66,553)	99,330	(2,893)
Tax paid	-	(22)	-	(1,551)
Interest paid	(43,591)	(27,746)	(171,961)	(112,929)
Net cash generated from/(used in) operating activities	39,974	(94,321)	(72,631)	(117,373)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for construction work for BOT projects	(3,178)	(166,219)	(318,812)	(866,904)
Proceeds from disposal of fixed assets	-	701	34	701
Purchase of fixed assets	(534)	(1,205)	(1,992)	(3,800)
Amount of land cost refunded	-	6,518	-	6,518
Interest received	249	35	1,545	236
Net cash used in investing activities	(3,463)	(160,170)	(319,225)	(863,249)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	-	(4,035)	(8,500)
(Decrease)/increase in amount due to contractors	4,777	210,569	(379)	210,569
Repayment from/(advance to) a contractor	35,096	(232,972)	232,972	(232,972)
Advance from/(to) related parties	41,882	(35,747)	46,496	(38,885)
Increase in pledge bank deposits	(8,818)	(32,956)	(12,149)	(32,956)
Repayment of finance lease payable	(193)	-	(193)	-
Repayment of interest-bearing borrowings	(256,715)	(74,267)	(368,401)	(98,613)
Drawdown of interest-bearing borrowings	139,954	37,414	480,531	624,148
Net cash (used in)/generated from financing activities	(44,017)	(127,959)	374,842	422,791
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,506)	(382,450)	(17,014)	(557,831)
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	7,330	47,952	15,995	51,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD / YEAR	10,169	345,510	11,012	517,344
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD / YEAR	9,993	11,012	9,993	11,012
ANALYSIS OF THE BALANCES OF CASH AND CASH				
Bank and cash balances	9,993	11,012	9,993	11,012

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 December 2012								
At 1 October 2012	97,302	786,115	39,768	166,284	102,151	-	529,649	1,721,269
Dividend paid for FY2011	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	3,905	-	-	(13,723)	(9,818)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>170,189</u>	<u>102,151</u>	<u>-</u>	<u>515,926</u>	<u>1,711,451</u>
For the three months ended								
31 December 2011								
At 1 October 2011	97,302	786,115	39,768	158,630	102,151	-	560,661	1,744,627
Dividend paid for FY2010	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	3,517	-	-	8,709	12,226
At 31 December 2011	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>162,147</u>	<u>102,151</u>	<u>-</u>	<u>569,370</u>	<u>1,756,853</u>
For the year ended								
31 December 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)	-
Dividend paid for FY2011	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial year	-	-	-	8,042	-	-	(49,409)	(41,367)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>170,189</u>	<u>102,151</u>	<u>-</u>	<u>515,926</u>	<u>1,711,451</u>
For the year ended								
31 December 2011								
At 1 January 2011 (restated)	97,302	786,115	39,768	113,787	102,151	-	554,972	1,694,095
Dividend declared for FY2010	-	-	-	-	-	8,500	(8,500)	-
Dividend paid for FY2010	-	-	-	-	-	(8,500)	-	(8,500)
Total comprehensive income for the financial period	-	-	-	48,360	-	-	22,898	71,258
At 31 December 2011	<u>97,302</u>	<u>786,115</u>	<u>39,768</u>	<u>162,147</u>	<u>102,151</u>	<u>-</u>	<u>569,370</u>	<u>1,756,853</u>

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
Company								
For the three months ended								
31 December 2012								
At 1 October 2012	97,302	786,115	-	125,755	102,151	-	365,184	1,476,507
Total comprehensive income for the financial period	-	-	-	-	-	-	(612)	(612)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>364,572</u>	<u>1,475,895</u>
For the three months ended								
31 December 2011								
At 1 October 2011	97,302	786,115	-	125,755	102,151	-	376,818	1,488,141
Total comprehensive income for the financial period	-	-	-	-	-	-	(1,648)	(1,648)
At 31 December 2011	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>375,170</u>	<u>1,486,493</u>
For year ended								
31 December 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)	-
Dividend paid for FY2011	-	-	-	-	-	(4,035)	-	(4,035)
Total comprehensive income for the financial year	-	-	-	-	-	-	(6,563)	(6,563)
At 31 December 2012	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>364,572</u>	<u>1,475,895</u>
For the year ended								
31 December 2011								
At 1 January 2011	97,302	786,115	-	125,755	102,151	-	390,081	1,501,404
Dividend declared for FY2010	-	-	-	-	-	8,500	(8,500)	-
Dividend paid for FY2010	-	-	-	-	-	(8,500)	-	(8,500)
Total comprehensive income for the financial year	-	-	-	-	-	-	(6,411)	(6,411)
At 31 December 2011	<u>97,302</u>	<u>786,115</u>	<u>-</u>	<u>125,755</u>	<u>102,151</u>	<u>-</u>	<u>375,170</u>	<u>1,486,493</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 December 2011 and 31 December 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.

As at 31 December 2012, 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. (2011: 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 31 December 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.

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

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

	Three months ended 31 December 2012 HK\$ cents	Three months ended 31 December 2011 HK\$ cents	Year ended 31 December 2012 HK\$ cents	Year ended 31 December 2011 HK\$ cents
Earnings/(loss) per Share				
- Basic ⁽¹⁾	(1.41)	0.90	(5.08)	2.35
- Diluted ⁽²⁾	(1.41)	0.90	(5.08)	2.35

Explanatory notes:

1. Basic earnings per share ("EPS") is calculated based on the profit attributable to shareholders for the year ended 31 December 2012 and 2011 and the weighted average number of shares 973,023,354 (2011:973,023,354).
2. Diluted EPS is calculated based on the weighted average number of ordinary shares outstanding during the period. 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.

	The Group 31.12.2012	The Group 31.12.2011	The Company 31.12.2012	The Company 31.12.2011
Net asset value (HK\$'000)	1,711,451	1,756,853	1,475,895	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)	175.89	180.56	151.68	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 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 December 2012	Three months ended 31 December 2011	Increase / (decrease)	Year ended 31 December 2012	Year ended 31 December 2011	Increase / (decrease)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Revenue from operation services	93,093	57,198	62.8	318,264	165,871	91.9
Revenue from construction services	144,673	344,437	(58.0)	372,348	1,234,800	(69.8)
Total	237,766	401,635	(40.8)	690,612	1,400,671	(50.7)

In Q4 2011, there were four plants, namely Jinjiang, Huangshi, Huian and Anxi, under operation. In Q4 2012, there are six plants altogether with two more plants, namely Fuqing and Jianyang, starting operations in January 2012 and November 2012, respectively. The daily waste treatment capacity of the six operating plants is 5,100 tonnes.

The revenue from operation services increased by 62.8% for the three months ended 31 December 2012. During the quarter, the Group processed approximately 380,000 tonnes of waste and sold on-grid electricity of 91,757,000 kWh, an increase of 62% and 67% respectively compared with Q4 2011. The increase in revenue from operation services was contributed by improvement in operational efficiency and additional source of waste supply from the cities nearby the plants. The operating plants are gradually improving its operational efficiency on both waste processing and electricity generation.

Construction services revenue is recognised according to the percentage of completion of the construction work for the Waste-to-Energy ("WTE") plants. During the period under review, less construction revenue was being recognised as the construction work for all of the operating plants were completed in prior period. Therefore, in this quarter, the construction services revenue has decreased substantially.

Gross profit

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

	Three months ended 31 December 2012	Three months ended 31 December 2011	Increase / (decrease)	Year ended 31 December 2012	Year ended 31 December 2011	Increase / (decrease)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Gross profit						
Operation services	41,838	6,231	571.4	145,864	46,051	216.7
Construction services	3,911	27,973	(86.0)	21,128	103,062	(79.5)
Total	45,749	34,204	33.8	166,992	149,113	12.0
Gross profit margin						
Operation services	44.9%	10.9%		45.8%	27.8%	
Construction services	2.7%	8.1%		5.7%	8.3%	
Total	19.2%	8.5%		24.2%	10.6%	

The gross profit margin from the operations increased from 10.9% for the three months ended 31 December 2011 to 44.9% for the three months ended 31 December 2012. This is mainly due to an increase in volume of waste handling and improvement in operational efficiency of the five operating plants. Four of the plants had yet to reach optimal levels of operational efficiency in Q4 2011.

Other income

Other income decreased mainly due to the drop in reimbursement income of HK\$25.3million from the contractor for the use of the facilities and site areas net off with the increase in value added tax refund from the relevant authorities of HK\$8.9million. The entitlement of the value added tax refund was subjected to the discretion of the relevant authorities. In Q4 2012, Jinjiang and Huian projects

entitled to receive the value added tax refund, which was recognised as other income. In 2011, 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 amounted to HK\$28.0million for the three months ended 31 December 2012, such as payroll expenses, legal and professional expenses and travelling expenses entertainment. That amount decreased by HK\$1.5million was mainly due to less legal and professional fee incurred for the new projects.

Other operating expenses

Other operating expenses amounted to HK\$3.3 million due to impairment loss of intangible assets of Nanping project of HK\$3.9 million which was partially offset by the changes of fair value gain of HK\$0.6 million for 4Q 2012 arising from the outstanding 34,008,108 unlisted warrants issued to International Finance Corporation on April 10, 2012.

In early 2013, the Company conducted an internal review of the Nanping project and decided to postpone the investment and construction of the plants. Therefore, the whole amount of the intangible assets of HK\$3.9million was impaired and recognised as an impairment loss in the income statement.

Finance costs

That finance costs increased from HK\$21.8million to HK\$32.0million for the three months ended 31 December 2012 was mainly due to cessation of capitalisation of interest of new projects in 2012 with the completion of the construction work.

Taxation

Taxation comprises deferred tax. The increase was mainly due to a reversal adjustment of withholding tax of HK\$5.1million recorded in 2011.

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 December 2012 HK\$'000	Three months ended 31 December 2011 HK\$'000	Increase / (decrease) %	Year ended 31 December 2012 HK\$'000	Year ended 31 December 2011 HK\$'000	Increase / (decrease) %
EBITDA on recurring basis (exclude construction profit and impairment loss of intangible asset)	55,932	13,134	325.9	177,639	58,351	204.4

The EBITDA on recurring basis for the three months ended 31 December 2012 increased by 325.9% due to the improvement of the operational efficiency and increase of the operating profit.

Net (loss)/profit

The net loss of HK\$13.7million for the quarter was mainly due to: the impairment loss of Nanping project of HK\$3.9million; preliminary expenses recognised for the new projects of HK\$1.1million; increase in amortisation of the intangible assets for Jianyang project upon operations in Q4 2012 of HK\$1.2million and deferred tax of HK\$6.0million arose from the intangible assets.

Financial Position of the Group

ASSETS

Intangible assets

The intangible assets represented the service concession rights for the 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\$271.0million in intangible assets was due to the movement below:

	HK\$'000
Net book value as at 1 January 2012	3,673,743
Add: Addition during the year	372,348
Less:	
Amortisation for the year	(105,192)
Written off of Yingkou project	(11,932)
Impairment loss of Nanping project	(3,926)
Exchange gain	19,671
Net book value as at 31 December 2012	<u>3,944,712</u>

In June 2012, the Group was informed by The Administration of Environmental Hygiene of Yingkou Economic and Technological Development Zone (the "Yingkou Administration") that it had decided not to proceed with the proposed WTE project in Yingkou. As a result, the Group has written off Yingkou project's intangible asset of HK\$11.9million was written off in 2012.

In early 2013, the Company has conducted an internal review of the Nanping project and decided to postpone the investment and construction of the plants. Therefore, the whole amount of the intangible assets of HK\$3.9million was impaired and recognised as an impairment loss in the income statement.

Trade receivables

The balance of HK\$145.6million comprised the receivables for the waste services fee of HK\$21million and electricity tariff of HK\$124.6million. The trade receivables increased by HK\$68.6million due to increase in electricity subsidy receivables by HK\$45.4million, from HK\$47.4million as at 31 December 2011 to HK\$92.9million as at 31 December 2012, and overall increase in operational revenue.

On 28 September 2012, the National Energy Administration ("NEA") issued a memorandum listing out the qualified projects which are entitled to enjoy the electricity subsidy from National Development and Reform Commission ("NDRC"). All our operating plants, namely, Jinjiang, Huian, Huangshi, Anxi and Fuqing are on the list. With the official recognition by NEA, management believes there is no recoverability issue on the outstanding receivable for the subsidy.

On 26 November 2012, NDRC and NEA further issued a memorandum in which all our operating plants as at 30 April 2011, namely Jinjiang, Huangshi and Huian projects, were listed to be entitled for settlement of outstanding electricity subsidy for the period from October 2010 to April 2011. Subsequent to the financial year ended 31 December 2012, the subsidy receivables brought forward from 30 April 2011 of all our plants were fully settled. Management believes the remaining receivables will be settled gradually.

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 which were partially offset with the increase in prepaid amount for Anxi phase two and Xiaogan projects. The significant drop in gross amounts due to customers for contract work was mainly due to settlement to contractors for Fuqing and Langfang projects.

Other deposits, other receivables and long term receivable

The decrease of other deposits, other receivables and long term receivable of HK\$220.1million was mainly due to the following reasons:

- (1) Refund of security deposit of HK\$233.0million from a contractor. The security deposit of US\$29.95million (equivalent to HK\$233.0million, of which HK\$68.4million was classified as long term receivables) as at 31 December 2011 was fully received as at 31 December 2012.
- (2) Refund of deposit of HK\$36.6million due to cancellation of equipment purchase order.
- (3) Net off with the increase in the tender deposit of HK\$24.0million for Guiyang project upon submitting the bidding document to PRC government, increase in value added tax receivables of HK\$15.8million and equipment deposit paid to contractors of HK\$8.1million.

Pledged bank deposits

The pledged bank deposits represented: (i) deposit of HK\$26.7million placed in the bank to facilitate the arrangement of performance guarantee to Thailand government for Bangkok WTE project; (ii) guarantee to bank to secure the repayment of bills payables to certain subcontractors of HK\$9.8million; and (iii) deposit pledged for obtaining short-term loan for Jinjiang project of HK\$8.6million.

The increase in pledged bank deposits of HK\$12.1million was due to the following reasons:

- (1) Increase in deposit of HK\$26.7million placed in the bank for arranging the performance guarantee.
- (2) Increase in deposit of HK\$9.8million regarding the bills payable issued in 2012.
- (3) Increase in deposit of HK\$8.6million regarding the short term loan of Jinjiang.
- (3) Net off with decrease in deposit of HK\$18.3million for the settlement of the bills payable at maturity which was matured as at the period end and deposit of HK\$14.7million due to cancellation of equipment purchase order.

LIABILITIES

Trade payable

The increase was mainly due to the increase of trade payable of new plant, Fuqing, which commenced operation this year and increase in material cost payable of Jinjiang and Huian due to the increase in waste handling volume.

Interest-bearing borrowings – secured

	31.12.2012 HK\$'000	31.12.2011 HK\$'000	Changes
Non-current portion	1,862,701	1,957,236	(4.8%)
Current portion	410,973	187,815	118.8%
	<u>2,273,674</u>	<u>2,145,051</u>	6.0%

The interest-bearing borrowings increased by 6.0% as compared with prior year. The loan was borrowed as project loans to finance the construction of WTE plants.

In 2012, HK\$480.5million was drawn down and HK\$368.4million was repaid. The loans were secured by the intangible assets. As at 31 December 2012, the gearing ratio of the Group remains relatively constant.

As at 31 December 2012, the available facility was RMB2.235billion. In 2013, the Group entered into agreement with banks to extend some of the loan repayment period or refinance some of the project loans.

Finance lease payable

	31.12.2012 HK\$'000	31.12.2011 HK\$'000
Non-current portion	80	-
Current portion	334	-
	<u>414</u>	<u>-</u>

The finance lease payable represented the payable for the purchase of vehicles under hire purchase agreements.

Deferred income

	31.12.2012 HK\$'000	31.12.2011 HK\$'000	Changes
Non-current portion	18,613	18,334	1.5%
Current portion	801	797	0.5%
	19,414	19,131	1.5%

The deferred income represented Huangshi government subsidy of HK\$18.4million received in 2010 and further HK\$1.0million received for the Huangshi and Xiaogan projects in 2012 for the construction work. It was recognised as deferred income and will be recognised over the remaining concession periods of both the Huangshi and Xiaogan projects upon commencement of operation.

Accruals and other payables

The accruals and other payables balances increased by HK\$202.5million due to the following reasons:

- (1) Increase in amount due to the ultimate holding company of HK\$25.0million;
- (2) Increase in amount due to a related company of HK\$21.5million;
- (3) Increase in receipt in advance of waste service revenue for Jinjiang of HK\$15.2million;
- (4) Reclassification of long term payable to a contractor to short term payable of HK\$68.4million; and
- (5) Increase in construction payable of HK\$73.7million.

Financial liability at fair value through profit or loss

The amount represented the fair value of the outstanding 34,008,108 unlisted warrants issued to IFC as at 31 December 2012 as assessed by an independent valuer.

Contingent liabilities

As at 31 December 2012, the Group had contingent liabilities in respect of three lawsuits brought against by one of the subcontractors of some of the Group's waste-to-energy power plants. The subcontractors claimed that the Group has delayed in settlement of construction costs and demanded repayment with interests. The total amount claimed, including interest, is approximately RMB5,250,000 (equivalent to approximately HK\$6,443,000). The Group has already accrued payables of approximately RMB2,467,000 (equivalent to approximately HK\$3,027,000) with respect to the construction costs.

The Group also became the second defendant of a lawsuit brought against by the same subcontractors to the Group's major contractor. The case is related to the repair costs due by the Group's major contractor to the subcontractor. The amount claimed is approximately RMB1,856,000 (equivalent to approximately HK\$2,277,000).

The final outcomes of the proceedings are uncertain.

Statement of Cashflow

Net cash generated from operating activities

The Group recorded a net cash inflow in operating activities mainly due to the decrease in trade receivable due to settlement of subsidy receivables and increase in accruals and other payables due to the increase in receipt in advance of waste service revenue for Jinjiang project.

Net cash used in investing activities

Net cash used in investing activities in this quarter mainly represented payment for construction cost of the BOT projects.

Net cash used in financing activities

Net cash used in financing activities in this quarter was mainly because of the significant repayment of interest-bearing borrowings offset with the drawdown of bank loans, increase in advance from related parties and repayment from a contractor.

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.

With rising population and rural-urban migration, most emerging Asian countries are facing the challenge of dealing with increasing volumes of waste being disposed in increasingly scarce landfill sites. More governments are realising the benefits that regulated WTE plants bring, both as a viable waste management solution and a reliable alternative source of clean energy. This presents more opportunities for corporate growth and expansion of our portfolio of WTE assets in and outside of China.

The commencement of operations for Jianyang plant in Fujian has added 600 tonnes of daily waste treatment capacity to the five operating plants (Jinjiang, Huian, Huangshi, Anxi, Fuqing), bringing total waste treatment capacity to 5,100 tonnes per day. Together with the Langfang plant in Hebei – a new plant with 1,000 tonnes of daily waste treatment capacity to be completed this year – this represents an increase of 1,600 tonnes in capacity as compared to the same period in 2012, when five plants operated at 4,500 tonnes waste treatment capacity per day.

In addition, the Company is pleased to announce that the second phase of Anxi plant with daily waste treatment capacity of 300 tonnes will commence construction in 2013. The second phase expansion of new facilities is expected to improve the overall operational efficiency for Anxi plant. With the award of the BOT concession from the Bangkok Metropolitan Government, C&G will likely commence construction of the plant as soon as it achieves financial close on project financing arrangement.

Moreover, C&G's Huian and Huangshi plants had been successfully registered as Clean Development Mechanism ("CDM") project with the United Nations ("UN"). Being approved as a CDM project by the UN allows Huian and Huangshi plants to implement the sale of certified emission reduction credits ("CER credits"). The CER credits, also known as carbon credits, each equivalent to one tonne of carbon dioxide, can be traded, sold, and used by industrialised countries to meet a part of their emission reduction targets under the Kyoto Protocol and to assist developing countries in achieving sustainable development.

Furthermore, after the NDRC and NEA issued a memorandum on November 26, 2012, the electricity subsidy receivables for all operating plants as at April 30, 2011, namely Jinjiang, Huangshi and Huian projects, had been fully settled; C&G believes that the remaining receivables for all operating plants will be settled in due course.

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.

	31.12.2012	31.12.2011
	HK\$	HK\$
Amount per share	N/A	0.0041465

(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.

Part II Additional Information Required for Full Year Announcement

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Since the Group has only one single business segment, no segment information is presented for the year ended 31 December 2012 and 2011.

Geographical information

The Group's income from external customers is derived solely from its operations in the PRC. All the customers are located in the PRC.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to note 14.

16. A breakdown of sales as follows:—

	31.12.2012	31.12.2011	% increase/ (decrease)
	HK\$'000	HK\$'000	
	Group	Group	Group
(a) Turnover reported for first half year	359,069	776,679	(53.8)
(b) Operating profit/(loss) after taxation reported for first half year	(38,139)	41,089	(192.8)
(c) Turnover reported for second half year	331,543	623,992	(46.9)
(d) Operating profit/(loss) after taxation reported for second half year (excluding gain on bargain purchase)	(11,270)	(18,191)	(38.0)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:—

	31.12.2012	31.12.2011
	HK\$'000	HK\$'000
Ordinary	-	4,035
Preference	-	-
Total	-	4,035

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

The Company confirms that there is no person occupying any managerial positions in the or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Lin Yan
Director
27 February 2013

Loo Cheng Guan
Director