

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED
(Incorporated in Bermuda on 24 September 2004)
(Company Registration Number: 35842)

RESPONSE TO SGX QUERY REGARDING ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the “**Board**”) of C&G Environmental Protection Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the following query raised by the Singapore Exchange Securities Trading Limited on 20 April 2015 and would like to provide additional information in relation to the Company’s Annual Report for the financial year ended 31 December 2014 as follows:

SGX Query:

We note on page 41 of the Annual Report that the Company has stated that there are no interested person transactions for the financial year ended 31 December 2014. However, we note on page 114 of the Annual Report the following significant related party transactions:-

- (a) Amount due to the ultimate holding company: HK\$241,681,000
- (b) Amount due from Xiamen C&G: HK\$315,165,000

Please provide details of these arrangements and explain why these are not deemed as interested person transactions.

Company’s Response:

- (a) The amount due to the ultimate holding company of HK\$241,681,000 relates to loans provided by ultimate holding company to fund business operations and capital expenditure of the Group in circumstances due to the unavailability of debt or equity financing on acceptable terms. As those are interest-free loans, henceforth risk value to Company is zero, i.e. no value to the transaction. The Audit Committee has reviewed and is of view that the provision of interest-free loans by ultimate holding company is not prejudicial to the interests of the Company and its minority shareholders.
- (b) The amount due from Xiamen C&G of HK\$315,165,000 (RMB250million) was brought forward from financial year ended 31 December 2013 as disclosed in the second paragraph on page 90 of the Annual Report of financial year ended 31 December 2014.

As disclosed in page 48, note 21 and note 39(a) of the Annual Report of financial year ended 31 December 2013, the Group has entered into a Custodian Agreement with Xiamen C&G, pursuant to which Xiamen C&G was appointed as the custodian on behalf of C&G Hong Kong to hold and deal with the advance payment of RMB250million from Grandblue as the Group is unable to receive the advance payment due to the Proposed Sale has not been approved by the regulatory bodies as at 31 December 2013 and was subjected to the laws and regulations of the PRC foreign exchange controls administrated by the State Administration of Foreign Exchange (the “SAFE”) of the PRC.

Further, the Group has appointed the Chairman of the Audit Committee as the authorized representative who acts jointly with a representative of Xiamen C&G as the authorized signatories of the designated bank account maintained by Xiamen C&G.

As Xiamen C&G just acted as a custodian to facilitate the receipt of the advance payment and the representatives from both the Company and Xiamen C&G have to jointly affix their signatures for the purpose of operating the designated bank account, it is not deemed as an interested person transaction.

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary
21 April 2015