

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

DIFFERENCES BETWEEN UNAUDITED ACCOUNTS AND AUDITED ACCOUNTS

The Board of Directors of C&G Environmental Protection Holdings Limited (the “**Company**”) refers to its full year financial results announcement for the financial year ended 31 December 2011 (“**FY2011**”) made on 27 February 2012 (“**2011 Results Announcement**”). Pursuant to Rule 704(6) of the Listing Manual of the SGX-ST (the “**Listing Manual**”), the Board wishes to announce that subsequent to the release of the 2011 Results Announcement, there was a material adjustment made to the consolidated statement of comprehensive income in the audited financial statements (“**AFS**”) of the Company as compared to the unaudited results released. There were also certain reclassifications made to the consolidated statement of financial position. Details and an explanation of the adjustment and reclassifications are set out below. The Company will be releasing its annual report together with the audited financial statements on 9 April 2012.

The material adjustment relates to the accounting for the government grants for our Huangshi project of RMB16,000,000 (equivalent to approximately HK\$19,242,000 at the average exchange rate of FY 2011).

In FY2010, our Huangshi project received a government grant of RMB16,000,000 (equivalent to approximately HK\$18,832,000 at the closing exchange rate of FY 2010). The amount was recognised as deferred income in FY2010. In the 2011 Results Announcement, government grant of RMB16,000,000 (equivalent to approximately HK\$19,242,000 at the average exchange rate of FY 2011) was fully recognised as other income as the construction work for Huangshi project was completed in FY2011. Upon finalization of the audit, instead of recognising the government grant fully as income, the government grant is being recognised as income on a systemic and rational basis over the useful life of the intangible asset (i.e. service concession right) which is 24.5 years. Therefore, the other income decreased by HK\$18,849,000. Deferred tax asset of HK\$1,759,000 arising from the adjustment on the over recognition for government grant is being recognised in the audited financial statement. As a whole, the audited net profit for FY 2011 decreased by HK\$17,090,000 when compared to the 2011 Results Announcement and there is no impact on the cash position of the Group. And exchange difference of HK\$257,000 arising from the translation of the government grant was reduced as a result of the abovementioned adjustments.

The unamortised portion of government grants received is being recognised in the consolidated statement of financial position as deferred income. To be consistent with this treatment, the deferred income balance as at 31 December 2010 was reclassified and split into non-current and current portion.

The changes on consolidated statement of comprehensive income and consolidated statements of financial position were highlighted in blue in the APPENDIX A and APPENDIX B.

ELABORATION AND CLARIFICATION

The accounting treatment of the government grant depends on the nature of the grant given by the government. Under the BOT arrangement, the Huangshi project is responsible for building and operating the Waste-to-Energy plant. The official document from the government did not define clearly whether the subsidy is given as a subsidy for the construction cost or as a subsidy for the operation of the Waste-to-Energy plant during the term of the BOT contract, which will affect the accounting treatment.

Prior to the finalization of the announcement of the unaudited results for FY 2011, the Company’s finance team had discussed with Foo Kon Tan Grant Thornton LLP and RSM Nelson Wheeler, the Company’s auditors (“**Auditors**”) and was given to understand that the recognition of the government grants as an one-off income in FY 2011 appeared in order and in compliance with the Accounting Standards.

The Auditors subsequently finalized and completed the audit of the Group's accounts and advised the above adjustment. The Board has sought an explanation for the departure from the earlier accounting treatment. The Auditors have informed the Board originally preliminary discussion was based on the assessment on the nature of grant which appeared as a subsidy of construction cost that were fully charged to consolidated statement of comprehensive income. Upon further evaluation of the nature of the grant, the Auditors considered that it is more appropriate to recognise the grant on a systematic basis over the useful life of the intangible assets and have proposed to make the adjustments as mentioned above.

To strengthen the reporting process, the Company, in consultation with the Auditors, has instituted the due process for a formal review of the accounting treatment of non-routine material transactions between the Company's finance team and the Auditors with a report to the Board to provide assurance that the financials for the transaction are correctly recorded in the accounts.

By Order Of The Board
Lin Yan
Executive Chairman and Executive Director
5 April 2012

Appendix A

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Per FY 2011 Audited Results 2011 HK\$'000	Per Results announcement 2011 HK\$'000	Variances HK\$'000
Revenue	1,400,671	1,400,671	
Cost of sales	<u>(1,251,558)</u>	<u>(1,251,558)</u>	
Gross profit	149,113	149,113	
Other income	30,443	49,292	-18,849
Administrative expenses	<u>(86,342)</u>	<u>(86,342)</u>	
Profit from operations	93,214	112,063	-18,849
Finance costs - interest on bank loans and other loan	<u>(56,625)</u>	<u>(56,625)</u>	
Profit before tax	36,589	55,438	-18,849
Income tax expense	<u>(13,691)</u>	<u>(15,450)</u>	-1,759
Profit for the year	22,898	39,988	17,090
Other comprehensive income:			
Exchange differences on translating foreign operations	<u>48,360</u>	<u>48,617</u>	-257
Total comprehensive income for the year attributable to the owners of the Company	<u><u>71,258</u></u>	<u><u>88,605</u></u>	-17,347

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

Appendix B

	Per FY 2011 Audited Results 2011 HK\$'000	Per Results Announcement 2011 HK\$'000	Per FY2011 Audited Results 2010 HK\$'000	Per FY2010 Audited Results 2010 HK\$'000
Non-current assets				
Fixed assets	9,808	9,808	9,262	9,262
Intangible assets	3,673,743	3,673,743	2,442,240	2,442,240
Long-term receivable	68,354	68,354	-	-
	3,751,905	3,751,905	2,451,502	2,451,502
Current assets				
Inventories	2,735	2,735	1,058	1,058
Trade receivables	76,971	76,971	16,766	16,766
Gross amounts due from customers for contract work	545,428	545,428	567,827	567,827
Other deposits and other receivables	289,072	289,072	98,342	98,342
Trade deposits and prepayments	8,924	8,924	9,240	9,240
Due from subsidiaries	-	-	-	-
Pledged bank deposits	32,956	32,956	-	-
Bank and cash balances	11,012	11,012	517,344	517,344
	967,098	967,098	1,210,577	1,210,577
TOTAL ASSETS	4,719,003	4,719,003	3,662,079	3,662,079
Capital and reserves				
Share capital	97,302	97,302	97,302	97,302
Reserves	1,659,551	1,676,898	1,596,793	1,596,793
Equity attributable to owners of the Company	1,756,853	1,774,200	1,694,095	1,694,095
Non-current liabilities				
Interest-bearing borrowings – secured	1,957,236	1,957,236	1,502,507	1,502,507
Long-term payable	68,354	68,354	-	-
Deferred income	18,334	-	18,448	-
Deferred tax liabilities	64,895	66,679	49,566	49,566
	2,108,819	2,092,269	1,570,521	1,552,073
Current liabilities				
Trade payables	10,572	10,572	4,172	4,172
Gross amounts due to customers for contract work	228,732	228,732	184,074	184,074
Accruals and other payables	424,374	424,374	155,720	155,720
Deferred income	797	-	384	18,832
Interest-bearing borrowings - secured	187,815	187,815	52,302	52,302
Current tax liabilities	1,041	1,041	811	811
	853,331	852,534	397,463	415,911
Total liabilities	2,962,150	2,944,803	1,967,984	1,967,984
TOTAL EQUITY AND LIABILITIES	4,719,003	4,719,003	3,662,079	3,662,079