

C&G Environmental Protection Holdings Limited  
 Incorporated in Bermuda  
 (Registered Number: 35842)

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RESPONSE TO SGX-ST'S QUERIES ON 2Q 2015 RESULTS ANNOUNCEMENT

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The board of directors (the "Board") of C&G Environmental Protection Holdings Limited (the "Company") refers to the queries received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 12 August 2015 in relation to the Company's 2Q2015 results announcement.

Query 1):

We refer to page 3 of the Company's Results Announcement. We note that 'Administrative expenses' rose 88% to HK\$15.8 million in Q22015 largely due to payroll expenses, legal and professional expenses, travelling and business development-related expenses. Please quantify the items which contributed to the significant increase and explain the specific reasons for each of the significant items resulting in the increase.

Company's response:

	Three months ended 30 June			
	2015	2014	Increase / (Decrease)	
	HKD'000	HKD'000	HKD'000	%
Entertainment	912	308	604	196%
Legal and Professional	1,800	2,294	(494)	(22%)
Other expenses	5,827	2,399	3,428	143%
Staff cost	6,122	2,895	3,227	111%
Travelling	1,187	535	652	122%
	15,848	8,431	7,417	88.0%

The administrative expenses increased as the group structure has been changed. The administrative expenses of Q2 2014 represented the administrative expenses of continuing business and excluded the expenses of disposed business in China. Therefore, the administrative expenses were mainly contributed by C&G HK and C&G Thailand in Q2 2014. With the business expansion, the Group has incorporated a wholly owned subsidiary in Shenzhen and two branches in Taiwan and acquired an EPC company in Thailand.

As the Group is in the year of transformation and new businesses development period, the travelling expenses and entertainment expenses increased for the purpose of identifying new businesses, conducting the feasibility studies and due diligence of the potential projects in different countries.

Staff costs increased due to headcount increase which was in line with the new group structure. The Group believes that staff with worldwide professional experience will strengthen the competitive advantages for the Group in long term.

Other expenses increased by HK\$3.4 million, taking into account approximately HK\$2.8 million which was recorded in the books of the newly acquired EPC company for the import and customs tax on equipment for the construction and equipment installation work projects.

Query 2:

We refer to page 12 of the Company's Results Announcement. We note the increase of HK\$105 million in 'Intangible Assets'. Please provide the following details:-

- (a) Details of the service concession rights
- (b) Details of the WTE Construction projects and reasons why these would result in intangible assets.
- (c) When will construction commence and end and size of the projects and how much the Company paid for the construction projects/and concession rights.
- (d) Details of what contributed to the cost for the additional amount for 'Addition during the period' of HK\$101.112 million.

Company's response:

- (a) As announced in 2012 and also disclosed in FY 2014 Annual Report, the service concession rights represented a BOT concession right for a period of 20 years for the Bangkok Nong Khaem MSW Incineration Power Plant in Thailand with a daily treatment capacity of 500 tonnes. Under the BOT arrangement, the Group is responsible for the construction and operation of the plant during the concession period and the plant will be transferred to the government by the end of the concession period.
- (b) For details of the WTE construction project, please refer to point (a). The intangible assets are stated in accordance with IFRIC Interpretation 12 "Service Concession Arrangements" ("IFRIC 12") The Group adopts the same accounting policy with FY2014, please refer to note 3(g) of FY2014 Annual Report for the accounting policy.
- (c) The project is under construction and is expected to be completed by year 2015. This Nong Khaem project has a designed waste processing capacity of 500 tonnes per day and has an installed turbine and electricity generation capacity of 9.8MW. As at 30 June 2015, construction cost of approximately HK\$276million was incurred.
- (d) The additional project cost comprised civil engineering work and equipment installation cost and it was assessed by an independent valuer, with reference to the replacement cost and the percentage of completion of the construction of the work of the project.

Query 3:

We refer to page 12 of the Company's Results Announcement on 'Other deposits and other receivables'. Please provide the following details:-

- (a) Details of 'Compensation receivable' of HK\$121.023 million
- (b) Reasons for the significant amount of prepaid expenses when construction was almost completed around 2Q2015.

Company's response:

- (a) As disclosed in Note 39 of FY 2014 Annual Report, the Group has terminated the contracts with a contractor for the construction projects in Xiaogan, Dalian and Guiyang as a results of the disposal of the WTE businesses in China. The Group has signed the compensation agreement with the contractor and the amount of RMB96,000,000 (approximately HK\$121 million) was fully paid. The ultimate holding company confirmed the undertaking letter signed on 28 March 2014 and will undertake the compensation. The balance represented the compensation receivable from the ultimate holding company.
  
- (b) The significant amount of prepaid expenses do not relate to the WTE Nong Khaem project. The Group acquired a EPC company on 28 May 2015 and the prepaid expenses refers to the prepaid and advance fees for other construction projects of the newly acquired EPC company.

BY ORDER OF THE BOARD

LIN YAN  
Executive Chairman & CEO  
18 August 2015