

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

LETTER OF INTENT IN RESPECT OF THE PROPOSED SALE OF THE WASTE-TO-ENERGY BUSINESS AND ASSETS (INCLUDING CONCESSIONS RIGHTS) AND PRINCIPAL OPERATING SUBSIDIARIES OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED IN THE PEOPLE'S REPUBLIC OF CHINA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of C&G Environmental Protection Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had, on 22 October 2013, entered into a letter of intent (“**LOI**”) with a potential purchaser (the “**Purchaser**”), a company listed on a stock exchange in the People’s Republic of China (“**PRC**”), to facilitate the negotiation and finalisation of a definitive sale and purchase agreement (“**SPA**”) in respect of a proposed sale of the Group’s waste-to-energy business and assets (including concession rights) and the principal operating subsidiaries of the Company in the PRC (“**PRC WTE Business and Assets**”) to the Purchaser (the “**Proposed Sale**”).

2. SALIENT TERMS OF LOI

a. Validity Period

Unless terminated by the mutual written consent of the Company and the Purchaser, the LOI shall terminate on the earlier of:-

- i. the date of execution of the SPA; or
- ii. three calendar months from the date of the LOI unless extended by mutual consent of both the Company and the Purchaser.

The Company and the Purchaser shall use their best endeavours to negotiate and enter into the SPA within the said three calendar months from the date of the LOI.

b. Exclusivity

The Company has agreed with the Purchaser not to engage in discussions or negotiations with, or provide any information to, any third party, concerning the matters contained in the LOI in relation to the Proposed Sale during the period commencing from the date of the LOI to the date of the execution of the SPA.

c. Condition

The entry into the SPA is subject to the completion of the due diligence conducted on the PRC WTE Business and Assets by the Purchaser and its advisers, and the due diligence results being satisfactory to the Purchaser.

d. Consideration

The consideration for the Proposed Sale (the “**Consideration**”) is subject to the parties’ further negotiations taking into account (i) the valuation of the PRC WTE Business and Assets conducted by a firm of expert valuers appointed by the Purchaser, and (ii) the total assets and liabilities attributable to the PRC WTE Business and Assets, but shall in no event be less than the net asset value of the PRC WTE Business and Assets. The valuers shall conduct the valuation using at least two different bases including a “discounted cash flow” basis which takes into account the revenue and future cash flow to be derived from the PRC WTE Business and Assets.

The Consideration shall be satisfied in part by cash and in part by the issue and allotment of quoted shares of the Purchaser (“**Consideration Shares**”) to the Company. The proportion of cash to Consideration Shares is subject to further negotiations between the parties and compliance with the applicable rules and regulation governing the listing of and quotation for the Consideration Shares on the relevant stock exchange provided that the number of Consideration Shares so issued and allotted shall not be less than 10% of the issued share capital of the Purchaser on an enlarged basis.

e. Restructuring

The Company shall undertake a pre-completion restructuring, if necessary, to facilitate the Proposed Sale of the PRC WTE Business and Assets to the Purchaser.

f. Customary Representations and Warranties

The Company has provided customary representations and warranties on the PRC WTE Business and Assets to the Purchaser in the LOI.

g. Damages

The parties shall use their best endeavours to fulfill their obligations under the LOI and to facilitate the completion of the Proposed Sale. In the event of a breach of the terms of the LOI by a party, the party in breach shall be liable for all losses suffered by the other party (not in breach), including all reasonable costs and expenses incurred by that party. In addition, the party in breach shall compensate the other party, damages amounting to RMB 40,000,000.

h. Governing Law

The LOI shall be governed by the law of the People’s Republic of China.

3. RATIONALE FOR THE PROPOSED SALE

The Directors are of the view that the Proposed Sale is in the best interests of the Company and its shareholders as the Directors have considered the likelihood that the PRC WTE Business and Assets may require significant capital injection to grow, the Proposed Sale will enable the Company to realise its investment in the PRC WTE Business and Assets and to unlock the value thereof for its shareholders.

4. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, save for their shareholdings in the Company, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Sale.

5. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Sale remains subject to the execution of the SPA and the Company and the Purchaser will use their respective best endeavours to negotiate in good faith and sign the SPA within three calendar months from the date of the LOI (or such later date as the parties may mutually agree). The Company will make an announcement disclosing further details of the Proposed Sale upon execution of the SPA and will make appropriate update announcement(s) on the Proposed Sale at the relevant time.

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the SPA will be entered into or that the Proposed Sale will be completed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Lin Yan
Executive Chairman & Group Chief Executive Officer
23 October 2013