



C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

1Q 2014 Results Presentation

7 May 2014

Notice

This presentation should be read in conjunction with C&G Environmental Protection Holdings Limited's First Quarter 2014 ("1Q 2014") results announcement for the period ended 31 March 2014.



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FINANCIAL HIGHLIGHTS

Key 1Q 2014 Highlights

- **Waste-To-Energy (WTE) revenue¹ increased 16.1% to HK\$136.3 million**
 - With the expansion of Phase 2 of Anxi plant, total daily waste treatment capacity increased to 5,400 tonnes
 - Overall operational efficiency improved at six plants: Jinjiang, Huian, Huangshi, Anxi, Fuqing and Jianyang
 - Upward fee adjustment for Jinjiang and Huian plants in 2013
- **EBITDA² increased 37.1% to HK\$94.3 million**
- **Net profit surged 240.8% to HK\$13.0 million**
 - Upward adjustment of waste handling fee of Jinjiang and Huian plants
 - Improvement of operational efficiency of operating plants
 - Reversal of the impairment loss on VAT receivables
- **Construction revenue decreased 49.6% to HK\$9.4million**
 - Construction revenue generated from Thailand, Huian Phase 2 and Langfang plants
 - Anxi Phase 2 was completed last year

Operational Services Revenue & EBITDA

Revenue from operation services up 28.6% and EBITDA soared 37.1%

<u>HK\$'000</u>	<u>1Q 2014</u>	<u>1Q 2013</u>	<u>Change (%)</u>
Operational Services Revenue¹	126,865	98,665	28.6
Construction Revenue²	9,423	19,686	(49.6)
TOTAL REVENUE	136,288	117,351	16.1
WTE EBITDA on recurring basis (Excludes construction profit³)	94,312	68,789	37.1
Construction profit³	253	238	6.3

- Increase in operational services revenue **offset** by a 49.6% decline in construction revenue
- Less construction revenue recognised due to:
 - Less construction revenue generated from Thailand and Huian Phase 2 plants
 - Anxi Phase 2 was completed last year

Notes

¹ Operational Services Revenue comprised Power Generation, Waste Handling Fee and O&M Services

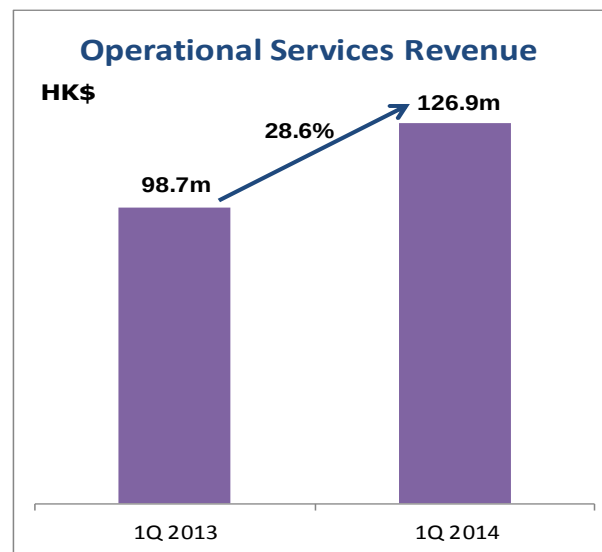
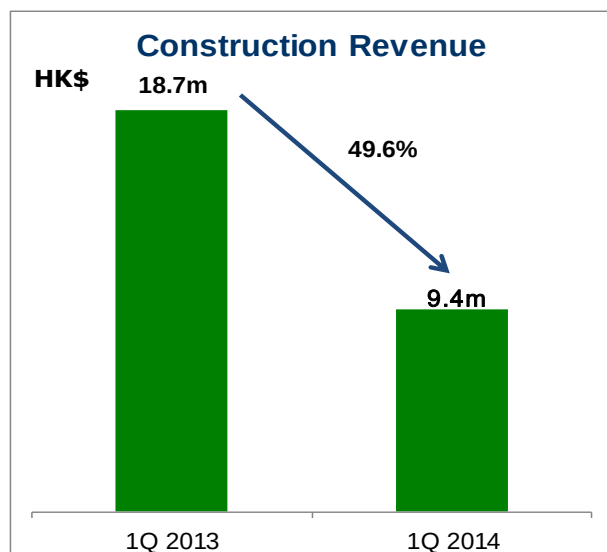
² Construction Revenue is the fair value of the facilities under construction as assessed by an external valuer (non-cash), recognised according to the percentage of completion of the plants

³ Construction Profit is the difference between external valuation of facilities under construction and cost recognized in the construction of the facilities (non-cash)

Operational Services Revenue & Construction Revenue

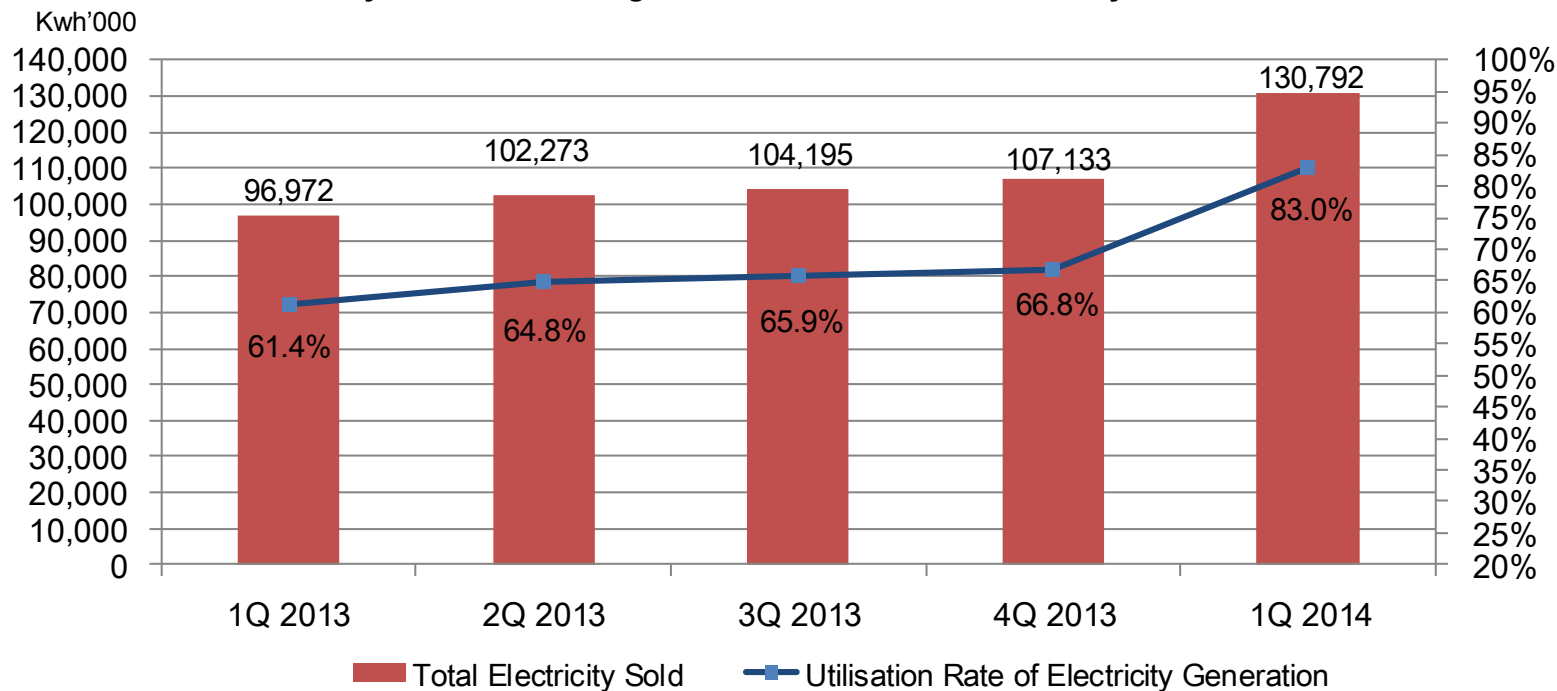
Construction Revenue down 49.6% and Operational Services Revenue up 28.6%

- In 1Q 2013, construction revenue contribution mainly from 1 plant under construction (Anxi Phase 2); operational services revenue contribution from 6 operating plants (Jinjiang, Huian, Huangshi, Anxi, Fuqing and Jianyang)
- In 1Q 2014, construction revenue contribution mainly from 3 plants under construction (Thailand, Huian Phase 2 and Langfang); operational services revenue contribution from 6 operating plants (6 above + Anxi Phase 2)



Quarterly Trends of On-grid Electricity and Electricity Revenue

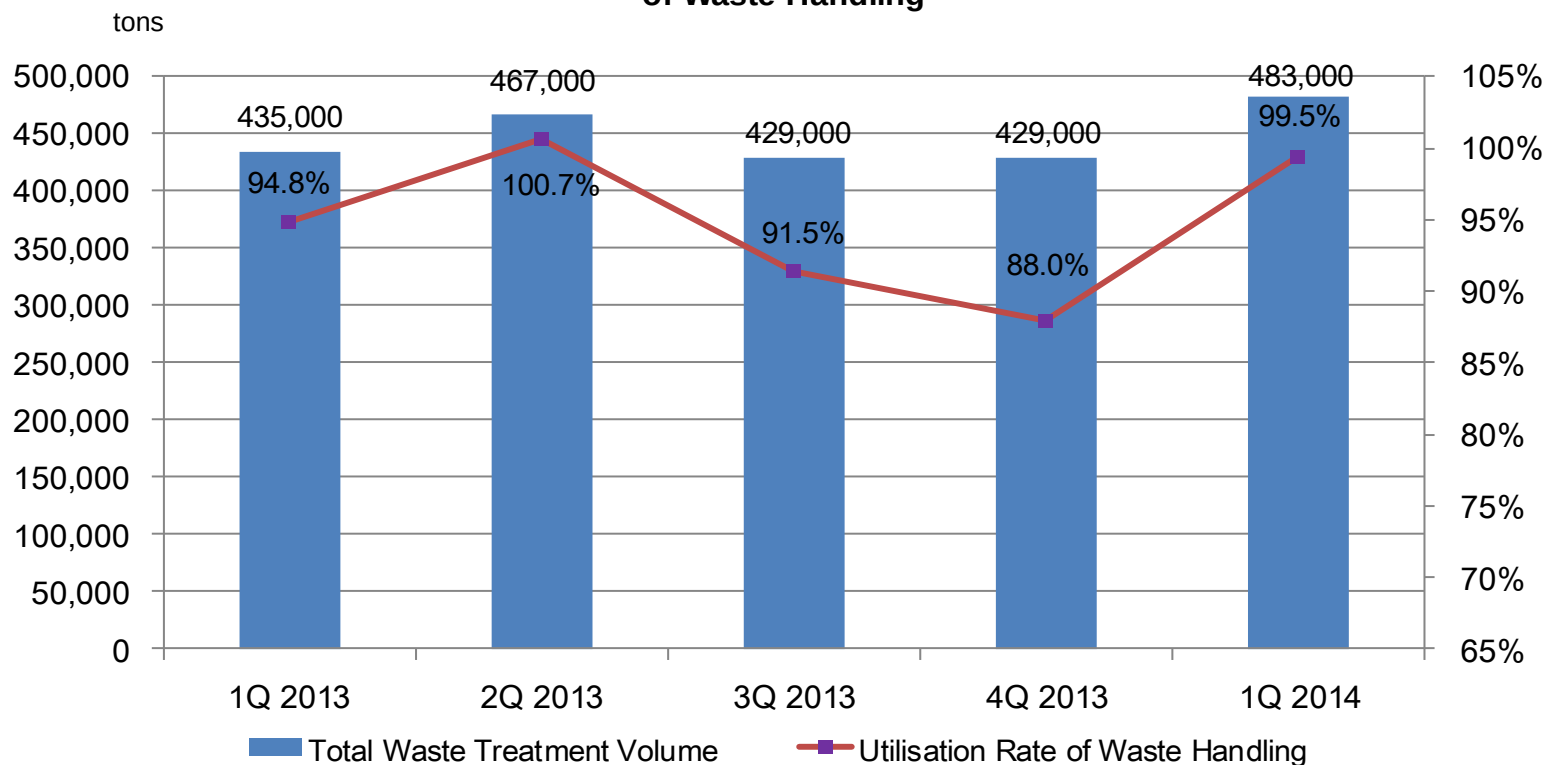
Electricity Sold and Average Utilisation Rate* of Electricity Generation



	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Electricity Revenue (HK\$'000)	65,184	71,057	72,679	76,798	92,051
No of Plants in Operation	6	6	6	6	6

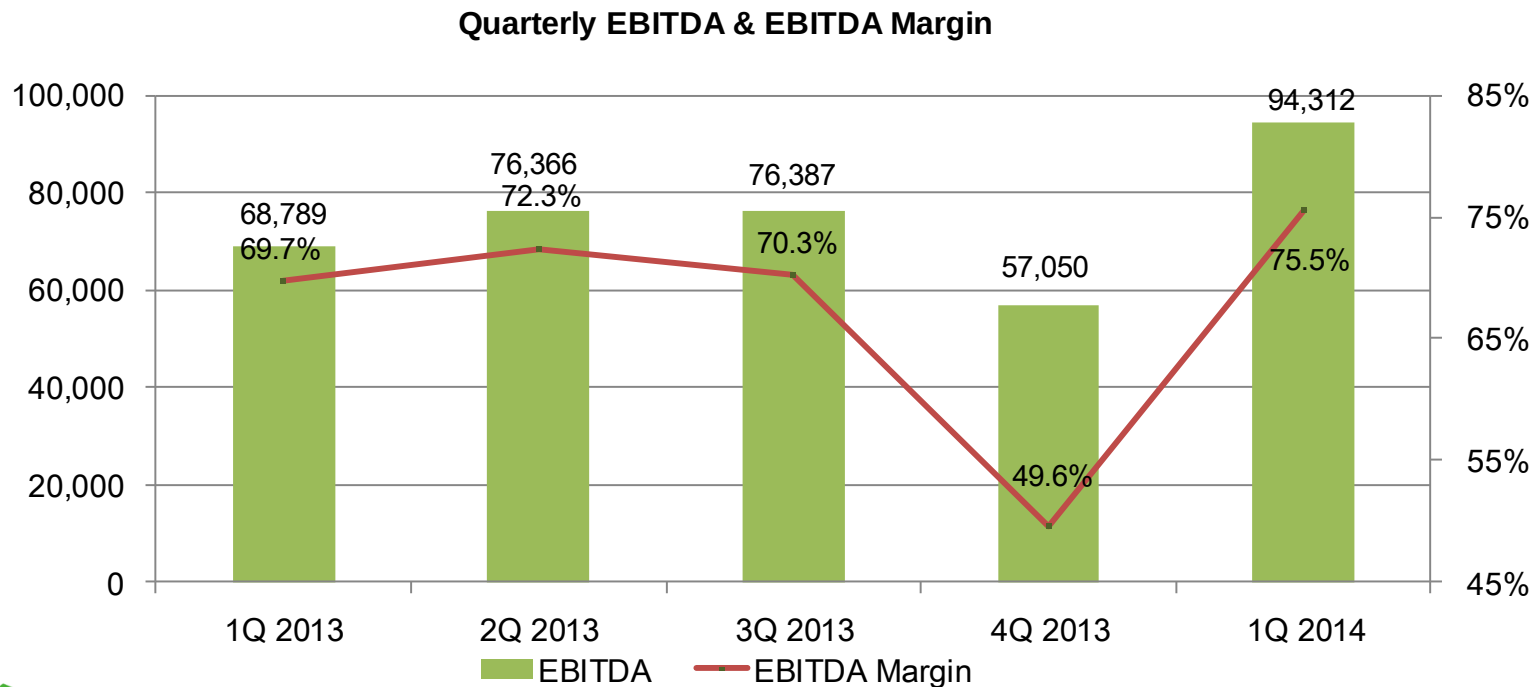
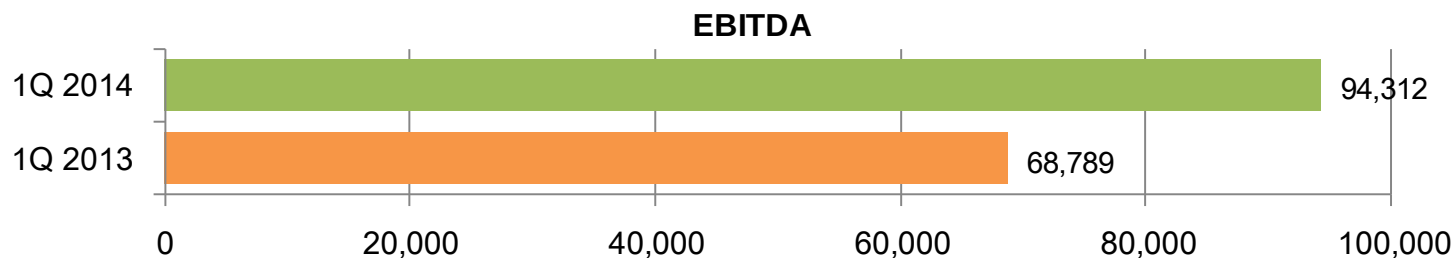
Quarterly Trends of Waste Treatment and Tipping fee

Waste Treatment Volume and Average Utilisation Rate of Waste Handling



	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Tipping Fee (HK\$'000)	31,793	33,012	34,768	37,519	35,344
No of Plants in Operation	6	6	6	6	6

Quarterly Trends of EBITDA and EBITDA Margin



Other Financial Highlights

<u>HK\$'000</u>	<u>1Q 2014</u>	<u>1Q 2013</u>	<u>Change</u>
Revenue	136,288	117,351	16.1%
Gross Profit	71,660	51,692	38.6%
Gross Profit Margin	52.6%	44.0%	8.6ppt
Net Profit	12,955	3,801	240.8%
EBITDA*	94,312	68,789	37.1%

** EBITDA on operational basis excludes the construction profit*

Statement of Financial Position

HK\$'000	31 Mar 2014	31 Dec 2013	Change (%)
Current assets	848,049	990,521	(14.4)
Non-current assets	3,995,423	4,051,403	(1.4)
Total Assets	4,843,472	5,041,924	(3.9)
Current liabilities	1,017,320	1,193,058	(14.7)
Non-current liabilities	2,083,551	2,106,538	(1.1)
Total Liabilities	3,100,871	3,299,596	(6.0)
Shareholders' Equity	1,742,601	1,742,328	0.0
Trade receivables	148,032	140,901	5.1
Cash & bank balances	63,205	54,930	15.1

Key Financial Ratios

Key Ratios	31 Mar 2014	31 Dec 2013	Change(%)
Current ratio	0.83x	0.83x	N/A
Gearing ratio (Total liabilities / Total assets)	0.64x	0.65x	N/A
NAV per share (HK\$ cents)	179.09	179.06	0.0
Basic earnings / (loss) per share (HK\$ cents)	1.33	(2.34)	156.8

PROPOSED SALE

Rationale for the Proposed Sale

- To become a strategic investor of a state-owned PRC listed company which engages in utility and environmental related businesses
- To focus on Southeast Asia market which has a higher return and demand for WTE business
- To realise the value of the PRC WTE business and unlock value for all the shareholders
- To improve liquidity for the Group's WTE assets
- To diversify the business

Share Price Performance

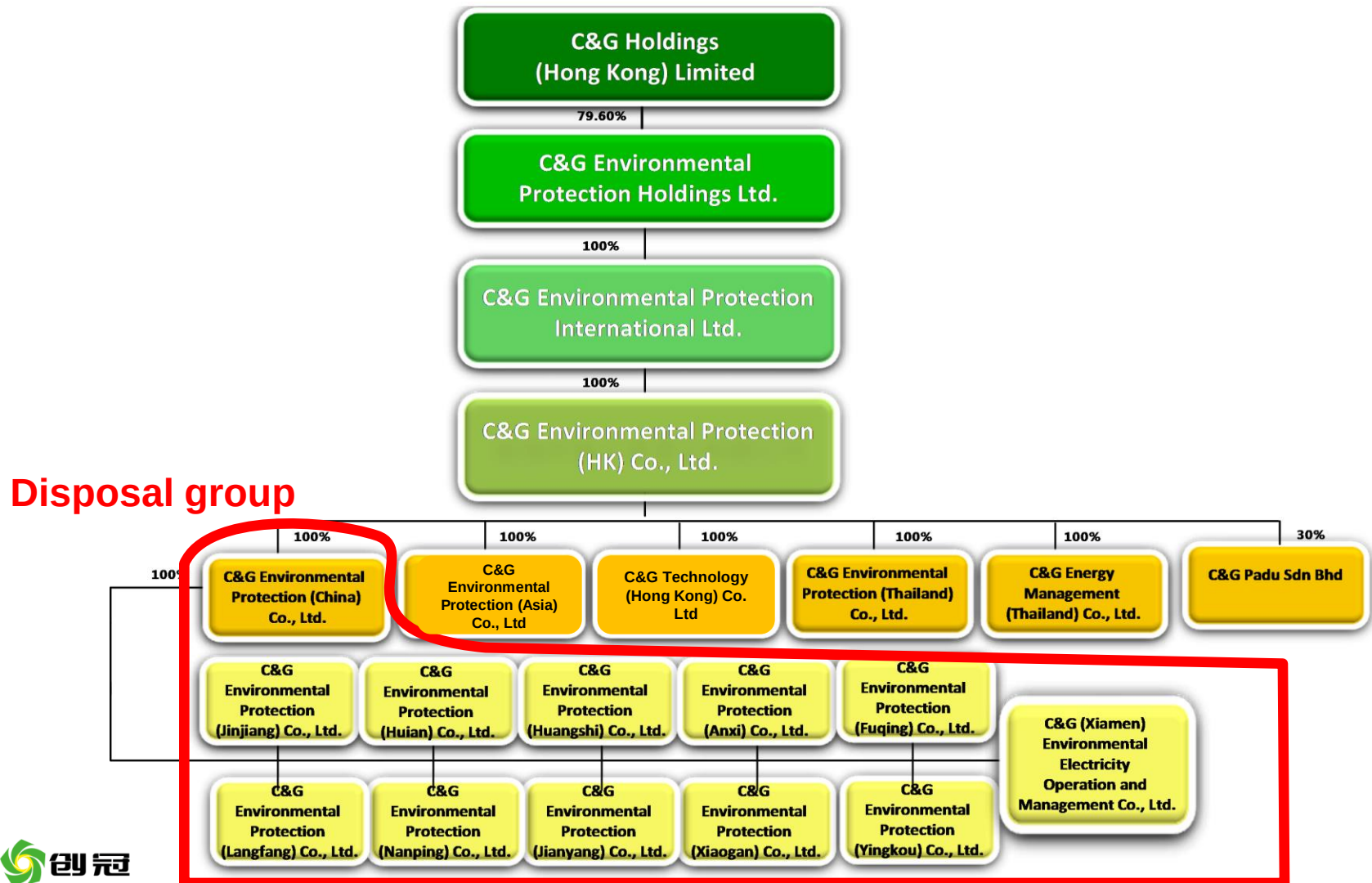
Share price & book value:

S\$	As at 30 Jun 2013	As at 30 Oct 2013	As at 5 May 2014
Share price	0.12	0.2	0.27
Book Value/share	0.3	0.3	0.3
Market Cap.	116.8M	194.6M	262.7M

Share price trend:



Proposed Sale – Structure



Proposed Sale – Status

Date	Progress
23 October 2013	Letter of Intent
23 December 2013	Framework Agreement
29 January 2014	Conditional Acquisition Agreement Claw-Back Agreement
20 February 2014	Approval by State-owned Assets Supervision and Administration Commission of Guangdong Province
25 February 2014	Approval by Grandblue's shareholders
7 May 2014	Approval by C&G's shareholders

Next Steps

- To obtain approval from Ministry of Commerce, PRC
- To obtain approval from Shanghai Stock Exchange and China Securities Regulatory Commission (Grandblue)

Proposed Sale – Consideration

- Total consideration is RMB 1.85 billion
- Composition
 - Cash – RMB 1.1 billion
 - Shares – RMB 0.75 billion
 - Issued price RMB 8.34 per share
 - No. of Shares: 89,928,057

Proposed Sale – Consideration Package

- Shares will be under moratorium for 3 years
- Entered into a Claw-Back Agreement, the Group undertakes to compensate Grandblue in the event that the Target Group fails to meet the Profit Targets below:

RMB'million	2014	2015	2016
Profit Target	68.4	105.0	163.8

- Have an Executive Director on Grandblue's Board
- To maintain same management team for the disposal group

Background of Grandblue

- A listed company in Shanghai Stock Exchange
- State-owned Enterprise
- Principal activities are in the provision of:
 - Water supply and distribution
 - Waste water treatment
 - Water supply engineering design, installation and technical advice
 - Water supply equipment and related supplies
 - Sewage and waste treatment facilities construction, design, management, operation, technical consulting and support services
 - Sewage and waste treatment equipment and related supplies, etc.

Portfolio of Grandblue

- Water supply and distribution
 - 3 water supply plants
 - 1.26 million cubic meters/day, covering an area of over 700 square kilometers in Nanhai district
- Waste water treatment
 - 18 BOT/TOT concessions, with treatment capacity of 583,000 cubic meters/day
- Sewage and waste treatment
 - 10 Waste transfer stations (total capacity 4000T/D)
 - 2 Waste-to-energy plants (total capacity 3000T/D)
 - 1 Sludge treatment plant (Phase 1 capacity 300T/D)
 - Gas Distribution

Financial Position of Grandblue

RMB' million	FY 2011	FY 2012	FY 2013
Revenue	747.7	885.3	1,001.4
Profit before tax	192.8	224.3	276.5
Profit after tax	160.7	192.0	234.8
EPS (RMB)	0.31	0.37	0.40
Total Assets	3,904.4	4,635.3	5,428.4
Net Current Assets	356.5	150.7	(376.7)
Net Assets	1,793.0	2,301.9	2,483.7
Cashflow from operations	204.5	497.2	496.6

Proforma Account of Grandblue

Item	Forecast for 2014 RMB' Million
Operating Revenue	2,636.60
Operating Cost	1,741.17
Business Tax & Surcharge	15.52
Selling & Distribution Expense	75.90
Administration Expense	137.54
Finance Cost	246.45
Impairment Loss	8.29
Operating Profit	411.74
Non-operating Income	66.52
Non-operating Expense	0.89
Profit Before Tax	477.37
Taxation	115.05
Net Profit	362.32
Net Profit attributable to the shareholders of the company	323.01
Minority Interests	39.31

Share Price Movement of Grandblue

Share price trend from Sep 2013 – May 2014:



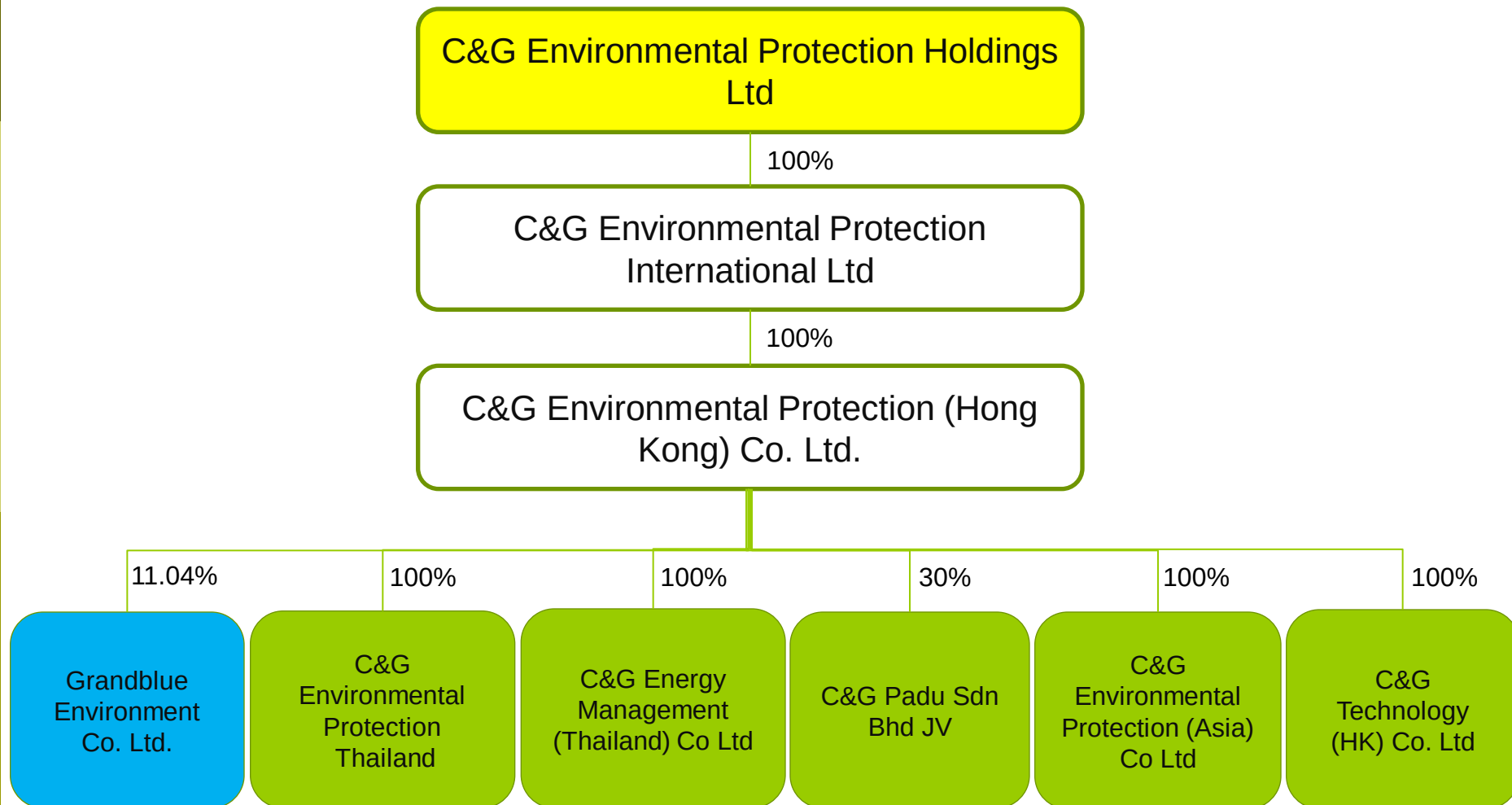
Share price as at 5 May 2014: RMB10.65

Dividend Yield of the Grandblue

- Below is the historical dividend yield and payout ratio of Grandblue:

Year	Dividend payout ratio	Dividend yield
2010	9.71%	1.75%
2011	25.81%	1.20%
2012	27.03%	1.43%

Proposed Sale – Post Completion



Use of the Proceeds

- Distribution of special dividend
- Business development
- Business acquisition
- Working capital for the Group's existing Southeast Asian WTE projects

Proposed Sale – Post Completion

- In 2014
 - Recognition of the operating results of WTE Business from PRC until the Completion date
 - Associated company – equity accounting for 11% interest of the acquirer's company
 - Recognition of the construction revenue & profits from Bangkok Project
 - Dividend income
- In 2015
 - Recognition of operating results from Bangkok project
 - Associated company – equity accounting for 11% interest of the acquirer's company
 - Recognition of the construction revenue for the new project (e.g. Malaysia)
 - Dividend income

Estimated Financial Impact

(For illustrative purpose only)

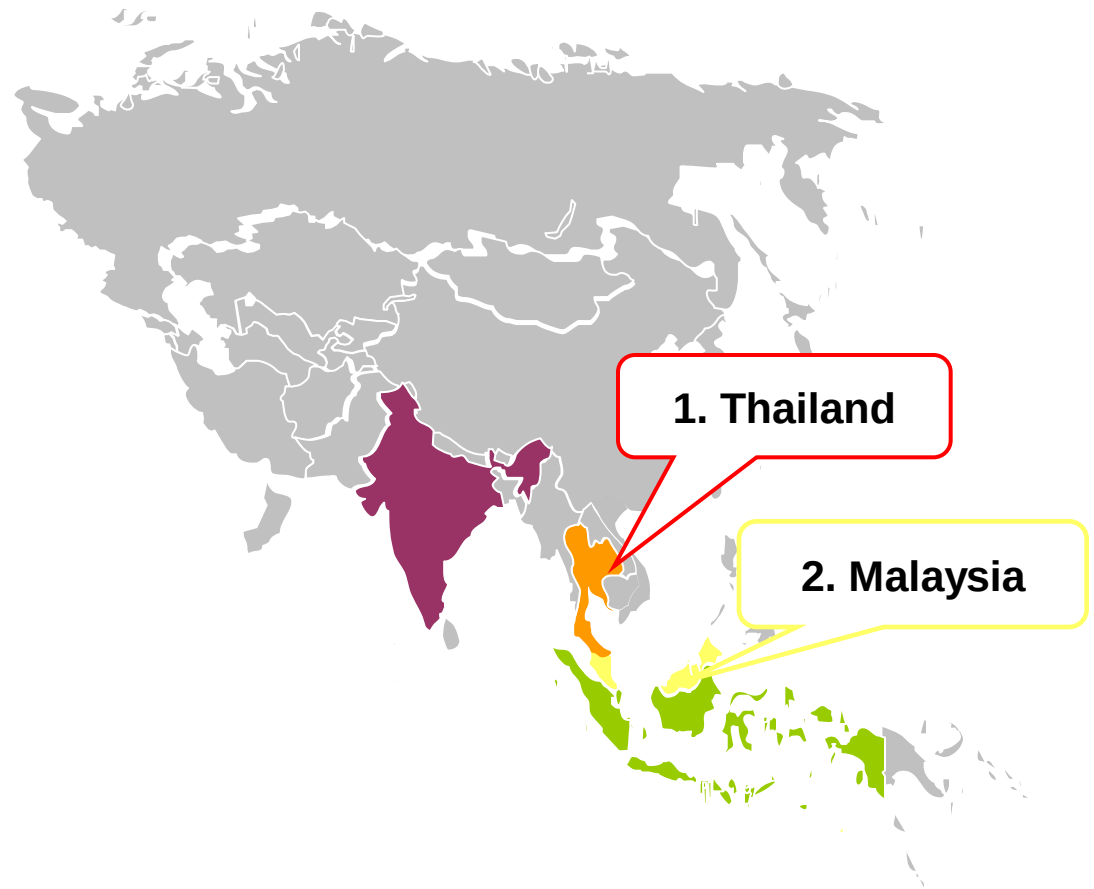
- Estimated gain on disposal: RMB340m
- Assuming the Proposed Sale is completed on 31 December 2013

	As at 31 Dec 2013	
	Before Completion	Post Completion
NAV (HK\$'M)	1,742.3	2,167.0
NAV per Share (HK\$)	1.79	2.23
Net Profit/(Loss) (HK\$'M)	(22.8)	401.9
EPS per share (HK\$')	(0.023)	0.413
No. of issued shares	973,023,454	973,023,454

BUSINESS PLAN

Overview – Southeast Asia

- Focus on expansion in Southeast Asia
- Explore markets such as Thailand and Malaysia



Overview – WTE Projects

PROJECT	LOCATION	BOT PERIOD	CAPACITY	STATUS
Bangkok Project	Bangkok, Thailand	20 years	500T/D	Awarded and under construction
Thailand	Thailand	TBC	2,000T/D	TBC
Terengganu Project	DBMT, Malaysia	30 years	800T/D	Received Letter of Support

1. Thailand – Bangkok Project

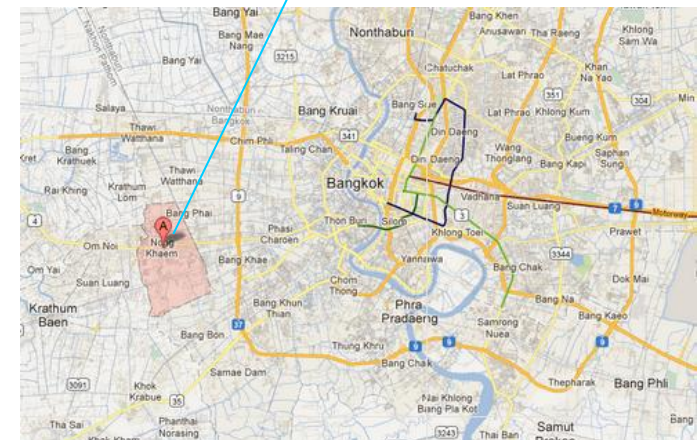
1.1 Bangkok Project (Awarded in 2012)

Project Profile:

- Municipal Solid Waste Incineration Power Plant Project
- Located in Nongkangploo sub-district, Nong Khaem district, Bangkok
- BOT for 20 years + 5 years +5 years
- Capacity of 500T/D with a tipping fee of THB 970 (including VAT)
- Under the BOT with BMA, MSW supply of not less than 500T/D
- Project cost is estimated to be approximately THB 914.44 million
- Project IRR >20%



Project Site



1. Thailand – Bangkok Project

Project status:

- BOT Agreement was signed between Bangkok Metropolitan Administration (BMA) and C&G in July 2012
- The project is currently under construction and is scheduled to get completed by 1st half 2015
- Expected to be fully commissioned by 1st half 2015 and start to generate cash flow and earnings thereafter



2. Malaysia – Terengganu Project

2.1 Terengganu Project

- Landfill in Kuala Terengganu (DBKT) receives 300T/D and could only accommodate for another 8 years
- DBKT desires to replace the current landfill site with a modern WTE plant
- Handling capacity of 800T/D/ 18MW WTE Plant
- Total MSW in Terengganu is approximately 1,000T/D
- A guaranteed amount of 700T/D MSW by the government

2. Malaysia – Terengganu Project

Engagement

- On 11 July 2013, C&G entered into a Joint Venture Agreement with Dian Padu Sdn Bhd (DPSB), to establish a JV company namely, C&G Padu Sdn Bhd to explore and development Waste Energy project in Terengganu. C&G has 30% stake in the joint venture.
- C&G Padu plans to invest over RM450 million
- BOT for 30 years
- Potential to develop smaller WTE in communities between Kenaman and Kerteh in future
- The ministry's plan to build another three large-scale incinerators with a capacity of between 600 and 1,200 tonnes a day

2.2 Current Progress

- Submitted an Project Proposal to Terengganu State Economic Planning Unit (TSEPU) in Sep 2013
- Received a letter of support from TSEPPU in Jan 2014

3. New Business Growth

- Continue our overseas expansion in SEA
- While explore in other environmental related businesses
 - E.g. provision of equipment and technical advisory for Waste water treatment and air pollution treatment
- Equipment/ technical solution provider
- Installation service
- Potential Acquisition

Thank You
