

# C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

## Annual General Meeting Presentation

27 April 2015

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# RECAP ON THE SUCCESSFUL DIVESTMENT TO GRANDBLUE

# Rationale for the Divestment

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- To realise C&G's investment in China and unlock value for shareholders
- To focus on WTE projects in Southeast Asia which represent a higher yield relative to the more mature market of China
- To focus on tremendous opportunities in Southeast Asia's renewable energy market
- To become a strategic investor of a state-owned China listed company, Grandblue Environment Co. Ltd ("Grandblue"), which engages in utility and environmental related businesses
- To diversify the business

# Current Status of Divestment

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- Successfully completed divestment in December 2014
- Consideration received:
  - Shares  
91,019,417 shares in Grandblue representing a 12.7% stake, worth **RMB0.75 billion**
  - Cash  
Net 1<sup>st</sup> tranche – **RMB759.5 million**  
  
Initial gross sub-tranche of 2<sup>nd</sup> tranche – **RMB100 million**
    - Fulfilled conditions for commencement of Dalian BOT project
- Remaining consideration to be received:
  - Cash  
  
Sub-tranche of 2<sup>nd</sup> tranche – **RMB 200 million**
    - In process of fulfilling conditions for commencement of Guiyang and Xiaogan BOT projects

# Current Status of Divestment (Continued)

| Gain on Divestment   | HK\$'000    |
|--|-------------|
| Total consideration satisfied by cash receivable   | 988,705     |
| Total consideration satisfied by shares received   | 1,273,665   |
|  | 2,262,370   |
| Net assets derecognised  | (1,889,553) |
| Cumulative exchange differences relating to discontinued operations reclassified from equity to profit or loss | 150,215     |
| Costs directly attributable to the disposal  | (53,165)    |
| Indemnity liabilities  | (66,446)    |
| Gain on disposal of discontinued operations  | 403,421     |

# Grandblue's share price performance

- Since the trading halt of Grandblue shares following the Letter Of Intent to acquire C&G's business and assets in China, the stock price has outperformed the Shanghai Shenzhen CSI 300 Index (SHSZ) by 4.8%
- On a total returns basis, the stock outperformed the SHSZ by 1.2%





# Financials

# Financial Highlights

| <u>HK\$'000</u>                         | <u>FY 2014</u> | <u>FY 2013</u>  | <u>Change (%)</u> |
|---|----------------|-----------------|-------------------|
| Equipment sales                         | 2,041          | -               | N.M.              |
| Construction Revenue <sup>1</sup>       | 166,501        | 12,982          | 1,182.6           |
| <b>TOTAL REVENUE</b>                    | <b>168,542</b> | <b>12,982</b>   | <b>1,198.3</b>    |
|   |                |                 |                   |
| Net loss from continuing operations     | (45,625)       | (24,197)        | (88.6)            |
| Net profit from discontinued operations | 486,988        | 1,421           | 34,170.8          |
| <b>TOTAL NET PROFIT</b>                 | <b>441,363</b> | <b>(22,776)</b> | <b>2,037.8</b>    |
|   |                |                 |                   |
| Construction profit <sup>2</sup>        | 8,328          | 1,104           | 654.3             |

## Notes

<sup>1</sup> 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

<sup>2</sup> Construction Profit is the difference between external valuation of facilities under construction and cost recognized in the construction of the facilities (non-cash)

# Key Financial Ratios

| Key Ratios  | FY 2014 | FY 2013 | Change(%) |
|---|---------|---------|-----------|
| Current ratio                                     | 197.5x  | 83.0x   | N.A.      |
| Gearing ratio<br>(Total liabilities/Total assets) | 0.28x   | 0.65x   | N.A.      |
| NAV per share (HK\$ cents)                        | 214.16  | 179.06  | 19.6      |
| Basic EPS (HK\$ cents)                            | 45.36   | (2.34)  | 2,038.5   |

# Rewarding our Shareholders

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- Shared the monetary fruits of our labour with loyal shareholders via interim special dividend
  - Paid RMB0.225 per share in February 2015, totalling RMB220 million

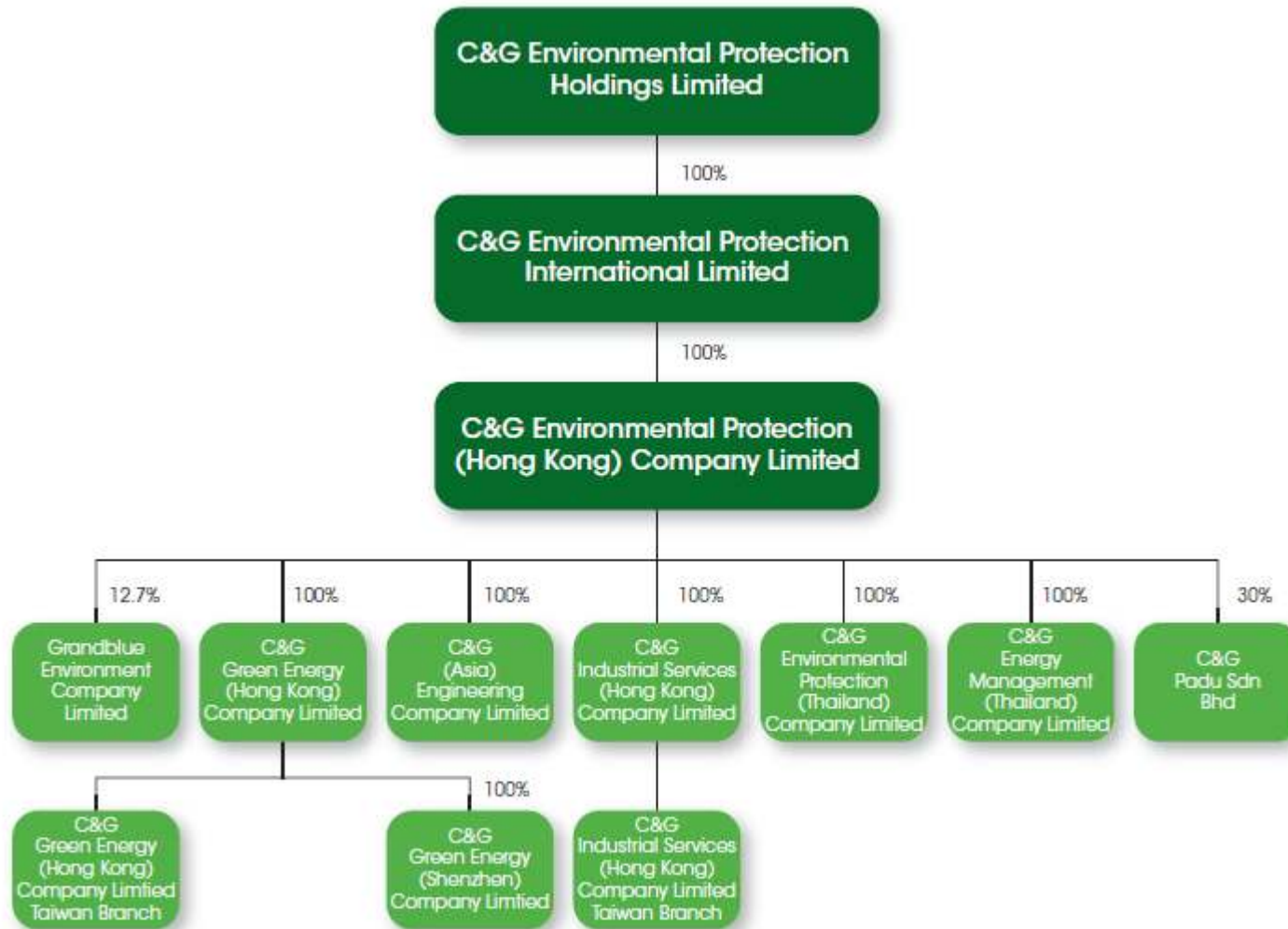
# Share Price Performance

- In the past year, although C&G's share price underperformed the Straits Times Index (STI) by 9.6%, on a total return basis including dividends, C&G's outperformed the STI by 5.3%

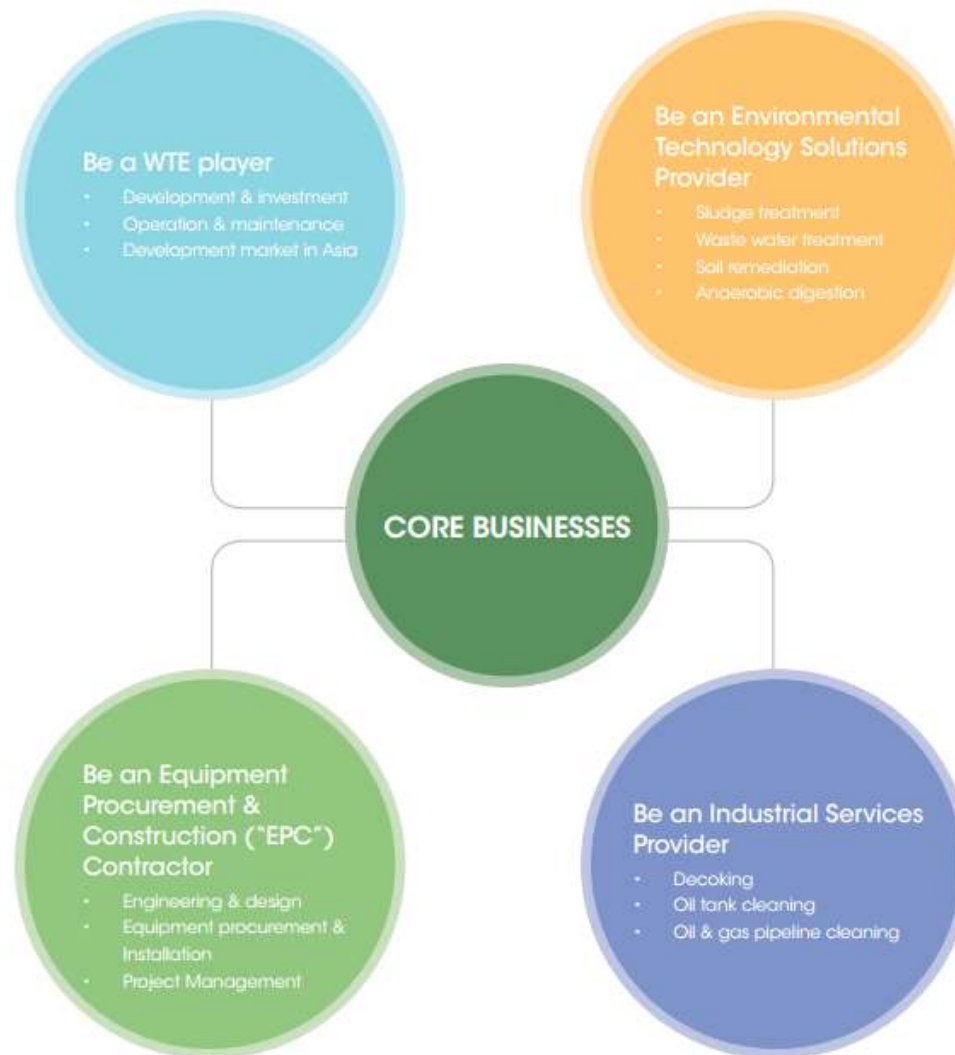


# C&G Post-divestment

# Current Group Structure



# Core Businesses





# Core Businesses (Continued)

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- **Waste-to-Energy (“WTE”) player**
  - Invest and operate WTE plants in the Southeast Asia to achieve attractive investment returns (i.e. Thailand & Malaysia)
  - Develop local network in potential markets (i.e. Indonesia and Philippines) to pave way for future WTE project investments
- **Equipment Procurement & Construction (“EPC”) Contractor**
  - EPC services to customers with strong environmental related infrastructure project pipelines (i.e. China & Southeast Asia)
  - Reduce reliance on 3rd party EPC contractors to obtain better control on cost and project timing
  - Focus on the asset-light aspect, i.e. engineering and design, equipment procurement and installation as well as project management to achieve better returns

# Core Businesses (Continued)

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- **Industrial Services Provider**

- Sales and marketing of environmental-related equipment and facilities involved in sludge and waste water treatment
- Provision of industrial services to the oil and gas and process industries
- Exploring strategic collaboration initiatives with global leaders in the field

- **Environmental Technology Solutions Provider**

- Invest in sludge and industrial wastewater treatment technology firms with high commercial value in Asia
- Environmental remediation services for soil remediation or restoration of contaminated ground, restoration of contaminated or polluted underground water and in situ treatment of contaminated factory sites
- Resource renewals and recovery, including generation of biogas and compost from poultry and organic wastes through advanced anaerobic digestion technologies

# Geographical Focus

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- Thailand and Malaysia
- Taiwan
- China
- North America and Europe

# Geographical Focus (Continued)

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- **Thailand and Malaysia**

- Commissioning of C&G's pilot WTE plant in Thailand by 2015
- Leverage on existing local network to identify attractive investment opportunities in the WTE sector

- **Taiwan**

- Form strategic partnerships with local companies aiming to expand into the China waste treatment sector (i.e. sludge treatment sector)
- Acquire equity stake in waste acid treatment company and other environmental related technology companies

# Geographical Focus (Continued)

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- **China**
  - Leverage on extensive local network to increase sales of environmental-related equipment and facilities (i.e. sludge and waste water treatment) to local corporations and government institutions
- **North America and Europe**
  - Form strategic partnership with reputable foreign companies to create cross border business opportunities
  - Invest in wastewater and industrial waste water treatment technology firms with high commercial and investment value

# Corporate Developments

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## WTE Project

| Project         | Location  | BOT Period | Capacity | Status   |
|-----------------|---|------------|----------|--|
| Bangkok Project | Nongkangploo sub-district,<br>Nong Khaem district,<br>Bangkok | 20 years   | 500T/D   | Construction is expected to be completed by 2015 |

# Corporate Developments

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## Asset-light businesses

- Established subsidiary, C&G Green Energy (Shenzhen) Company Limited, in May 2014
  - To provide technical advisory and services and conduct research and development on waste water, clean water, sludge and air pollution treatments
  - July 2014 - First sales contract of the Deep Dewatering Double-membrane Filter Press for Sludge worth RMB1 million
  - February 2015 - Won bid for an equipment sales contract of sludge dewatering system worth RMB37.3 million
- Incorporated two branches in Taipei, Taiwan and Kaohsiung, Taiwan, in January 2015
  - To grow business as an environmental technology solutions and industrial services provider

# Outlook and Growth Strategy



# Outlook

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## Industry:

- Cities around the world are projected to generate approximately 2.2 billion tonnes of solid waste in 2022, up from 1.3 billion tonnes per year
- WTE industry in Thailand is expected to surge, with plants anticipated to generate 160MW by 2022 from just 13MW currently

## Company:

- Recognition of operating results from Bangkok project when fully constructed in 2015
- Continue to secure contracts for equipment sales contract and entry into new core businesses of providing environmental technology solutions, EPC and industrial services

# Growth Strategy

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- Enhance core businesses through strategic alliances such as joint venture, licensing and investment with technology providers outside China
- Provide partners with market access in China where C&G has a strong network of sales and marketing channels
- Opportunities in collaborating with partners to recalibrate technologies to meet local regulations and cost considerations