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C&G Industrial explores opportunities in waste-to-energy sector through RMB359 million proposed acquisition

- **Proposed acquisition to broaden income streams as existing core textile business suffers from adverse economic conditions**
- **Tapping on proven and profitable business model from waste incineration power plant located in Jinjiang, Fujian Province, PRC**

SINGAPORE, 16 April 2009 – C&G Industrial Holdings Limited (“C&G”, “成冠工业股份有限公司”, or the “Group”), is pleased to announce that the Group has entered into a non-binding memorandum of understanding (“MOU”) with CUGU Group (Hong Kong) Limited (“创冠集团投资控股(香港)有限公司”, or the “Vendor”), Lam Chik Tsan (林积灿), and Cai Junyi (蔡军毅) for the proposed acquisition of the entire issued and paid-up share capital of CUGU Environmental Protection International Limited (“CUGU EPIL”, or the “Target Company”), a company specializing in waste incineration power plant projects.

The indicative value of the consideration for the acquisition is RMB 359 million (the “Consideration”), which may be mutually adjusted by the Group and the Vendor upon completion of the financial due diligence. This consideration for the proposed acquisition is derived after taking into account the profitability and future business prospects of the Target Company (and its subsidiaries) in addition to valuation reports provided by an independent valuer.

The Target Company is principally engaged in the business of the investment, construction, operation and maintenance of waste incineration power plants through Build-Operate-Transfer (“BOT”) investment schemes in the People’s Republic of China (the “PRC”). The power plants generate electricity through the incineration of municipal waste collected from nearby towns and cities. The usage of these wastes for power generation also helps to alleviate growing landfill disposal problems in the region.

The Target Company currently owns the following subsidiaries (The Target Company and all of its below mentioned subsidiaries shall hereinafter be collectively referred to as the “Target Group”):

- (a) CUGU Environmental Protection (China) Co., Ltd (“创冠环保（中国）有限公司”)
- (b) CUGU Environmental Protection (Jinjiang) Co., Ltd (“创冠环保（晋江）有限公司”)
- (c) CUGU Environmental Protection (Huangshi) Co., Ltd (“创冠环保（黄石）有限公司”)
- (d) CUGU Environmental Protection (Hui’an) Co., Ltd (“创冠环保（惠安）有限公司”)
- (e) CUGU Environmental Protection (Thailand) Co., Ltd
- (f) CUGU Environmental Protection (Hong Kong) Co., Ltd (“创冠环保（香港）有限公司”)

The purchase consideration will be fulfilled by the issuance of new shares in the capital of C&G (“Consideration Shares”) to the Vendor. The issue price of the Consideration Shares shall not be less than 140% of the average market price of the shares of the Group in the six-month period prior to the date of the MOU and will be determined upon completion of the financial due diligence on the Target Group by C&G. The proposed acquisition constitutes an interested person transaction, according to Chapter 9 of Listing Manual.

“Given the uncertain economic outlook and increasing competition in the textile and fibre industry, we have been on the lookout for profitable investments to enhance shareholders’ value. This is a good opportunity for us to broaden our income stream and stimulate C&G’s business by venturing into the renewable energy sector.”

Mr. Cai Junyi (蔡军毅)

CEO, C&G Industrial

The Target Group’s first waste incineration power plant in Jinjiang, Fujian Province has been in commercial operations since 2006 and has a proven and profitable. The Target Group has also invested in waste incineration power plant construction projects via BOT investment schemes in other parts of China, such as Huangshi city (located within Hubei Province) and Hui’an county (located within Fujian Province).

In the midst of a worldwide financial crisis, China’s growing demand for energy continues to be an attractive investment proposition. Being the world’s biggest emitter of greenhouse gas carbon dioxide (CO₂) in 2008 (even surpassing that of the United States), China hopes to boost its green-electricity generation from 17% of its overall generation capacity in 2008 to 21% by 2020 according to its latest Renewable Energy Law. The Worldwatch Institute, an independent ecological research organization based in Washington DC, said China could well exceed those

goals, pushing its renewable power capacity to as much as 400 gigawatts by 2020, up from 135 gigawatts in 2006.

Furthermore, the Kyoto Protocol¹ under the United Nations Framework Convention on Climate Change (UNFCCC) to help reduce greenhouse gas emissions has spurred the demand for renewable energy business with the introduction of “carbon credits”. Under the Protocol, committed Industrialized nations such as China, Australia and the European Union agreed to reduce their greenhouse gas emissions by an average of 5% over the period 2008-2012. Each carbon credit, (earned through renewable energy projects) will give the owner the right to emit one tonne of carbon dioxide to make up for any shortfall in emission reduction targets and can also be sold to other commercial and individual customers who need to lower their carbon footprint.

“The existing Jinjiang waste incineration power plant has a proven business model which CUGU Group’s team of professionals can duplicate across the region. Furthermore, the renewable energy industry has strong support from governments around the world as they try to reconcile the need for development with the need for environmental protection. Our experience coupled with favorable industry dynamics creates an ideal opportunity to stimulate C&G’s business. ”

*Mr. Cai Junyi (蔡军毅)
CEO, C&G Industrial*

The Target Group plans to grow over the next 5 years through BOT investments in waste incineration power plant. It expects to develop 5 to 10 projects in China, 2 to 3 projects in South East Asia, while growing its presence in the Asia-pacific region and Europe.

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About C&G Industrial Holdings Limited

C&G Industrial Holdings Limited (C&G) is a leading manufacturer of Functional Yarns and Differentiated Polyester products in PRC with production facilities strategically located in Longyan City, Fujian Province.

Initially focusing on the upstream Poly Ethylene Terephthalate Chips (PET) and downstream yarn products, C&G has over the years completed its business model by investing in facilities to

¹Please refer to the official website of the United Nations Framework Convention on Climate Change (UNFCCC) for more details on the Kyoto Protocol, http://unfccc.int/kyoto_protocol/items/2830.php

manufacture polyester short fibre (PSF). PSF is a key raw material used in C&G's functional yarn business and was previously purchased from outside suppliers.

The Group's overall strategy is to consistently focus on research and development to expand its differentiated premium quality and functional product range to meet the needs of the fast moving textile industry in the PRC, as well as other rapidly developing PRC industries.

As of 31st December 2008, C&G has an annual capacity of 65,155 tonnes of textile products all of which are differentiated functional textile products.

For more information, please refer to www.cg-holdings.com

Issued for and on behalf of C&G Industrial Holdings Limited

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