



中信环境技术

CITIC ENVIROTECH

CITIC ENVIROTECH LTD. (Company registration number: 200306466G)

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

Second Quarter Financial Statement & Dividend Announcement for the Period Ended 30 June 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group (\$'000)	3 months ended 30/6/2016	3 months ended 30/6/2015	% Increase/ (Decrease)	6 months ended 30/6/2016	6 months ended 30/6/2015	% Increase/ (Decrease)
Revenue	139,973	83,847	66.9	239,440	145,065	65.1
Other income	4,833	1,558	210.2	6,392	8,736	(26.8)
Changes in inventories	4,567	1,069	327.2	4,889	692	606.5
Material purchased, consumables used and subcontractors' fees	(76,780)	(40,375)	90.2	(116,922)	(59,852)	95.4
Employee benefits expense	(11,038)	(10,314)	7.0	(22,592)	(20,248)	11.6
Depreciation and amortisation expenses	(8,618)	(4,596)	87.5	(15,895)	(11,253)	41.3
Other operating expenses	(13,686)	(14,622)	(6.4)	(28,025)	(24,124)	16.2
Finance costs	(10,981)	(9,439)	16.3	(21,640)	(17,726)	22.1
Share of profit of associates	2,257	-	N/M	2,115	-	N/M
Profit before income tax	30,527	7,128	328.3	47,762	21,290	124.3
Income tax expense	(7,309)	(3,430)	113.1	(12,231)	(8,737)	40.0
Net profit for the period	23,218	3,698	527.9	35,531	12,553	183.0

The Group (\$'000)	3 months ended 30/6/2016	3 months ended 30/6/2015	% Increase/ (Decrease)	6 months ended 30/6/2016	6 months ended 30/6/2015	% Increase/ (Decrease)
Statement of Comprehensive Income						
Profit attributable to:						
Owners of the Company	22,789	3,323	585.8	34,850	10,860	220.9
Non-controlling interests	429	375	14.4	681	1,693	(59.8)
Profit for the period	23,218	3,698	527.9	35,531	12,553	183.0
Fair value change in available-for-sale investment	-	-	N/M	-	(17,252)	N/M
Currency translation loss	(34,892)	(9,545)	265.6	(59,760)	(1,343)	4,349.7
Total other comprehensive income for the period	(34,892)	(9,545)	265.6	(59,760)	(18,595)	221.4
Total comprehensive income for the period	(11,674)	(5,847)	99.7	(24,229)	(6,042)	301.0
Total comprehensive income attributable to:						
Owners of the company	(12,103)	(6,222)	94.5	(24,910)	(7,735)	222.0
Non-controlling interests	429	375	14.4	681	1,693	(59.8)
Total comprehensive income for the period	(11,674)	(5,847)	99.7	(24,229)	(6,042)	301.0

1(a)(ii) Breakdown to statement of comprehensive income

The Group (\$'000)	3 months ended 30/6/2016	3 months ended 30/6/2015	% Increase/ (Decrease)	6 months ended 30/6/2016	6 months ended 30/6/2015	% Increase/ (Decrease)
Employee share option expense	1,392	1,776	(21.6)	3,702	5,012	(26.1)
Interest expense on bank borrowings and finance leases	6,801	5,799	17.3	12,459	9,281	34.2
Interest expense on bond	4,180	3,575	16.9	9,181	5,389	70.4
Finance cost on convertible bonds	-	65	N/M	-	3,056	N/M
Interest income	(594)	(1,302)	(54.4)	(1,417)	(1,877)	(24.5)
Unrealised net foreign exchange loss/(gain)	2,330	281	729.2	6,790	(3,476)	N/M
One-off fees relating to the General Offer by CKM	-	6,508	N/M	-	6,508	N/M

N/M: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 30/6/2016 \$'000	Group 31/12/2015 \$'000	Company 30/6/2016 \$'000	Company 31/12/2015 \$'000
ASSETS				
Current assets:				
Cash and bank balances	226,095	540,466	26,572	198,024
Trade receivables	258,150	218,323	-	-
Service concession receivables	2,403	4,342	-	-
Other receivables and prepayments	77,475	163,691	818,996	732,231
Inventories	15,459	10,570	-	-
Prepaid leases	656	766	-	-
	580,238	938,158	845,568	930,255
Assets classified as held for sale	29,442	34,582	-	-
Total current assets	609,680	972,740	845,568	930,255
Non-current assets:				
Trade receivables	22,267	4,687	-	-
Service concession receivables	641,254	504,819	-	-
Other receivables and prepayments	15,252	16,293	-	-
Prepaid leases	38,368	36,704	-	-
Subsidiaries	-	-	301,072	279,023
Associates	12,721	10,608	10,588	10,611
Property, plant and equipment	217,451	148,871	213	249
Goodwill	255,365	255,365	-	-
Intangible assets	215,516	222,282	200	200
Deferred tax assets	-	517	-	-
Total non-current assets	1,418,194	1,200,146	312,073	290,083
Total assets	2,027,874	2,172,886	1,157,641	1,220,338
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	71,268	237,141	-	-
Medium term notes	98,356	97,700	98,356	97,700
Trade payables	170,968	140,708	-	-
Other payables	50,111	52,641	2,971	21,071
Finance leases	168	180	92	100
Income tax payable	28,953	25,054	-	-
	419,824	553,424	101,419	118,871
Non-current liabilities held for sale	26,210	31,238	-	-
Total current liabilities	446,034	584,662	101,419	118,871
Non-current liabilities:				
Bank loans	213,221	188,610	-	-
Finance leases	204	256	-	-
Medium term notes	222,715	222,226	222,715	222,226
Deferred tax liabilities	37,819	36,376	-	-
Total non-current liabilities	473,959	447,468	222,715	222,226

	Group 30/6/2016 \$'000	Group 31/12/2015 \$'000	Company 30/6/2016 \$'000	Company 31/12/2015 \$'000
Capital and reserves:				
Share capital	607,973	607,973	607,973	607,973
Perpetual capital securities	242,055	242,055	242,055	242,055
General reserve	5,330	5,330	-	-
Capital reserve	2,096	2,096	-	-
Share option reserve	24,147	20,445	24,147	20,445
Currency translation reserve	(29,882)	29,878	(9,227)	4,415
Retained earnings	216,060	193,971	(31,441)	4,353
Equity attributable to owners of the Company	1,067,779	1,101,748	833,507	879,241
Non-controlling interests	40,102	39,008	-	-
Total equity	1,107,881	1,140,756	833,507	879,241
Total liabilities and equity	2,027,874	2,172,886	1,157,641	1,220,338

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

<u>As at 30/6/2016</u>		<u>As at 31/12/2015</u>	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
68,416	101,376	234,139	100,882

Amount repayable after one year

<u>As at 30/6/2016</u>		<u>As at 31/12/2015</u>	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
202,303	233,837	173,813	237,279

Details of any collateral

1. The finance leases of \$372,000 (31 December 2015: \$436,000) is secured over the Group's motor vehicles.
2. The bank loans of \$270,347,000 (31 December 2015: \$407,516,000) are secured over the concession receivables, intangible assets, treatment plants, prepaid lease and leasehold buildings of its subsidiaries.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group (\$'000)	3 months ended 30/6/2016	3 months ended 30/6/2015	6 months ended 30/6/2016	6 months ended 30/6/2015
Operating activities				
Profit before income tax	30,527	7,128	47,762	21,290
Adjustments for:				
Interest income	(594)	(1,302)	(1,417)	(1,877)
Interest expense	10,981	9,439	21,640	17,726
Share of profit of associates	(2,257)	-	(2,115)	-
Depreciation and amortization	8,618	4,596	15,895	11,253
Share option expense	1,392	1,776	3,702	5,012
Exchange difference arising on foreign currency translation	(47,023)	(8,500)	(63,221)	3,983
Operating profit before working capital changes	1,644	13,137	22,246	57,387
Trade receivables	(43,646)	(5,478)	(58,185)	(5,492)
Other receivables	53,308	20,530	90,781	30,066
Inventories	(4,567)	(1,069)	(4,889)	11,466
Trade payables	25,387	14,249	29,691	(696)
Other payables	11,931	15,188	(7,055)	(51,948)
Cash generated from operations	44,057	56,557	72,589	40,783
Interest received	594	454	1,417	1,029
Interest paid	(17,355)	(5,302)	(20,795)	(15,175)
Income tax paid	(3,343)	(319)	(5,976)	(944)
Net cash generated from operating activities	23,953	51,390	47,235	25,693
Investing activities				
Additions to property, plant and equipment	(51,727)	(12,531)	(76,482)	(15,964)
Additions to service concession receivables	(4,370)	(110,893)	(134,206)	(141,235)
Additions to intangible assets	(1,565)	(16,932)	(3,338)	(19,469)
Additions to prepaid lease	(4,363)	-	(4,363)	-
Contribution from non-controlling shareholders	413	-	413	-
Net cash inflow on acquisition of subsidiary	-	-	-	34,597
Net cash used in investing activities	(61,612)	(140,356)	(217,976)	(142,071)
Financing activities				
Dividend paid	(10,640)	-	(10,640)	-
Proceeds from issuance of medium term notes	-	222,048	-	222,048
New bank loans raised	8,696	130,351	92,474	170,306
Proceeds from issuing shares	-	55,993	-	55,993
Redemption of medium term notes	-	(1,010)	-	(1,010)
Repayment of obligations under finance leases	(37)	(23)	(64)	(31)
Repayment of bank borrowings	(52,556)	(17,554)	(214,697)	(32,798)
Net cash (used in) from financing activities	(54,537)	389,805	(132,927)	414,508
Net (decrease) increase in cash and cash equivalents	(92,196)	300,839	(303,668)	298,130
Cash and cash equivalents at beginning of period	332,034	113,757	540,466	116,335
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(13,743)	(445)	(10,703)	(314)
Cash and cash equivalents at end of period	226,095	414,151	226,095	414,151

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

	Share capital \$'000	Perpetual capital securities \$'000	General reserve \$'000	Capital reserve \$'000	Share option reserves \$'000	Convertible bonds reserves \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total equity attributable to owners of the Company \$'000	Non controlling interests \$'000	Total equity \$'000
Group											
At 1 January 2016	607,973	242,055	5,330	2,096	20,445	-	29,878	193,971	1,101,748	39,008	1,140,756
Total comprehensive income for the period	-	-	-	-	-	-	(24,868)	12,061	(12,807)	252	(12,555)
Recognition of share-based payment	-	-	-	-	2,310	-	-	-	2,310	-	2,310
Dividend payable	-	-	-	-	-	-	-	(3,339)	(3,339)	-	(3,339)
At 31 March 2016	607,973	242,055	5,330	2,096	22,755	-	5,010	202,693	1,087,912	39,260	1,127,172
Total comprehensive income for the period	-	-	-	-	-	-	(34,892)	22,789	(12,103)	429	(11,674)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	413	413
Recognition of share-based payment	-	-	-	-	1,392	-	-	-	1,392	-	1,392
Dividend paid/ payable	-	-	-	-	-	-	-	(9,422)	(9,422)	-	(9,422)
At 30 June 2016	607,973	242,055	5,330	2,096	24,147	-	(29,882)	216,060	1,067,779	40,102	1,107,881

	Share capital \$'000	General reserve \$'000	Capital reserve \$'000	Share option reserves \$'000	Convertible bonds reserves \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total equity attributable to owners of the Company \$'000	Non controlling interests \$'000	Total equity \$'000
Group											
At 1 January 2015	151,325	4,410	-	7,766	22,520	17,252	765	104,287	308,325	10,882	319,207
Total comprehensive income for the period	-	-	-	-	-	(17,252)	31,955	59,268	73,971	3,163	77,134
Acquisition of subsidiaries	236,375	59	2,096	-	-	-	2,212	-	240,742	18,640	259,382
Recognition of share based payment	-	-	-	7,109	-	-	-	-	7,109	-	7,109
Issuance of shares on conversion of convertible bonds	92,975	-	-	-	(13,813)	-	-	-	79,162	-	79,162
Issuance of shares on exercise of the ESOS	3,450	-	-	(1,360)	-	-	-	-	2,090	-	2,090
Dividend paid	-	-	-	-	-	-	-	(2,739)	(2,739)	-	(2,739)
At 31 March 2015	484,125	4,469	2,096	13,515	8,707	-	34,932	160,816	708,660	32,685	741,345
Total comprehensive income for the period	-	-	-	-	-	-	(9,545)	3,323	(6,222)	375	(5,847)
Recognition of share based payment	-	-	-	1,776	-	-	-	-	1,776	-	1,776
Issuance of shares capital	47,783	-	-	-	-	-	-	-	47,783	-	47,783
Issuance of shares on conversion of convertible bonds	67,489	-	-	-	(8,707)	-	-	-	58,782	-	58,782
Issuance of shares on exercise of ESOS	8,217	-	-	-	-	-	-	-	8,217	-	8,217
At 30 June 2015	607,614	4,469	2,096	15,291	-	-	25,387	164,139	818,996	33,060	852,056

	Share capital \$'000	Perpetual capital securities \$'000	Share option reserve \$'000	Convertible bonds reserves \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
Company							
At 1 January 2016	607,973	242,055	20,445	-	4,415	4,353	879,241
Total comprehensive income for the period	-	-	-	-	(13,196)	(13,521)	(26,717)
Recognition of share-based payment	-	-	2,310	-	-	-	2,310
Dividend payable	-	-	-	-	-	(3,339)	(3,339)
At 31 March 2016	607,973	242,055	22,755	-	(8,781)	(12,507)	851,495
Total comprehensive income for the period	-	-	-	-	(446)	(9,512)	(9,958)
Recognition of share-based payment	-	-	1,392	-	-	-	1,392
Dividend paid/ payable	-	-	-	-	-	(9,422)	(9,422)
At 30 June 2016	607,973	242,055	24,147	-	(9,227)	(31,441)	833,507

	Share capital \$'000	Share option reserve \$'000	Fair value reserve \$'000	Convertible bonds reserves \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
Company							
At 1 January 2015	151,325	7,766	17,252	22,520	802	3,594	203,259
Total comprehensive income for the period	-	-	(17,252)	-	18,137	5,518	6,403
Recognition of share-based payment	-	7,109	-	-	-	-	7,109
Acquisition of subsidiaries	236,375	-	-	-	-	-	236,375
Issuance of shares on conversion of convertible bonds	92,975	-	-	(13,813)	-	-	79,162
Issuance of shares on exercise of ESOS	3,450	(1,360)	-	-	-	-	2,090
Dividend paid	-	-	-	-	-	(2,739)	(2,739)
At 31 March 2015	484,125	13,515	-	8,707	18,939	6,373	531,659
Total comprehensive income for the period	-	-	-	-	(3,716)	(13,377)	(17,093)
Recognition of share-based payment	-	1,776	-	-	-	-	1,776
Issuance of shares capital	47,783	-	-	-	-	-	47,783
Issuance of shares on conversion of convertible bonds	67,489	-	-	(8,707)	-	-	58,782
Issuance of shares on exercise of ESOS	8,217	-	-	-	-	-	8,217
At 30 June 2015	607,614	15,291	-	-	15,223	(7,004)	631,124

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The total number of shares that may be issued on conversion of all the outstanding employee shares options were 53,875,500 (30 June 2015: 55,325,500).

The perpetual capital securities comprised USD175 million issued at 5.45% per annum (30 June 2015: Nil).

On 28 June 2016, the Company issued USD180 million 5.45% perpetual capital securities (to be consolidated and forming a single series with the existing USD175 million 5.45% perpetual capital securities issued on 27 November 2015) under the USD750 million multicurrency perpetual securities issuance programme of CITIC Envirotech Ltd. Subsequent to the period ended 30 June 2016, the Company completed the re-tap of USD180 million of perpetual capital securities.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30/6/2016	31/12/2015
Total number of issues shares ('000)	1,127,765	1,127,765

The company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial period ended 31 December 2015.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There is no change in the accounting policies and methods of computation.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group 3 months ended 30/6/2016	Group 3 months ended 30/6/2015	Group 6 months ended 30/6/2016	Group 6 months ended 30/6/2015
Net profit attributable to shareholders of the Company (\$'000)	22,789	3,323	34,850	10,860
Weighted average number of shares in issue (in '000) for computation of Basic EPS	1,127,765	1,082,273	1,127,765	1,082,273
Earnings per share (cents) - Basic	2.02	0.31	3.09	1.00
Weighted average number of shares in issue (in '000) for computation of Diluted EPS	1,181,641	1,137,598	1,181,641	1,137,598
Earnings per share (cents) – Diluted	1.93	0.29	2.95	0.95

	Group 3 months ended 30/6/2016	Group 3 months ended 30/6/2015	Group 6 months ended 30/6/2016	Group 6 months ended 30/6/2015
Adjusted EPS				
Net profit attributable to shareholders of the Company adjusted for dividends attributable to perpetual capital securities (\$'000)	20,766	3,323	26,149	10,860
Weighted average number of shares in issue (in '000) for computation of Basic EPS	1,127,765	1,082,273	1,127,765	1,082,273
Earnings per share (cents) - Basic	1.84	0.31	2.32	1.00
Weighted average number of shares in issue (in '000) for computation of Diluted EPS	1,181,641	1,137,598	1,181,641	1,137,598
Earnings per share (cents) – Diluted	1.76	0.29	2.21	0.95

For the purpose of calculating diluted EPS, assumption was made that all the employee share options and convertible bonds issued will be converted to ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group 30/6/2016	Group 31/12/2015	Company 30/6/2016	Company 31/12/2015
Net asset value (\$'000)	1,107,881	1,140,756	833,507	879,241
Net asset value per share (cents)	98.24	101.15	73.91	77.96

The net asset value per share is calculated based on the issued share capital of 1,127,765,088 (31 December 2015: 1,127,765,088).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of comprehensive income

The Group's revenue for the current period was \$140.0 million, which was \$56.2 million or 66.9% higher than last corresponding period ended 30 June 2015 of \$83.8 million. The breakdown of the revenue was as follows:

	Group 3 months ended 30/6/2016 \$'million	Group 3 months ended 30/6/2015 \$'million	% increase/ (decrease)
Engineering revenue	78.5	38.3	105.0
Treatment revenue	44.6	36.0	23.9
Membrane sale	16.9	9.5	77.9
Total	140.0	83.8	66.9

The increase was mainly due to the increase in engineering business from \$38.3 million to \$78.5 million, representing an increase of \$40.2 million or 105.0%; and membrane sales from \$9.5 million to \$16.9 million, representing an increase of \$7.4 million or 77.9%.

	Group 3 months ended 30/6/2016 \$'million	Group 3 months ended 30/6/2015 \$'million
Engineering revenue	78.5	38.3
Membrane sale	16.9	9.5
Total	95.4	47.8
Changes in inventories	4.6	1.1
Material purchased, consumables used and subcontractors' fees *	(66.7)	(32.5)
Gross profit	33.3	16.4
GP margin (%)	34.9	34.3

* The material purchased, consumables used and subcontractors' fees pertained to the engineering and membrane sales segments.

Materials purchased, consumables used and subcontractors' fees in engineering and membrane businesses increased to \$66.7 million from \$32.5 million, representing an increase of \$34.2 million or 105.2% as compared to the last corresponding period ended 30 June 2015. The increase was consistent with the increase in engineering revenue and membrane sale to \$95.4 million from \$47.8 million, representing an increase of \$47.6 million or 99.6% as compared to the last corresponding period ended 30 June 2015.

Depreciation and amortisation expenses increased to \$8.6 million from \$4.6 million, representing an increase of \$4.0 million or 87.5% as compared to the last corresponding period ended 30 June 2015. The increase was mainly due to the amortisation of intangible assets relating to the newly acquired concessions.

The Group generated a net profit of \$23.2 million as compared to \$3.7 million for the last corresponding period ended 30 June 2015, representing an increase of 527.9%.

Statement of financial position

The Group's current assets decreased to \$609.7 million as at 30 June 2016 from \$972.7 million as at 31 December 2015. The decrease was mainly due to the decrease in cash and bank balances to \$226.1 million as at 30 June 2016 from \$540.5 million as at 31 December 2015, a decrease of \$314.4 million. The decrease was mainly due to repayment of short-term bank loans of \$214.7 million during the financial period.

The Group's non-current assets increased to \$1,418.2 million as at 30 June 2016 from \$1,200.1 million as at 31 December 2015. The increase was mainly due to the additions of service concession receivables and property, plant and equipment during the financial period.

The Group's current liabilities decreased to \$446.0 million as at 30 June 2016 to \$584.7 million as at 31 December 2015. The decrease was mainly due to due to repayment of short-term bank loans of \$214.7 million during the financial period.

The Group's non-current liabilities increased from \$447.5 million as at 31 December 2015 to \$474.0 million as at 30 June 2016. The increase was mainly due to the additions of longer bank loan tenures of \$92.5 million to finance the acquisition of the investment projects during the financial period.

Statement of cash flow

The net cash used in financing activities of the group decreased to \$54.5 million for the period ended 30 June 2015 as compared to net cash generated from financing activities of \$389.8 million for the last corresponding period ended 30 June 2015. The decrease was mainly due to the proceeds from the medium term notes of \$222.0 million, bank borrowings of \$130.4 million, and issuance of shares of \$56.0 million during the last corresponding period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the water treatment industry remains positive as the China central government continues its push towards stricter environmental protection policies.

Besides the water and wastewater sector, there is growing focus on sludge treatment in the China central government's overall plan to combat environmental pollution. In April 2016, CEL announced its first 700 tonnes/day BOT sludge treatment project in Weifang City, Shandong Province, China. CEL believes that given the more stringent environmental regulations, the sludge treatment market is poised to expand.

To meet the increase in demand for membranes, CEL's wholly-owned subsidiary, Memstar, in conjunction with the Singapore International Water Week 2016, officially opened its \$25 million innovation centre and membrane production facility in Singapore. With the completion of the new plant, which is supported by the Singapore Economic Development Board (EDB), Memstar will double the production capacity of its patented 3rd generation Thermally Induced Phase Separation (3G-TIPS) membranes to 10 million square meters per annum. Memstar's global membrane R&D centre with its highly automated manufacturing facility in Singapore will enable Memstar to function as a one-stop shop where research outcomes can be quickly tested and prototyped, thereby accelerating their commercialization.

Update of the use of proceeds

On 28 June 2016, the Company issued USD180 million 5.45% perpetual capital securities (to be consolidated and forming a single series with the existing USD175 million 5.45% perpetual capital securities issued on 27 November 2015) under the USD750 million multicurrency perpetual securities issuance programme of CITIC Envirotech Ltd. Subsequent to the period ended 30 June 2016, the Company completed the re-tap of USD180 million of perpetual capital securities.

	\$ million
Unutilised balance as at last quarterly announcement	186
Re-tap of USD180 million of perpetual capital securities	240
Repayment of bank loans	(53)
Investment in water projects	
- Changyi Sludge	(10)
Investments in a subsidiary and an associate company	(1)
Unutilised balance as at date of announcement	362

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

Name of Dividend	N/A
Dividend Type	N/A
Dividend Amount per Share (in cents)	N/A
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	N/A

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

Name of Dividend	N/A
Dividend Type	N/A
Dividend Amount per Share (in cents)	N/A
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	N/A

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded.

13. Related parties and interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not Applicable

- 15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not Applicable

- 16. A breakdown of sales.**

Not Applicable

- 17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not Applicable

- 18. Persons occupying managerial positions who are related to the directors, Chief Executive Officer or substantial shareholders**

Not applicable

Confirmation that the issuer has procured undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

Statement by Directors

Pursuant to SGX Listing Rule 705(5)

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Second Quarter Results of the Group for the financial period ended 30 June 2016 to be false or misleading. The financial statements and other information included in this report, present fairly in all material respects the financial condition, results of operations and cash flows of the Group of, and for the periods presented in this report.

On behalf of the Board

**Hao Weibao
Director**

**Dr Lin Yucheng
Director**

BY ORDER OF THE BOARD

**Lotus Isabella Lim Mei Hua
Company secretary
27 July 2016**