



CITIC ENVIROTECH LTD
(Company Registration Number: 200306466G)

CLARIFICATION ON THE COMPANY'S FIRST QUARTER FINANCIAL STATEMENTS ENDED 31 MARCH 2019

The Board of Directors (the "Board") of CITIC Envirotech Ltd ("Group" or the "Company") wishes to announce the clarification set out below in respect of the Company's first quarter financial statements ended 31 March 2019.

SGX Query 1

With reference to the Q1FY19 financial statements for the period ended 31 March 2019, please provide an explanation for the increase in other receivables and prepayments from S\$18,866,000 as at 31 December 2018 to S\$36,005,000 as at 31 March 2019. If relevant, do explain this increase in relation to the decrease in revenue as well.

Company's response

The increase pertained mainly to a prepayment of S\$17,075,000/- for a leasehold property acquired in Guangzhou, Guangdong Province, China.

SGX Query 2

Please provide a breakdown of Other Receivables and Prepayments (current assets) and Other Receivables and Prepayments (non-current assets).

Company's response

<u>Non-current</u>	<u>\$'000</u>
Prepayments	36,005 (Note A)
<u>Current</u>	<u>\$'000</u>
Deposits for projects	40,189
Prepayments and advance payments to suppliers	24,068
VAT receivable	116,353
Other receivables	<u>178,676</u> (Note B)
	<u>359,286</u>

Note A: This included a prepayment amounting to \$10,930,000 for a Transfer-Operate-Transfer (“TOT”) wastewater treatment plant in Tangshan City, Hebei Province, China; and a prepayment of \$17,075,000 for a leasehold property acquired in Guangzhou, Guangdong Province, China.

Note B: This included a receivable amounting to \$127,072,000 for an environmental engineering contract on ecological restoration in Meigu County, Sichuan Province, China, that was awarded to the Group in the previous financial year.

SGX Query 3

We understand that the decrease in \$115.0 million in engineering revenue and decrease of \$77.2 million in membrane system sales can be mainly attributed to delay in major projects, Meigu and Lanzhou.

To substantiate this, please list the breakdown of both engineering revenue and membrane system sales for Q1FY19 against Q1FY18 and give a detailed explanation as to what led to the decrease, including but not limited to explaining how and to what extent the adverse wintry conditions affected revenue.

Company’s response

Due to adverse wintry conditions in northern China during the January to March period, projects that are in the civil construction stage will be delayed till defrosting takes place on the soil at the project site. During Q12019, the two major projects that were most adversely affected were Meigu and Lanzhou projects as these two sites were not ready for civil construction works to be carried out.

Please see below for the breakdown of revenue of key projects for engineering and membrane systems sales for the period Q1FY2019 and Q1FY2018.

Breakdown of revenue for Q1FY2019

No.	Project name	Revenue (\$'000)	Location	Status
1	Malaysian projects	2,421	Malaysia	Design and construction
2	Wuji project	2,227	Hebei province	Mainly design and operation and maintenance
3	Chaonan project	1,124	Guangdong province	Construction
4	Others	1,168		
	Engineering revenue	<u>6,940</u>		
	Membrane system sales	<u>13,711</u>		

Breakdown of revenue for Q1FY2018

No.	Project name	Revenue (\$'000)	Location	Status
1	Lanzhou project	58,044	Gansu province	Design, planning, land expropriation and clearing
2	Xiaogan PPP	52,200	Hubei province	Construction
3	Chaonan project	24,717	Guangdong province	Construction
4	KBM project	18,417	Kazakhstan	Design and equipment fabrication and assembly
5	Yangli project	17,844	Fujian province	Construction
6	Qingyuan project	10,986	Guangdong province	Design and equipment fabrication and assembly
7	Others	20,349		
	Sub-total	202,557		
	Consists of membrane system sales	(80,645)		
	Total engineering revenue	<u>121,912</u>		
	Membrane systems sales	10,256		
	Membrane systems sales portion from the engineering revenue	80,645		
	Total membrane system sales	<u>90,901</u>		

SGX Query 4

Please provide the Board's assessment on the recoverability of the Group's trade and other receivables and the basis for such an assessment.

Company's response

In assessing the recoverability of the Group's trade and other receivables, the Group takes into consideration the past default experience, analysis of the customers' current financial position and the prospects of the industry. Following the identification of loss allowance, the Group discusses with the relevant customers and reports on the recoverability of such debts.

The Group writes off trade and other receivables when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

The Board has assessed the recoverability of the Group's trade and other receivables and is of the view that the current provision for impairment is adequate.

SGX Query 5

With regard to the statement of cash flow, please confirm that the amounts and mathematic signs under 'Other receivables and prepayments' and 'Other payables' are accurate.

Company's response

Yes. Amounts and mathematic signs under 'Other receivables and prepayments' and 'Other payables' are accurate.

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary
7 May 2019