



For Immediate Release

CITIC Envirotech sales amounted to \$164.3m in 3Q 2019

- *Recorded a loss after tax of S\$4.0 million mainly due to largely unrealized foreign exchange loss of S\$26.0 million. Excluding foreign exchange loss, the Group would have achieved a profit after tax of S\$22.0 million in 3Q 2019.*

SINGAPORE – 24 October 2019 – SGX-Mainboard listed CITIC Envirotech Ltd (“**CEL**”, or together with their subsidiaries, the “**Group**”), one of the leading integrated environmental protection solutions provider plans to enhance the technology driven aspect of its business by leveraging its Membrane Reactor (“**MBR**”) technology and will increase focus on developing higher margin growth segments, particularly hazardous waste projects.

CEL’s membrane manufacturing facility in Conroe, Texas, USA (“**Memstar USA**”) is now operational and would actively promote global sales of membrane products.

Executive Chairman and Group Chief Executive Officer, Mr Hao Weibao, said: *“Wastewater treatment and manufacturing of membranes remain the Group’s main revenue generators and stable sources of recurring income and we will continue to develop our capabilities in these areas.*

“Besides our proprietary MBR technology, we have also identified hazardous waste treatment, water treatment assets and circular economies as growth drivers for CEL. We have two hazardous waste treatment plants currently in operation and more than 10 projects in the pipeline. As more of these hazardous waste treatment plants become operational, we believe they will generate sizeable volume, recurring and attractive returns for the Group.”

3Q 2019 Performance Review

For the three months ended 30 September 2019 (“**3Q 2019**”), CEL recorded a 31.0% year-on-year (“**YOY**”) decline in total revenue to S\$164.3 million mainly due to lower contribution from its Engineering business, which declined 61.2% to S\$47.7 million. This was partially offset by higher sales from its Treatment segment, which rose 26.7% YOY to S\$63.1 million.

Commenting on the performance of CEL’s core segments, **Mr Hao** said: *“While there is a decline in revenue from Engineering, gross profit margin rose to 47.3% as compared to 25.4% in the corresponding quarter in 2018 (“**3Q 2018**”). This significant improvement was mainly due to the relatively higher gross profit margin from membrane-based engineering projects and strongly supports our strategy to focus on improving our membrane technology.”*



In 3Q 2019, the Group incurred higher overall expenses. This was partially because of higher employee expense, which rose 73.0% YOY to S\$23.3 million mainly due to the transfer of S\$5.1 million in shares to key employees in Memstar USA as part of a previously agreed incentive package for achieving certain performance milestones¹. In addition, the Group incurred a largely unrealized net foreign exchange loss amounting to S\$26.0 million in 3Q 2019 (3Q 2018: S\$2.2 million) mainly from its US dollar denominated bank loans due to the significant weakening of the Renminbi against the US dollar.

The Group recorded a loss after tax of S\$4.0 million in 3Q 2019 as compared to a profit after tax of S\$23.9 million in 3Q 2018 mainly because of the two aforementioned expenses. CEL's operations remain sound and excluding the foreign exchange loss, the Group would have achieved a profit after tax of S\$22.0 million during the quarter under review.

Outlook

Despite headwinds caused by events in the macroeconomic environment, CEL is optimistic that the fundamentals of its core wastewater treatment business and its hazardous waste treatment business remain strong as China's clean-tech solutions industry is well-supported by the country's strict environmental mandates².

CEL will continue to leverage its proprietary membrane technology and expertise in environmental engineering to entrench its position as one of the leading players in environmental protection. The Group is committed to prudently pursue opportunities and secure more projects.

The Group has access to strong financial backing at competitive debt financing rates from its major shareholder CITIC Limited.

– End –

This press release should be read in conjunction with CEL's announcement released via SGXNet on 24 November 2019.

¹ Please refer to SGX announcement "Change In Shareholding In Subsidiary" dated 14 August 2019. (<https://links.sgx.com/FileOpen/CEL.Announcement%20on%20vestment%20of%20MHPL%20shares%20to%20Aquarius.14.8.2019.ashx?App=Announcement&FileID=574531>)

² Ministry of Ecology and Environment, The People's Republic of China (http://english.mee.gov.cn/About_MEE/Mandates)



About CITIC Envirotech Ltd (“CEL”)

CITIC Envirotech Ltd (“CEL”, “Group”), formerly known as United Envirotech Ltd, is one of the leading integrated environmental protection solutions provider primarily engaged in environmental services, including engineering, investment in water assets, river restoration, wastewater treatment and water recycling, hazardous waste treatment, sludge management, integrated environmental services, ecological restoration, operation and maintenance services and membrane manufacturing.

CEL is a pioneer and leader in Membrane Bioreactor (“MBR”) technology and it has an established track record in both large-scale municipal and industrial MBR projects. The Company’s wholly-owned subsidiary, Memstar Pte Ltd, is one of the world’s largest manufacturers of the membrane used in MBR technology. CEL’s MBR technology provides excellent treated water quality with small footprint and the Company has built up a track record with more than 100 MBR references in various parts of China and in Southeast Asia.

In August 2011, KKR became a strategic investor of CEL after injecting a US\$113.8 million convertible bond investment and follow-on equity investment of US\$40 million in January 2013. KKR is a leading global investment firm with more than US\$ 126 billion in assets under management.

In April 2015, CITIC joined KKR as a strategic investor of CEL and became its largest shareholder after making a joint voluntary unconditional offer with KKR. CITIC Limited is China’s largest conglomerate operating domestically and overseas, with businesses in financial services, resources and energy, manufacturing, engineering, contracting and real estate, as well as other services.

In November 2016, CRF Envirotech Co., Ltd. completed the acquisition of the entire stake held by KKR China Water Investment Limited in CITIC Envirotech Ltd, and became its second largest shareholder. CRF Envirotech Co., Ltd is a joint venture between CRF Envirotech Fund L.P. and China Reform Conson Soochow Overseas Fund I L.P., which are in turn sponsored mainly by China Reform Holdings Corporation Ltd (“CRHC”). CRHC, a wholly stated-owned investment company plays a unique and crucial role in China's state-owned assets management and restructuring process.

CEL was listed on SGX Mainboard on 22 April 2004.

For more information, please log on www.citicenvirotech.com

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