



CHINA ENVIRONMENT LTD.
(Registration No.: 200301902W)

2nd SITE VISITS BY AUDITOR

The Board of Directors of China Environment Ltd (the "Company" and, together with its subsidiaries, the "Group") wishes to announce that pursuant to the Site Visits By Auditors announced on 6 January 2017, the Company's Statutory Auditor, RT LLP ("Auditors RT") had conducted more surprise site visits, on the request of the Board, to ascertain the existence and validity of receivables due from Shanxi Electric Environment Engineering ("Shanxi"), Changshu City Environment ("Changshu") and Chongmei International Engineering ("Chongmei").

From the procedures performed during the site visits, the Auditors RT was able to locate Shanxi's physical place of operations based on the address furnished by the previous Finance Department, which is the same address indicated in the confirmation received by Auditors RT during their audit. The confirmation was received by Auditors RT without any exception, that is, the balance was confirmed by Shanxi without any disagreement. However, when Auditors RT reached Shanxi, the Shanxi finance manager when asked about the confirmation, replied that the figure confirmed was not correct. The Shanxi Finance manager also informed that the correct amount should be approximately RMB 22 million instead of RMB 70 million. Based on the findings from the site visit, the Board is of the view that the trade receivables due from Shanxi Electric amounting to 70 Million RMB in its subsidiary Fujian Dongyuan Environmental Protection Co., Ltd financials for FY2015 is likely to be grossly overstated by 48 Million in the unaudited Group financials for FY2015. These trade receivables make up to approximately 8.91% of the total gross receivables of RMB 786 million before impairment.

The Company is unable to confirm the amount of trade receivables due by the other 2 customers Changshu amounting to RMB44 million and Chongmei amounting to RMB14 million from the site visits. Further investigations for this 2 customers are still in progress. Both Changshu and Chongmei make up approximately 5.72% and 2% respectively of the total gross receivables of RMB 786 million before impairment.

The Group will assess and make adjustments into its FY2015 accounts in view of the above findings.

The 1st and 2nd site visits together have covered an approximate amount of RMB 646 million which make up approximately 82% out of the total gross receivables of RMB 786 million before impairment. Out of the total gross receivables of RMB 786 million before impairment, approximately 43.5% is concluded to be non-existent, 30.8% concluded to be overstated; an overstatement of RMB 211 million and 7.7% is still under investigations.

The Company will write to the former Executive Chairman Huang Min and the Ex-CFO to query on these non-existent and overstated trade receivables identified during the 1st and 2nd surprise site visits.

The Company will keep the shareholders informed on any further material developments.

BY ORDER OF THE BOARD
China Environment Ltd.

Norman Winata
Executive Chairman
13 January 2017