

PRESS RELEASE

**CHINA ENVIRONMENT'S 2Q2014 NET PROFIT SURGES
131.2% TO RMB24.0 MILLION, BOOSTED BY 103.1% JUMP IN
REVENUE TO RMB182.8 MILLION**

Highlights:

- Strong revenue performance in 2Q2014 led to a 127.8% rise in 6M2014 revenue to RMB343.8 million.
- With a significantly enlarged capacity, the Group completed 11 dust-collector projects in 2Q2014 compared to 4 projects a year ago.
- Gross profit for 2Q2014 rose 90.4% to RMB46.4 million on the back of higher revenue.
- Outlook for the Group remains robust as new policies and regulations on environmental pollution and air quality are set to boost demand for the Group's core de-dusting solutions.

Financial Highlights

RMB '000	3 months ended 30 June		Change %	6 months ended 30 June		Change %
	2014	2013		2014	2013	
Revenue	182,809	90,018	103.1	343,804	150,933	127.8
Gross Profit	46,444	24,399	90.4	85,905	40,965	109.7
Profit Before Tax	28,756	12,574	128.7	48,844	21,504	127.1
Net Profit	24,008	10,383	131.2	40,164	17,529	129.1
EPS (Fully diluted in RMB cents)	3.3	1.6		5.5	2.7	

SINGAPORE, 13 August 2014 – China Environment Ltd. (the “Company” and together with its subsidiaries, the “Group”), a comprehensive provider of industrial waste gas treatment solutions in the People’s Republic of China (PRC), is pleased to announce another strong quarterly performance on its 3 months and 6 months ended 30 June 2014 (“2Q2014” and “6M2014”).

Overall, the Group registered net profit growth of 131.2% to RMB24.0 million in 2Q2014, driven by a 103.1% jump in revenue to RMB182.8 million and a surge of 90.4% in gross profit to RMB46.4 million.

Commenting on the Group’s strong performance across both its top and bottom lines, Executive Chairman, Mr Huang Min remarked **“This is a very pleasing set of numbers that continues to demonstrate robust demand for our product, our strong project execution ability and of course, our enlarged manufacturing capacity in Anhui Province. We are able to serve a larger base of customers and take on even more projects compared to a year ago.”**

Financial Performance 2Q2014

The Group’s 2Q2014 revenue rose 103.1% or RMB92.8 million to RMB182.8 million from the revenue of RMB90.0 million achieved in 2Q2013. A total of 11 dust-collectors projects were

completed compared to four projects in 2Q2013. In terms of revenue segmentation, the Group's revenue was derived mainly from the Power Generation and the Metals and Metallurgy industries.

On the back of higher revenue, gross profit increased 90.4% or RMB22.0 million to RMB46.4 million in 2Q2014 from RMB24.4 million in 2Q2013. Nonetheless, gross profit margin edged down from 27.1% in 2Q2013 to 25.4% in 2Q2014, due to projects being secured at slightly lower margins. However, gross profit margin in 2Q2014 was marginally higher than 24.5% secured in 1Q2014.

Mainly driven by higher gross profit and offset with the increase in operating expenses, the Group's net profit for 2Q2014 jumped 131.2% or RMB13.6 million from RMB10.4 million in 2Q2013 to RMB24.0 million in 2Q2014.

Financial Highlights 6M2014

The Group's revenue 6M2014 increased 127.8% from RMB150.9 million in 6M2013 to RMB343.8 million in 6M2014. With an enlarged capacity and a higher order book, a total of 24 dust collector projects were completed whilst 15 projects were on-going as at 30 June 2014. This compares with 8 dust collector projects completed and 7 on-going projects as at 30 June 2013.

The Group's gross profit rose 109.7% from RMB41.0 million in 6M2013 to RMB85.9 million in 6M2014. However, the gross profit margin decreased from 27.1% in 6M2013 to 25.0% in 6M2014 due to several projects being secured at lower margin.

All in all, the Group's profitability remained on an uptrend at half time in FY2014. The Group's net profit more than doubled from RMB17.5 million in 6M2013 to RMB40.2 million in 6M2014, a jump of 129.1% or RMB22.6 million year on year.

Outlook

China Environment's outlook remain robust due to a slew of policies and legislation designed to continually tighten environmental regulation on polluting enterprises while incentivizing other businesses to continue improving air quality.

“China’s ongoing environmental challenges will take decades to resolve and the Chinese government will continue to be at the forefront of the push for environmental regulation. These policies and regulatory changes will definitely benefit companies like ours, as our product and solutions have and are designed to make an immediate and visible impact for our customers and end-users” Mr Huang Min, Executive Chairman, China Environment Ltd. concluded.

For example, the Standing Committee of China's National People's Congress (NPC), the China's top legislature, on Thursday (24 April 2014) voted to adopt revisions to the Environmental Protection Law, which gives heavier punishment to environment-related wrongdoing. The law gives harsher punishments to environmental wrongdoing, and has specific articles and provisions on tackling smog, making citizen's more aware of environmental protection and protecting whistleblowers. The law provides a daily-based fine system to be introduced to punish offenders. Recalcitrant enterprises may face a cumulative daily fine. Officials who cover up environment-related wrongdoing, falsify data or fail to publicize environmental information may be demoted or sacked (*Source: China Daily, April 2014*).

On the other hand, China will set up a RMB10 billion (approximately US\$1.65 billion) fund to reduce air pollution in the country’s largest cities, according to a release from a State Council meeting at which Premier Li Keqiang presided. In addition, the Cabinet also announced subsidies, tax changes, energy-efficiency standards and pollution controls aimed at improving environmental quality. (*Source: Bloomberg, February 2014*).

In addition, China's 31 provinces, municipalities and autonomous regions have been set targets to reduce main air pollutants by 5 to 25 percent, in the country's latest effort to combat pollution. The State Council, or China's Cabinet, is also mulling a system to evaluate each provincial-level government's progress, and those failing to reach their goals will be named and shamed (*Source: China Daily, January 2014*).

#End of Release#

Note: This press release is to be read in conjunction with the related announcement filed by China Environment Ltd. on SGXNet.

About China Environment Ltd. (Bloomberg: CENV.SP; Reuters: CHEN.SI)

China Environment Ltd. (中国环保有限公司) is a comprehensive provider of industrial waste gas treatment solutions in the People's Republic of China (PRC), headquartered in Longyan City, Fujian Province. The Group designs and constructs industrial waste gas treatment systems. Its key products include Electrostatic Precipitators or ESPs, including Electrostatic Lentoid Precipitators or ESLPs, baghouses and hybrid dust collectors.

The Group conforms strictly to international quality standards. China Environment's commitment to excellence has won it many awards and accreditations including the ISO9001:2000 Quality Management System certification, ISO14001:2004 Environment Management System certification and OHSAS18001:1999 Occupational Health and Safety Management System authentication.

The Group is currently certified and included in the manufacturer recommended list for supplying ESPs for 200mw, 300mw and 600mw thermal power projects. The Company's wholly owned subsidiary – Fujian Dongyuan Environmental Protection Co., Ltd. is accredited as "High/New Technology Enterprise", it enjoys preferential income tax rate of 15% instead of standard income tax rate of 25%. The Company was upgraded to a listing on the Singapore Exchange (SGX) Mainboard on 27 August 2009 via a reverse takeover of Gates Electronics Limited.

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