



China Environment Ltd.
(Registration No.: 200301902W)

PROPOSED PLACEMENT OF NEW ORDINARY SHARES

1 Introduction

- 1.1 The Board of Directors of China Environment Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has, on 12 October 2015, entered into a conditional placement agreement (the “**Placement Agreement**”) with OCBC Securities Private Limited (“**OCBC**” or the “**Placement Agent**”), pursuant to which the Placement Agent has agreed to procure placees (the “**Placees**”) for up to 35,000,000 Placement Shares (as defined below) on a best efforts basis by way of a private placement (the “**Proposed Placement**”).
- 1.2 The 35,000,000 new ordinary shares in the capital of the Company (“**Placement Shares**”) proposed to be issued represent approximately 4.33% of the Company’s existing issued share capital (excluding treasury shares). When completed, and assuming that all 35,000,000 Placement Shares will be subscribed for, the Placement Shares will represent approximately 4.15% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares. The Proposed Placement will increase the issued and paid up share capital of the Company to 843,020,646 Shares.
- 1.3 The price at which each Placement Share is proposed to be issued is S\$0.092 (“**Agreed Price**”). Each Placee subscribing for the Placement Shares pursuant to the Placement Agreement will be independently procured by the Placement Agent. A placement commission of 1.5% of the Agreed Price for each Placement Share subscribed pursuant to the Placement Agent Agreement, is payable by the Company to the Placement Agent.
- 1.4 Pursuant to the Placement Agreement, none of the Placement Shares will be issued to any restricted placees under Rule 812(1) of the Listing Manual of the SGX-ST.

2 Principal Terms of the Proposed Transactions

- 2.1 Proposed Placement. The Proposed Placement will be undertaken in compliance with Chapter 8 of the Listing Manual of the SGX-ST.
- 2.2 Placement Shares. The Placement Shares will be allotted and issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to existing issued ordinary shares of the Company (“**Shares**”), except that they will not rank for any dividend, right, allotment or other distributions the Record Date for which falls on or before the date of issue of the Placement Shares.

“Record Date” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of shares of the Company.

- 2.3 Agreed Price. The Agreed Price represents a discount of approximately 9.18% to the weighted average price of S\$0.1013 for trades done on the Shares on the SGX-ST for the full market day on 7 October 2015 (being the last full market day prior to the signing of the Placement Agreement). There was a trading halt for the Shares on 8, 9 and 12 October 2015, and the Placement Agreement was entered into among the Company and the Placement Agent on 12 October 2015.
- 2.4 General Mandate. The Placement Shares will be issued pursuant to the general mandate which was granted by shareholders of the Company (**“Shareholders”**) by way of an ordinary resolution at the annual general meeting of the Company held on 28 April 2015 (the **“General Mandate”**). The General Mandate authorised the Directors to allot and issue new Shares not exceeding 20% of the total number of issued Shares (excluding treasury shares) at the time of passing by Shareholders of the General Mandate, in the case where shares are issued other than on a *pro-rata* basis to existing Shareholders.
- No Shares had previously been issued pursuant to the General Mandate and the Placement Shares represent approximately 4.33% of the total number of issued Shares of 808,020,646 Shares (excluding treasury shares) as at the date the General Mandate was approved. Accordingly, the proposed issue of the Placement Shares is within the limit approved by Shareholders pursuant to the General Mandate.
- 2.5 Additional Listing Application. The Company will be making an application to the SGX-ST for the listing of and quotation for the Placement Shares on the Official List of the SGX-ST.
- 2.6 Conditions Precedent. The Proposed Placement is conditional upon, *inter alia*, the Company having obtained the approval in-principle of the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST (the **“AIP”**) and such approval not being revoked or amended prior to the completion of the Proposed Placement (**“Completion”**).
- 2.7 Completion. Under the Placement Agreement, Completion is expressed to take place on the date falling 5 business days after the AIP has been obtained, or such other date as the parties may agree in writing (**“Completion Date”**).
- 2.8 Long-Stop Date. If any of the conditions precedent is not satisfied (or waived) by the Long-Stop Date of 23 November 2015, the Company or the Placement Agent shall thereupon be entitled to terminate the Placement Agreement (save for certain surviving provisions) and the parties shall be released and discharged from their respective obligations thereunder.
- 2.9 No prospectus or offer information statement. The Proposed Placement will be undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act (Cap. 289). As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore.

3 **Rationale and Use of Proceeds**

- 3.1 The Proposed Transactions are intended to raise funds towards the partial repayment of bank loans to Citic Bank Gu Fen Co., Ltd Long Yan Branch (中信银行股份有限公司龙岩分行) (“**CITIC**”), and as working capital of the Group. Please refer to the announcement released by the Company on 9 October 2015 (the “**9 October Announcement**”) for more information on the outstanding bank loans to CITIC. The net proceeds from the Proposed Placement (after deducting estimated commission, costs and expenses of approximately S\$100,000) (“**Net Proceeds**”) of approximately S\$3.1 million (based on an assumption that all 35,000,000 Placement Shares will be subscribed for) is intended to be applied as follows:

Use of Net Proceeds		Amount Allocated (S\$)	Amount Allocated as a percentage of net proceeds (%)
(a)	Working capital of the Group	1,600,000	52
(b)	Repayment of bank loans	1,500,000	48

- 3.2 The Company will announce the use of the Net Proceeds as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated. Where there is any material deviation from the stated use, the Company shall announce the reasons for such deviation. The Company shall also provide a status report on the use of the Net Proceeds in its annual report. Where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company’s announcements on the use of proceeds and in the annual report.
- 3.3 Pending the deployment of the Net Proceeds for the purposes mentioned above, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purposes on a short term basis, as the Directors may, in their absolute discretion, deem fit.

4 **Interests of Directors and Substantial Shareholders**

The Proposed Placement will not result in the transfer of a controlling interest in the Company when completed.

None of the Directors and substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Placement (other than through their respective direct and indirect shareholdings and/or directorships in the Company).

5 **Further Announcements**

The Company will make further announcements as and when there are material updates on the foregoing, including upon receipt of the AIP.

6 Financial Effects

It should be noted that the financial effects below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company after completion of the Placement.

6.1 Effect on earnings per share ("EPS")

For illustrative purposes only, assuming that the issues of the Placement Shares have been effected on 1 January 2014, the earnings per share of the Group as at 31 December 2014 would be as follows:

	<u>Before the Placement</u>	<u>After the Placement</u>
Profit attributable to equity holders of the Company (RMB '000)	69,424	69,424
Weighted average number of issued shares ('000)	735,521	770,521
EPS (RMB cents)	9.4	9.0

6.2 Effect on net asset value ("NAV") per share

For illustrative purposes only, assuming that the issues of the Placement Shares have been effected on 31 December 2014, the NAV per share as at 31 December 2014 would be as follows:

	<u>Before the Placement</u>	<u>After the Placement</u>
NAV as at 31 December 2014 (RMB '000)	878,333	892,731
Number of issued shares as at 31 December 2014 ('000)	735,521	770,521
NAV per share (RMB cents)	119.4	115.9

7 Directors' opinion

Save for the outstanding bank loans as disclosed in the 9 October 2015 Announcement, the Directors are of the opinion that, after taking into consideration:

- (a) the present bank facilities, the working capital available to the Group is sufficient to meet its present requirements; and
- (b) the present bank facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

Notwithstanding the above, the Company has decided to undertake the Placement to strengthen the Group's financial position and flexibility to capitalise on growth opportunities. The Placement will result in an injection of funds into the Company for the partial repayment of bank loans to CITIC and as additional working capital for the Group.

8 Trading Caution

Shareholders are advised to exercise caution in trading their Shares. The Placement is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Placement will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

9 Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Placement and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Huang Min
Executive Chairman

12 October 2015