



# CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

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## ANNOUNCEMENT OF LOAN FACILITIES AGREEMENT OF UP TO RMB10 MILLION AND S\$0.5 MILLION FROM FIRSTLINK INVESTMENTS CORPORATION LIMITED

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### 1. INTRODUCTION

The Board of Directors of China Environment Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 20 June 2016, entered into a Loan Facilities Agreement (the “**Loan Agreement**”) with Firstlink Investments Corporation Limited (“**Firstlink**”).

### 2. DETAILS OF THE LOAN AGREEMENT

#### 2.1 Rationale for, and benefit to, the Company

The Company together with its wholly-owned subsidiaries, Fujian Dongyuan Environmental Protection Co., Ltd (“**FJDY**”) and Anhui Dongyuan Environmental Protection Co., Ltd (“**AHDY**”) collectively required some working capital for its operational use as well as for repayment of bank loan.

At the request of the Company, Firstlink has agreed to provide a short-term secured and interest-bearing loan of up to RMB10 million and up to S\$0.5 million (collectively the “**Loan**”) to the Company for the following purpose:

- (i) FJDY – RMB4 million for repayment of outstanding loan owing to China Construction Bank, Long Yan First Branch
- (ii) AHDY – RMB6 million for working capital purposes
- (iii) The Company – S\$0.5 million for working capital purposes

Firstlink has, as at todate, disbursed RMB4 million to FJDY, RMB4 million to AHDY and S\$0.32 million to the Company.

The Company has further requested Firstlink to disburse the remaining balance of the loan amount. Pursuant to the above, Firstlink has requested for the Company to enter into this Loan Agreement, to provide as security against any loss suffered by Firstlink in relation to the Loan Agreement and the Company has agreed to the request so as to formalise the loan facilities granted to the Group.

## 2.2 Terms of the Loan Agreement

### Loan Tenor

The term of the Loan shall commence on the 1st loan drawdown date which was 21 March 2016 and expires six (6) months from the 1st loan drawdown date ("Term").

### Redemption Premium

The Company shall pay a redemption premium on the Loan commencing from each of the loan drawdown date which is 2% per month ("Redemption Premium"). The Redemption Premium for the Term shall be payable upon the maturity date of the Term.

The Redemption Premium shall accrue on the outstanding principal amount of the Loan and be calculated on the basis of a 365-day basis, accruing day to day and based on the actual number of days elapsed (rounded if necessary down to two (2) decimal places) during the period commencing on (and including) the drawdown date and ending on (but excluding) the relevant Redemption Premium payment date.

### Securities

The Company shall procure FJDY to execute and deliver a registration/deed of charge in respect of 100% of the issued shares of AHDY which owns a land use rights and building ("Charge").

The Company unconditionally and irrevocably guarantee the repayment for the loan facilities.

### Undertakings

The Company undertakes that the assets under AHDY will not be further charged to third party apart from existing lenders for RMB55 million.

The Company and Firstlink undertakes to take all actions, execute all documents and to do all things as may be necessary or desirable to give effect to this Loan Agreement.

### Shares Conversion option

Subject to the approval by SGX-ST, the shareholders of the Company or relevant authorities, where applicable, during the said Loan Term, Firstlink have the option either to:

- (a) Purchase up to S\$3 million worth of convertible warrants to be issued by the Company and should Firstlink exercises this option, the said Loan (i.e. up to RMB10 million and up to S\$500,000.00) will be formed partial payment of the convertible warrants which is convertible into ordinary shares of the Company. The conversion price of the warrants shall be the average of the last dealt prices of the Company's shares as shown in the daily financial news published by the SGX-ST for the five (5) consecutive market days immediately preceding the date of the conversion; or

- (b) Purchase the assets under the Charge (i.e. Land Use Rights and Building of AHDY) for an amount of RMB100 million.

Conditions precedent

The disbursement for remaining balance of the Loan shall be conditional upon deliveries of the following documents by the Company or FJDY:

1. A copy of the constitutional documents of each the Company and FJDY.
2. A copy of a resolution of the board of directors of the Company and FJDY:
3. A specimen of the signature of each person authorised by the resolution referred to in item 2 above.
4. A letter from the Company and FJDY (signed by a director) confirming that borrowing or securing, as appropriate, the Commitment would not cause any borrowing or similar limit binding on it to be exceeded.
5. A letter from the Company and FJDY (signed by a director) certifying that each copy document relating to it specified in this Conditions Precedent is correct, complete and in full force and effect as at a date no earlier than the date the Loan Agreement.
6. The registration/deed of charge in respect of 100% of the issued shares of AHDY which owns a Land Use Rights and Building.

**3. AUDIT COMMITTEE'S STATEMENT**

After reviewing the terms of the Loan Agreement, the Audit Committee of the Company is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

**4. MATERIAL UPDATES**

The Company will make further announcements if there are material updates on the foregoing.

**By Order of the Board**

Norman Winata  
Executive Chairman  
20 June 2016