



CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

CHANGE IN USE OF NET PROCEEDS OF THE PLACEMENT OF 65 MILLION ORDINARY SHARES IN THE CAPITAL OF CHINA ENVIRONMENT LTD.

Unless otherwise defined, capitalised terms used herein shall bear the same meaning ascribed to them in the Company's announcement dated 22 August 2013, 29 August 2013 and 5 September 2013 in relation to the Placement (the "Announcement").

1. INTRODUCTION

The Board of Directors (the "**Board**") of China Environment Ltd. (the "**Company**") refers to the Announcements in connection with the placement of 65 million ordinary shares in the capital of the Company (the "**Placement**"). Further to the Announcements, the Company wishes to announce a change in the use of the Net Proceeds.

2. USE OF NET PROCEEDS OF THE PLACEMENT

The Company had disclosed in the announcement dated 22 August 2013 that the Net Proceeds of the Placement, amounting to approximately S\$15.9 million, were to be used as follows:

- (a) approximately S\$2.0 million or 12.6% of the Net Proceeds will be utilised for supporting the growth of the Group's business and operations in the People's Republic of China, including funding of strategic investments, joint ventures, acquisitions and/or strategic alliances as and when such opportunities arise and are deemed appropriate by the Directors;
- (b) approximately S\$2.0 million or 12.5% of the Net Proceeds will be utilised for acquisition of fixed assets for production purpose; and
- (c) the balance of approximately S\$11.9 million or 74.9% of the Net Proceeds will be used as general working capital for the purposes of (i) purchase of raw materials for production purpose, (ii) settling general overheads of the Group and (iii) other operating expenses of the Company.

Pursuant to the Company's announcement on 11 November 2014 of its unaudited financial statements for the third quarter and nine months ended 30 September 2014, the balance of the Net Proceeds of the Placement as of 11 November 2014 amounts to approximately S\$2.9 million (the "**Balance Net Proceeds**").

3. CHANGE IN USE OF NET PROCEEDS OF THE PLACEMENT

The Company would like to announce, pursuant to Rule 704(30) of the Singapore Exchange Securities Trading Limited's Listing Manual Chapter 7, that there will be a change in the use of the Net Proceeds of the Placement which was previously set out in the announcement dated 22 August 2013. In view that there are no immediate needs for the Balance Net Proceeds for paragraph 2(a) and paragraph 2(b) above, the Company intends to utilise it for general working capital purposes principally to purchase raw materials instead. The Company intends to re-allocate 100% of the Balance Net Proceeds to fund the general working capital requirement of the Company. The Balance Net Proceeds will be progressively disbursed based on the Company's general working capital requirements.

The Board considers that the aforementioned re-allocation is advantageous to the Company and in the best interests of the Company and its shareholders as a whole.

The Company will make periodic announcements via SGXNET on the utilisation of the Balance Net Proceeds as and when they are materially disbursed.

BY ORDER OF THE BOARD

China Environment Ltd.

Huang Min
Executive Chairman
13 November 2014