



CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

INCREASE IN INVESTMENT IN WHOLLY-OWNED SUBSIDIARIES

The Board of Directors of China Environment Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has increased its investment in China Dongyuan Environment Pte Ltd ("**CDY**"), a wholly-owned subsidiary of the Company as follows:

Paid-up share capital of CDY before the increase in investment	:	S\$	35,509,250
Increase in paid-up share capital of CDY	:	S\$	14,500,000
Paid-up share capital of CDY after the increase in investment	:	S\$	50,009,250

The Company holds 100% interests in CDY before and after the change in CDY's paid-up share capital.

CDY has, in turn, increased the investment in Fujian Dongyuan Environmental Protection Co., Ltd (福建东源环保有限公司) ("**FJDY**"), a wholly-owned subsidiary of CDY as follows:

Paid-up capital of FJDY before the increase in investment	:	RMB	170,000,000
Increase in paid-up capital of FJDY	:	RMB	70,000,000
Paid-up capital of FJDY after the increase in investment	:	RMB	240,000,000

CDY holds 100% interests in FJDY before and after the change in FJDY's paid-up capital.

The rationale for the increase in investment in FJDY through CDY is to be used as general working capital for the purposes of (i) purchase of raw materials for production purpose and (ii) settling general overheads of the Group.

The abovementioned transaction was funded entirely through part of the net proceeds raised through the 31 million new shares placement as outlined in the Offer Information Statement dated 18 November 2013. The transaction was expected to have no material impact on the net tangible assets per share or earnings per share of the Company or the Group for the financial year ended 31 December 2013.

None of the directors and substantial shareholders of the Company have any interest, direct, or indirect, in the above transaction.

BY ORDER OF THE BOARD

China Environment Ltd.

Huang Min

Executive Chairman

7 January 2014