中国环保

China Environment Ltd.

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PRESS RELEASE

CHINA ENVIRONMENT'S 1Q2014 NET PROFIT ROSE BY 126.1% TO RMB16.2 MILLION AS REVENUE SURGED 164.3% TO RMB161.0 MILLION

Highlights:

- **Revenue for 1Q2014 gained 164.3% to RMB161.0 million as 13 projects were completed in this quarter as compared to 4 projects in 1Q2013.**

- **Gross profit rose 138.2% to RMB39.5 million in 1Q2014 compared to RMB16.6 million a year ago.**

- **Gross profit margin of 24.5% for 1Q2014 was higher than the 21.5% registered in 4Q2013.**

- **In tandem with higher revenue and increased gross profit, net profit after tax for 1Q2014 grew 126.1% to RMB16.2 million.**

- **Outlook for the Group remains robust as the resolve of the Chinese government to combat air pollution is unabated, with potential unlimited punitive action to be taken against polluting enterprises, as well as a host of incentives for implementation of stringent emission control standards and the heightening of monitoring activities across various provinces.**

Financial Highlights

RMB ’000	3 months ended 31 March		Change %
	1Q2014	**1Q2013**	
Revenue	160,994	60,915	164.3
Gross Profit	39,461	16,566	138.2
Profit Before Tax	20,088	8,930	124.9
Net Profit	16,156	7,146	126.1
EPS (Fully diluted in RMB cents)	2.2	1.1	100.0

SINGAPORE, 23 April 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 robust set of financial results for the 3 months ended 31 March 2014 (“1Q2014”).

Financial Performance 1Q2014

The Group recorded revenue of RMB161.0 million for 1Q2014, an increase of 164.3% or RMB100.1 million from RMB60.9 million achieved in the three months ended 31 March 2013 (“1Q2013”). In the quarter under review, the Group completed 13 dust collector projects as compared to four projects in 1Q2013. In addition, 15 projects were uncompleted and ongoing as at 31 March 2014 compared to five projects a year ago.

Gross profit for 1Q2014 increased 138.2% or RMB22.9 million to RMB 39.5 million from RMB 16.6 million in 1Q2013. Although gross profit margin decreased marginally from 27.2% in 1Q2013 to 24.5% in 1Q2014, the gross profit margin in 1Q2014 was higher than the gross margin of 21.5% in 4Q2013.

While overall profitability was boosted by the increase in gross profit of 138.2% or RMB22.9 million in 1Q2014, this was partially offset by the decrease in other income of RMB0.8 million, increase in total operating expenses by RMB10.9 million, and increase in the income tax provision of RMB2.1 million.

The Group ended 1Q2014 with a net profit increase of 126.1% or RMB9.1 million from RMB7.1 million in 1Q2013 to RMB16.2 million in 1Q2014.

Commenting on the Group's strong performance in this quarter, Mr Huang Min, Executive Chairman of China Environment Ltd. said: "**We are pleased with another stellar set of results, following a strong fourth quarter last year. As our capacity has expanded by almost 400% from the middle of last year, we should continue to ride on the strong demand for our products in the coming quarters. Beyond this growth momentum, we remain steadfast in our pursuit of long-term sustainability. To this end, our investment in research and development with our joint venture partner, College of Engineering of Peking University, will continue to bear new fruits with a continuous stream of new products launched for the treatment of PM2.5, sulphur dioxide and nitrogen oxide. We firmly believe an integrated and holistic set of solutions will be key to solving China's complex environmental problem and unlocking the potential of our new technologies in the years ahead.**"

Outlook

Outlook for the Group in the next 12 months remains robust as China looks to adopt more stringent and punitive measures against polluters whilst implementing a host of incentives and set targets at provincial and local levels as well as heighten monitoring activities across the country. Several recent reports illustrate these points.

In a move that seems to pave the way for unlimited sanctions against polluters, a high-level policy report released on 9 March 2014 proposed an amendment to China's 1989 environment legislation which would hold "polluters accountable for the damage they cause and having them compensate for it", said the report, which was delivered by Zhang Dejiang, who sits on the seven-member Politburo Standing Committee. (*Source: Reuters, March 2014*)

A RMB10 billion (approximately US$1.65 billion) fund was set up recently 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. Efforts will be focused on haze-prone large cities and particulate matter from 2.5 micrometers, or PM2.5, to 10 micrometers in size to reduce the risk of cardiovascular illnesses. China will reward leaders in their efforts to improve energy efficiency and cut emissions, and promote the use of “clean” coal, the State Council said (*Source: Bloomberg, February 2014*).

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. Local governments have been ordered to map out detailed plans to ensure the implementation of various anti-pollution methods and to lay down specific goals for each year. Meanwhile, the State Council, or China's Cabinet, is mulling a system to evaluate each provincial-level government's progress, including a process to name and shame non-compliant provinces (*Source: China Daily, January 2014*).

Given the above measures and the tightening of anti-air pollution laws and policies in China, the Group expects the demand for our products as experienced from 2013 to stay robust, with increased opportunities for us to expand our market presence.

#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.

ISSUED ON BEHALF OF **CHINA ENVIRONMENT LTD.**

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