



China Essence Group Ltd.
嵩天集团有限公司

(the "**Company**")

(Incorporated in the Cayman Islands)

(Registration No. CT-152302)

**HK\$250,000,000 Zero Coupon Guaranteed Convertible Bonds due 2011
convertible into ordinary shares of the Issuer**

The Issuer refers to its HK\$250,000,000 Zero Coupon Guaranteed Convertible Bonds due 2011 (the "Bonds") convertible into ordinary shares of the Issuer constituted by the Trust Deed dated 20 December 2006 and supplemented by a supplemented trust deed dated 16 December 2011 (the "Trust Deed") made between the Issuer, as issuer, Huge Glory Holding Limited ("Huge Glory") and Honour Wealth International Limited ("Honour Wealth", together with Huge Glory, the "Guarantors"), as guarantors and The Hongkong and Shanghai Banking Corporation Limited, as trustee (the "Trustee").

Under the Conditions, the Issuer is obliged to redeem HK\$30,000,000 in principal amount ("Third Redemption") of Bonds (together with accrued interest) on 31 December 2012, HK\$30,000,000 in principal amount ("Fourth Redemption") of Bonds (together with accrued interest) on 30 June 2013, HK\$40,000,000 in principal amount ("Fifth Redemption") of Bonds (together with accrued interest) on 30 December 2013 and HK\$40,000,000 in principal amount ("Sixth Redemption") of Bonds (together with accrued interest) on 30 June 2014. However, due to the challenging operating environment over the past years, which was partially attributable to decreasing potato starch prices worldwide, the Issuer experienced suppressed seasonal sales volume and turnover. In addition, the difficult operating environment has affected the Issuer's customers, leading to slow repayment of the Issuer's receivables. As such, the Issuer faces difficulties in raising sufficient working capital to utilise its production capacity as well as to make timely payment of the Third Redemption, Fourth Redemption, Fifth Redemption and Sixth Redemption.

The Issuer is making its best effort to meeting its obligation under the Bonds and is currently in discussions with the Bondholders and the Trustee concerning the postponement of the Third Redemption, Fourth Redemption, Fifth Redemption and Sixth Redemption. The Issuer is expending all resources to hasten the recovery of its receivables and hopes to satisfy payment of the Third Redemption, Fourth Redemption, Fifth Redemption and Sixth Redemption as soon as practicable.

The Issuer will, in compliance with the SGX-ST Listing Manual, make appropriate announcement(s) as and when a material development should occur in relation to the above.

By Order of the Board

Zhao Libin
Executive Chairman and Chief Executive Officer
17 July 2014