



CHINA ENVIRONMENT LTD.
(Registration No.: 200301902W)

AUDIT PROGRESS UPDATE

The Board of Directors of China Environment Ltd (“the Company”) wishes to announce that the following issues has cropped up in the Company’s wholly-owned subsidiaries, Anhui Dongyuan Environmental Protection Co., Ltd (“AHDY”) and Xiamen Gongyuan Environmental Protection Technology Co; Ltd (“XMGY”) during the audit for FY2016 and FY2017.

Issue at AHDY

The Company Auditors and Singapore management believe that there may have been possible misappropriation of rental income monies at AHDY. The Singapore management has subsequently requested that the Anhui PRC management hand over the AHDY company seals entrusted to them pending the resolution of the possible misappropriated rental income monies issue.

The Anhui PRC management has refused to hand over the AHDY company seals and escorted Singapore management off AHDY premises. The Company is in the process of resolving this dispute amicably before taking any further action.

Issue at XMGY

The ex-employees at XMGY have refused to provide the accounting records for XMGY or hand over the XMGY company seals pending the resolution of their unpaid salaries and retrenchment benefits.

The Company will explore alternatives to mitigate this audit issue.

BY ORDER OF THE BOARD

China Environment Ltd.

Norman Winata
Executive Chairman
11 May 2018