



China Essence Group Ltd.
嵩天集团有限公司

(Incorporated in the Cayman Islands)
(Registration No. CT-152302)

ENTERING OF NON-BINDING MEMORANDUMS OF UNDERSTANDINGS FOR PROPOSED DEBT RESTRUCTURING EACH WITH:

- **MORGAN STANLEY & CO PLC, ACTING SOLELY ON ITS OWN ACCOUNT AND NOT ON BEHALF OF ANY OTHER HOLDER OF BONDS; &**
- **DBS BANK LIMITED.**

The Board of Directors (the “**Board**”) of China Essence Group Limited (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) wishes to announce that the Company has entered into non-binding memorandums of understandings (the “**MOUs**”) each with Morgan Stanley & Co PLC (“**MS**”) and BDS Bank Limited (“**DBS**”).

Pursuant to the non-binding MOUs, MS and DBS will provide a standstill to allow negotiation and implementation of a scheme of arrangement of the debts. The Board wishes to highlight that these MOUs are subject to execution of definitive documentation in respect of any transactions contemplated.

The Board also wishes to bring to the attention of the shareholders that the operating environment of the Company remains negative due to shortage of working capital to purchase raw materials and difficulties in collecting its overdue receivables. The Company’s finance is also heavily burdened by its large debts from other financial institutions in the People’s Republic of China. This overall fragile financial position of the Company was the consequence of the severe winter in 2012 and the heavy flood in 2013, both incidents had adversely affected the yield of the raw materials and brought heavy operating losses to the Company.

The Board will update shareholders on the progress once further information is available.

By Order of the Board

Zhao Libin
Executive Chairman and Chief Executive Officer
23 December 2014