



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

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## **SITE VISITS BY AUDITOR**

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The Board of Directors of China Environment Ltd (the "Company" and, together with its subsidiaries, the "Group") wishes to announce that pursuant to the Findings of PRC Legal firm announced on 21 September 2016, the Company's Statutory Auditor, RT LLP ( "Auditors RT " ) had conducted surprise site visits, on the request of the Board, to ascertain the existence and validity of receivables due from Anhui Shengyun Mechanical Co. Ltd ( "AHSY" ) and Nanning Youji Technology Co Ltd ( "NNYJ" )

From the procedures performed during the site visits, the Auditors RT are unable to locate NNYJ's physical place of operations based on the address furnished by the previous Finance Department, which is the same address indicated in the confirmation received by Auditors RT during their audit. The confirmation was received by Auditors RT without any exception, that is, the balance was confirmed by NNYJ without any disagreement. The inconsistency between the confirmation received by Auditors RT and the inability to identify the physical location and existence of NNYJ has led the Board to conclude that the trade receivables due from NNYJ amounting to RMB 341 Million in the unaudited Group financials for FY2015 is likely to be non-existent.

The Company has also found discrepancies on the RMB 163 million amount of trade receivables due by the other customer, AHSY during the site visit. AHSY has subsequently confirmed that no amount is owing to the Company.

The Group has previously impaired the amount due from NNYJ and AHSY in its 2016 half year result announcement on 12 August 2016

The Company has filed a CAD report and served a writ of summons on the former Executive Chairman Huang Min for these non-existent receivables.

The Company will keep the shareholders informed on any further material developments.

## **BY ORDER OF THE BOARD**

China Environment Ltd.

Norman Winata  
Executive Chairman  
6 January 2017