



## **CHINA ENVIRONMENT LTD.**

(Incorporated in Singapore)

Company Registration No.: 200301902W

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### **CLARIFICATION AND UPDATE ON REPAYMENT OF BANKING FACILITIES**

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The Board of Directors of China Environment Ltd. (the “Company”) together with its subsidiaries, the “Group”) refer to our announcement dated 9 October 2015 in regards to Fujian Dongyuan Environmental Protection Co., Ltd (“FJDY”), a wholly-owned subsidiary of the Company had on 7 September 2015 received a repayment reminder letter from the solicitors of Citic Bank Gu Fen Co Ltd Long Yan Branch (中信银行股份有限公司龙岩分行) (“CITIC”) in relation to two bank loans from CITIC (the “Loans”).

In connection to this, notwithstanding that the negotiation with CITIC in regards to the Loans is still on-going, the Board of Directors wish to clarify that if the negotiation with CITIC on the repayment of loans does not succeed, the Company will remain viable due to the following:

- a. Pursuant to the general mandate granted by its shareholders on 28 April 2015, the Company has the option to procure further funding by way of placements for up to a further 15.67% of its issued share capital (after taking into account the announcement dated 12 October 2015 on the proposed placement and on a non pro rata basis to investors for up to 35,000,000 new ordinary shares in the capital of the Company), or via an issuance of new shares or securities of up to 50% of its issued share capital (on a pro rata basis to existing shareholders). The Company may also consider other forms of fund raising such as the issuance of debt securities such as bonds or notes;
- b. The Company’s wholly owned subsidiary, Fujian Dongyuan Co., Ltd (“**FJDY**”) has unencumbered assets which can be mortgaged to CITIC. After negotiations, CITIC had expressed to the Company its interest in allowing a refinancing of FJDY’s assets by the mortgage of such assets at an indicative value of RMB10million. CITIC is currently processing the abovementioned loan application;
- c. The Company can utilise its operational cash flow to repay the bank loans due to CITIC.

Taking into account the proposed placement as mentioned above (and the intended use of part of the proceeds for partial repayment of the outstanding loans due to CITIC) and the abovementioned proposed loan and mortgage of FJDY’s assets, the negotiations with CITIC have been positive so far.

Based on current development, the Board of Directors' is of the opinion that a trading suspension is not required. However, all shareholders and potential investors should exercise caution when dealing with the Company's securities as the Company's securities may be suspended in the event that the Company is unable to continue as a going concern.

The Board of Directors further confirmed that sufficient information has been disclosed by the Company to enable trading to continue on an informed basis and the Board will update the shareholders in due course in regard to this matter.

BY ORDER OF THE BOARD  
China Environment Ltd.

Huang Min  
Executive Chairman

23 October 2015