



# CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

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## PLACEMENT OF NEW ORDINARY SHARES AND WARRANTS

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### 1. Introduction

The Board of Directors of China Environment Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 12 December 2014, entered into a subscription agreement (the “**Subscription Agreement**”) with GlobalWin International Consultants Limited (the “**Subscriber**”), pursuant to which the Company has agreed to allot and issue 72,500,000 new ordinary shares in the capital of the Company (the “**Placement Shares**”) to the Subscriber, and the Subscriber has agreed to subscribe for the Placement Shares, at the issue price of S\$0.104 per Placement Share (the “**Issue Price**”), for an aggregate amount of S\$7,540,000. The Issue Price represents a discount of approximately 9.09% (i.e. not more than 10.0% discount) to the volume weighted average price of S\$0.1144 for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 10 December 2014, being the last full market day prior to the signing of the Subscription Agreement.

The Company has further entered into a warrant deed (the “**Deed**”) with the Subscriber dated 12 December 2014, pursuant to which the Company has agreed to allot and issue 72,500,000 unlisted warrants to the Subscriber at no consideration (the “**Warrants**”), granting the right to the Subscriber to subscribe for one new Share for each Warrant (i.e. total of 72,500,000 Shares, the “**Warrant Shares**”), at the issue price of S\$0.104 per Warrant Share (the “**Warrant Price**”), for an aggregate amount of S\$7,540,000. The Warrant Price represents a discount of approximately 9.09% (i.e. not more than 10.0% discount) to the prevailing market price (i.e. the volume weighted average price) of the underlying Shares of S\$0.1144 on 10 December 2014. The Warrants may only be exercised in whole by the Subscriber at any time, but in any event no later than the date falling 18 months from the date of the Deed (the “**Exercise Expiry Date**”), by giving written notice to the Company.

The Placement Shares and the Warrant Shares (as the case may be), when allotted and issued, will rank in all respects *pari passu* with the existing issued Shares and be free from all claims, charges, liens and other encumbrances whatsoever save that they will not rank for any dividend, rights, allotments or other distributions, the Record Date of which falls on or before the completion of the Subscription Agreement or the exercise date of the Warrants (as the case may be). “**Record Date**” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

The offer of the Placement Shares, the Warrants and the Warrant Shares (the “**Placement**”) is made pursuant to the exemption under Section 272B of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). As such, no prospectus or offer information statement will be issued by the Company in connection with the Placement.

## **2. Salient terms**

### **2.1 Subscription Agreement**

The completion of the Subscription Agreement is conditional upon:

- (a) execution of the Warrant Deed by both the Subscriber and the Company;
- (b) approval in-principle for the listing and quotation of the Placement Shares on the SGX-ST being obtained from the SGX-ST and not revoked or amended, where such approval is subject to conditions, to the extent that any conditions for the listing and quotation of the Placement Shares on the Official List of the SGX-ST are required to be fulfilled on or before the completion date, they are so fulfilled and, where such approval is subject to conditions pertaining to and are to be complied with by the Subscriber, such conditions being reasonably acceptable to the Subscriber;
- (c) all board approvals, approvals, consents, licences, permits, waivers and exemptions required for the entry into the Subscription Agreement and the issue and listing of the Placement Shares being obtained and are in full force and effect;
- (d) the issue and subscription of the Placement Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company and/or the Subscriber;
- (e) there having been, as at the completion date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect of the warranties contained in the Subscription Agreement if they were repeated on and as of the completion date; and
- (f) as at the completion date, the trading of the Shares on the SGX-ST not being suspended by the SGX-ST (other than a suspension on a temporary basis requested by the Company) and the Shares not having been delisted from the SGX-ST.

If any of the conditions set forth above is not satisfied (or waived) within six (6) months from the date of the Subscription Agreement or such other date as the Subscriber and the Company may agree, the obligations of the Company to issue the Placement Shares shall *ipso facto* cease and determine thereafter and neither the Subscriber nor the Company shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Subscription, save for any antecedent breach of the Subscription Agreement.

The Subscriber also undertakes with the Company that it will not, within a period of one (1) year commencing on the date of issue and allotment of the Placement Shares, transfer, assign or dispose of any of the Placement Shares and that it will not do any act or thing that will cause any statutory exemption under the SFA and/or under any other relevant applicable law in respect of the transaction to cease to be applicable and/or that may result in an offer information statement being required to be issued by the Company relating to or in connection with any dealings by the Subscriber in the Placement Shares.

## 2.2 Warrant Deed

The issue of the Warrants is conditional upon:

- (a) completion of the issuance of the Placement Shares to the Subscriber in accordance with the terms and conditions of the Subscription Agreement;
- (b) approval in-principle for the listing and quotation of the Warrant Shares on the SGX-ST being obtained from the SGX-ST and not revoked or amended, where such approval is subject to conditions, to the extent that any conditions for the listing and quotation of the Warrant Shares on the Official List of the SGX-ST are required to be fulfilled on or before the issue date, they are so fulfilled and, where such approval is subject to conditions pertaining to and are to be complied with by the Subscriber, such conditions being reasonably acceptable to the Subscriber;
- (c) all board approvals, approvals, consents, licences, permits, waivers and exemptions required for the entry into the Warrant Deed and the issue and listing of the Warrant Shares being obtained and are in full force and effect;
- (d) the issue and subscription of the Warrants and Warrant Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Warrant Deed by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company and/or the Subscriber;
- (e) there having been, as at the issue date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect of the warranties contained in the Warrant Deed if they were repeated on and as of the issue date; and
- (f) as at the issue date, the trading of the Shares on the SGX-ST not being suspended by the SGX-ST (other than a suspension on a temporary basis requested by the Company) and the Shares not having been delisted from the SGX-ST.

If any of the conditions set forth above is not satisfied (or waived) within six (6) months from the date of the Warrant Deed or such other date as the Subscriber and the Company may agree, the obligations of the Company to issue the Warrants shall *ipso facto* cease and determine thereafter and neither the Subscriber nor the Company shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Warrant Deed, save for any antecedent breach of the Warrant Deed.

The Warrants may only be exercised once in its entirety (i.e. in respect of all 72,500,000 Warrants).

The Subscriber also undertakes with the Company that it will not, within a period of one (1) year commencing on the date of issue and allotment of the Warrant Shares, transfer, assign or dispose of any of the Warrant Shares and that it will not do any act or thing that will cause any statutory exemption under the SFA and/or under any other relevant applicable law in respect of the transaction to cease to be applicable and/or that may result in an offer information statement being required to be issued by the Company relating to or in connection with any dealings by the Subscriber in the Warrants and the Warrant Shares.

### 2.3 Approval-in-principle

In respect of the conditions precedent set out in 2.1(b) and 2.2(b) above, the Company will make the necessary announcement once the approval-in-principle of the Placement Shares and the Warrant Shares have been obtained from the SGX-ST.

### 3. General Mandate

The Placement Shares, the Warrants and the Warrant Shares will be issued pursuant to the general mandate given by the shareholders of the Company at the annual general meeting of the Company held on 23 April 2014 for the Directors of the Company to allot and issue Shares, make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, whereby the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders, shall not exceed 20% of the total number of issued Shares (excluding treasury shares) as at 23 April 2014 (“**General Mandate**”) after adjusting for, amongst other, new Shares arising from the conversion or exercise of any convertible securities.

As at 23 April 2014 and the date of this announcement, the share capital of the Company is 735,520,646 Shares. The Placement Shares and Warrant Shares, when allotted and issued, and assuming no further Shares are issued prior thereto, will represent approximately 19.71% of the Company’s share capital, and is thus within the General Mandate. As such, no circular will be issued by the Company in connection with the Placement.

### 4. Details of the Subscriber

GlobalWin International Consultants Limited is a company incorporated on 22th June 2012, in the British Virgin Islands with registered office at Portcullis TrustNet Chambers, P.O. Box 3444 Road Town, Tortola, British Virgin Islands. It is wholly-owned by Mr. Dharma Rustam Winata, a permanent resident of the Republic of Singapore. Mr. Dharma Rustam Winata is an investor whose main business interest is investments in corporate equities and bonds. The Subscriber had approached the Company expressing its interest in subscribing for shares and warrants in the Company.

After the completion of the Subscription Agreement and before the issue of the Warrant Shares, The Subscriber will hold 8.97% of the enlarged share capital of the Company (as adjusted for the Placement Shares only, and assuming no further Shares are issued prior thereto).

After the completion of the Subscription Agreement and the issue of the Warrant Shares, the Subscriber will hold 16.47% of the enlarged share capital of the Company (as adjusted for the Placement Shares and Warrant Shares, assuming no further Shares are issued prior thereto).

#### **5. Use of Proceeds**

Based on the Issue Price, the estimated amount of proceeds from the issue of the Placement Shares (net of the estimated expenses of approximately S\$65,000) will be approximately S\$7.475 million.

Based on the Warrant Price and assuming the full exercise of the Warrants by the Subscriber, the estimated amount of proceeds from the issue of the Warrant Shares (net of the estimated expenses of approximately S\$32,000) will be approximately S\$7.508 million.

Therefore, the aggregate estimated proceeds from the Placement will be approximately S\$14.98 million (the "**Net Proceeds**").

The Company intends to use the Net Proceeds wholly for general working capital purposes, comprising: (i) purchase of raw materials; (ii) settling general overheads; and (iii) other operating expenses.

The Company will make periodic announcement(s) as to the use of the Net Proceeds as and when such proceeds are materially disbursed and whether such a use is in accordance with the stated use. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full-year financial statements issued under Rule 705 of the Listing Manual and the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may deem fit, from time to time.

#### **6. Financial Effects**

It should be noted that the financial effects below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company after completion of the Placement.

### 6.1 Effect on earnings per share (“EPS”)

For illustrative purposes only, assuming that the issues of the Placement Shares and Warrant Shares have been effected on 1 January 2013, the earnings per share of the Group as at 31 December 2013 would be as follows:

	<b>Before the Placement</b>	<b>After the Placement</b>
<b>Profit attributable to equity holders of the Company (RMB ‘000)</b>	74,674	74,674
<b>Weighted average number of issued shares (‘000)</b>	662,997	807,997
<b>EPS (RMB cents)</b>	11.3	9.24

### 6.2 Effect on net asset value (“NAV”) per share

For illustrative purposes only, assuming that the issues of the Placement Shares and Warrant Shares have been effected on 31 December 2013, the NAV per share as at 31 December 2013 would be as follows:

	<b>Before the Placement</b>	<b>After the Placement</b>
<b>NAV as at 31 December 2013 (RMB ‘000)</b>	793,702	808,685
<b>Number of issued shares as at 31 December 2013 (‘000)</b>	735,521	880,521
<b>NAV per share (RMB cents)</b>	107.9	91.8

## **7. Directors' opinion**

The Directors are of the opinion that, after taking into consideration:

- (a) the present bank facilities, the working capital available to the Group is sufficient to meet its present requirements; and
- (b) the present bank facilities, the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

Notwithstanding the above, the Company has decided to undertake the Placement to strengthen the Group's financial position and flexibility to capitalise on growth opportunities. The Placement will result in an injection of funds into the Company for general working capital purposes to fund the growth of the Company's business.

## **8. General**

None of the Placement Shares, Warrants and Warrant Shares will be placed with any person or groups of persons as set out under Rule 812(1) of the Listing Manual. Pursuant to the Subscription Agreement and the Warrant Deed, the Subscriber has represented that it does not fall within the class of restricted persons to whom placements must not be made by the Company pursuant to Rule 812(1) of the Listing Manual.

None of the Directors of the Company have any interest, direct or indirect, in the Placement. The Directors are not aware of any substantial shareholder of the Company having any interest, direct or indirect, in the Placement and has not received any notification of any interest in this transaction from any substantial shareholder.

In addition, the Placement would not result in any transfer of controlling interest in the Company, as the Executive Chairman of the Company, Mr. Huang Min, will continue to hold a shareholding interest of 21.13% (direct and deemed) in the enlarged share capital of the Company (as adjusted for the Placement Shares and Warrant Shares, assuming no further Shares are issued prior thereto).

## **9. Trading Caution**

Shareholders are advised to exercise caution in trading their Shares. The Placement is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Placement will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

## **10. Directors' responsibility statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Placement and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

### **BY ORDER OF THE BOARD**

Huang Min  
Executive Chairman  
12 December 2014