



CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

PROVISION OF INDEMNITY TO FUJIAN MINTAI ENVIRONMENTAL PROTECTION CO., LTD. AS AN INTERESTED PERSON TRANSACTION

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 has on 15 April 2016, entered into a conditional indemnity deed (the “**Deed**”) with Fujian Mintai Environmental Protection Co., Ltd. (“**FMEP**”), which constitutes an interested person transaction under Chapter 9 of the Listing Manual.

2. DETAILS OF THE INTERESTED PERSON

FMEP is a company incorporated in the People’s Republic of China (“**PRC**”), with Mr. Huang Min and his spouse, Mdm. Chen Fen Hua holding the entire shareholding interest in FMEP.

As Mr. Huang Min holds 18% shareholding in the Company as at the date of this announcement (i.e. a controlling shareholder), FMEP constitutes an “interested person” under Chapter 9 of the Listing Manual.

3. DETAILS OF THE TRANSACTION

3.1 Rationale for, and benefit to, the Company

The Company’s wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd (“**FJDY**”) intends to enter into a loan agreement with China Construction Bank for a loan amounting to approximately RMB 23 million (the “**Loan Agreement**”), whereby security is required to be provided for the loan. FMEP has agreed to provide a mortgage over certain land use rights and leasehold buildings (the “**Assets**”) to China Construction Bank as security for the loan (the “**Mortgage**”).

Pursuant to the above, FMEP has requested for the Company to enter into the Deed, to provide an indemnity in favour of FMEP against any loss suffered by FMEP in relation to the Loan Agreement and the Mortgage. The Company has agreed to the request in order to ensure that the Company is able to obtain the loan, which will provide the necessary funds for the Company’s working capital.

3.2 Terms of the Deed

Indemnity

Subject to the conditions precedent being fulfilled, the Company shall indemnify FMEP on

demand against any loss or liability suffered by FMEP from time to time in connection with or as a direct or indirect result of:

- (a) FJDY failing to pay any amount expressed to be payable by it under the Loan Agreement on the date when it ought to have been paid;
- (b) any breach, default or failure by FJDY duly and punctually to perform and observe any of its obligations under the Loan Agreement;
- (c) any breach, default or failure by the Company duly and punctually to perform and observe any of the undertakings set out in the Deed; and
- (d) any forced sale of the Assets by China Construction Bank pursuant to the terms of the Loan Agreement and the Mortgage (including, but not limited to any loss suffered by FMEP due to the Assets being sold below market value).

Issue of Company's shares

If the Company fails to pay any outstanding amount to FMEP on the relevant due date, FMEP shall have the right, but not the obligation, to require the Company to issue its shares to FMEP (or its nominee, including but not limited to Mr. Huang Min) in settlement of such payment.

The issue price of the shares shall be calculated with up to 10% discount to the volume weighted average price for trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the last 5 full market days prior to the due date of the relevant amount.

Any issue of the Company's shares shall be subject to the requisite approvals being obtained from the SGX-ST and the Company's shareholders.

Conditions precedent

The terms of the Deed shall be conditional upon all requisite approvals being obtained, including but not limited to approvals from:

- (a) the audit committee of the Company;
- (b) the SGX-ST; and
- (c) the Company's shareholders.

Undertakings

The Company shall notify FMEP of any event of default under the Loan Agreement (and the steps, if any, being taken to remedy it) promptly upon its occurrence.

The Company shall also procure the discharge of the Mortgage by the earlier of: (a) the date of expiry of the Loan Agreement, or (b) 15 April 2017.

4. AUDIT COMMITTEE'S STATEMENT

After reviewing the terms of the Loan Agreement, the Mortgage and the Deed, the Audit Committee of the Company is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

5. CURRENT TOTAL OF ALL INTERESTED PERSON TRANSACTIONS WITH MR. HUANG MIN

The interested person transactions with Mr. Huang Min and his associates from 1 January 2016 to the date of this announcement are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000.00 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) RMB'000	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000.00) RMB'000
FMEP	186	Rental for land and building	Nil

Based on the audited accounts of the Group for the financial year ended 31 December 2014, the audited net tangible assets of the Group was approximately RMB868 million. The aggregate value at risk to the Company under the Deed and the transactions in the table above is approximately RMB23.2 million. Pursuant to the above, the aggregate value at risk amounts to approximately 2.7% of the Group's latest audited net tangible assets of the Group.

6. MATERIAL UPDATES

The Company will make further announcements if there are material updates on the foregoing.

By Order of the Board

Norman Winata
Executive Chairman
16 April 2016