



CHINA ENERSAVE LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number 199706776D

ANNOUNCEMENT

PROPOSED PLACEMENT OF UP TO 406,000,000 NEW ORDINARY SHARES IN THE SHARE CAPITAL OF CHINA ENERSAVE LIMITED AT S\$0.165 FOR EACH PLACEMENT SHARE (THE "PLACEMENT")

1. INTRODUCTION

We refer to the announcement made by the Company on 16 June 2006, pursuant to which the Board of Directors (the "**Board**" or the "**Directors**") of China Enersave Limited (the "**Company**", and together with its subsidiaries, the "**Group**") announced that, *inter alia*, the Company proposes to raise additional capital by way of a placement (the "**Proposed Placement**") via the issue of new ordinary shares in the capital of the Company (the "**Shares**"). Capitalised terms used in this announcement shall, unless otherwise defined in this announcement, bear the same meanings used in the announcement dated 16 June 2006.

The Board is pleased to announce that the Company has, on 30 June 2006, entered into a placement agreement (the "**Placement Agreement**") with Kim Eng Securities Pte. Ltd. as placement agent for the Company ("**Kim Eng Securities**" or the "**Placement Agent**"). Pursuant to the Placement Agreement, the Company has agreed to allot and issue up to 406,000,000 Shares (the "**Placement Shares**" and each a "**Placement Share**") at S\$0.165 each (the "**Issue Price**"). In order to facilitate the Placement and in particular, the delivery of the Placement Shares to end-placées, Kim Eng Securities has agreed to procure subscribers on a non-underwritten "best efforts" basis, for the Placement Shares at the Issue Price of S\$0.165 for each Placement Share, raising up to an aggregate of up to S\$66.99 million (US\$42 million based on an exchange rate of US\$1.00 : S\$1.595) for the Placement Shares. On 16 June 2006, it was announced that the Company intended to raise US\$40 million (S\$63.44 million based on an exchange rate of US\$1.00 : S\$1.586). However, in view of the strong indicative interest shown by potential institutional investors/placées, the Company has decided to increase the amount of capital to be raised from the Placement to US\$42 million (S\$66.99 million).

The Issue Price represents a premium of approximately 1.85 per cent. (1.85%) to the weighted average price of the Shares of S\$0.1620 as traded on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 29 June 2006, being the preceding market day prior to the suspension of trading of the Shares on the SGX-ST.

The Placement Shares represent approximately 97.96 per cent. (97.96%) of the existing issued and paid-up share capital of the Company as at the date of this Announcement and prior to the issue of the Placement Shares.



2. ISSUE OF THE PLACEMENT SHARES

The Placement is conditional upon, *inter alia*, approval from the shareholders of the Company in respect of the allotment and issue of the Placement Shares at the Issue Price being obtained at an extraordinary general meeting to be convened, and receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Placement Shares on the Official List of the SGX-ST. The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares shortly. The Company will make the necessary announcement once the approval for the listing and quotation of the Placement Shares has been obtained.

An Offer Information Statement which complies as to form and content with the Sixteenth Schedule of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations has today been lodged with the Monetary Authority of Singapore.

The Placement Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares in the issued and paid-up share capital of the Company, except that they shall not rank for any rights, dividends, entitlements or other distributions (if any), the record date in respect of which falls on or prior to the date of issue of the Placement Shares.

The Placement Shares will not be issued to any of the persons listed in Rule 812(1)(a) to (d)¹ of the SGX-ST Listing Manual and will be in compliance with Rule 812 of the same.

3. USE OF PROCEEDS

The net proceeds of the Placement after deducting expenses pertaining thereto are estimated to be approximately S\$64 million (US\$40.13 million based on an exchange rate of US\$1.00 : S\$1.595). The Company intends to use the net proceeds of the Placement for:

- (a) an amount of approximately S\$55.51 million (US\$35 million) to satisfy the cash consideration payable in the proposed acquisition (the "**Proposed Acquisition**") of a 51% equity interest in Yima Jinjiang Energy Comprehensive Utilisation Company Limited (河南义马锦江能源综合利用有限公司) ("**Yima Jinjiang**") through the acquisition of the entire issued and paid-up capital of CE Henan (the "**Transaction**"); and

¹ Rule 812(1) of the Listing Manual states that an issue must not be placed to any of the following persons:

- (a) The Company's directors and substantial shareholders.
- (b) Immediate family members of the directors and substantial shareholders.
- (c) Substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the Company's substantial shareholders.
- (d) Corporations in whose shares the Company's directors and substantial shareholders have an aggregate interest of at least 10%.



- (b) the balance of the net proceeds will be used for working capital purposes and for acquisitions and investments in coal resources to supply Yima Jinjiang.

Further, pursuant to the Transaction, the Deposit in the sum of US\$1.75 million will be placed in the account of CE Henan, instead of an escrow agent which was the earlier arrangement as announced on 16 June 2006.

Pending the deployment of net proceeds as set out above, the net proceeds will be added to the Group's working capital and/or used for investment in short-term money market or debt instruments, as the Board may deem appropriate.

When completed, the Placement will increase the existing issued and paid-up share capital of the Company by approximately 97.96% per cent. from S\$62.73 million divided into 414,455,110 Shares as at the date of this Announcement to S\$129.72 million divided into 820,455,110 Shares. Based on the audited financial statements of the Group as at 31 December 2005, the Group's audited net tangible assets as at 31 December 2005 was S\$34.73 million. After adjusting for the issue of the Placement Shares, the Group's audited net tangible assets, as at 31 December 2005, would be S\$101.72 million.

4. FINANCIAL EFFECTS OF THE PLACEMENT

Assuming that the Placement was completed on 31 December 2005, the proforma financial effects of the Placement are as set out below. The proforma financial effects of the Proposed Placement are illustrated on the basis that the Proposed Placement will raise a total of S\$66.99 million by the issuance of 406,000,000 new Shares of the Company at the Issue Price of S\$0.165 each. The proforma financial effects are prepared based on the audited financial statements of the Company for the financial year ended 31 December 2005.

(a) Net Tangible Asset ("NTA") per Share

For illustration purposes only, the financial effects of the Placement on the consolidated NTA per Share of the Group for the financial year ended 31 December 2005 ("FY2005") would have been as follows:

	Before the Placement	After the Placement
Consolidated NTA attributable to the Shareholders of the Company (S\$'000)	34,734	101,724
Number of shares ('000)	224,852	630,852
Consolidated NTA per share attributable to the Shareholders of the Company (Singapore cents)	15.45	16.12



(b) Earnings per Share (“EPS”)

For illustration purposes only, the financial effects of the Placement on the EPS of the Group for FY2005 would have been as follows:

	Before the Placement		After the Placement	
	Basic	Fully Diluted	Basic	Fully Diluted
Consolidated profit after taxation and minority interests (S\$'000)	1,101	1,101	1,101	1,101
Weighted average number of shares ('000)	224,852	238,153	630,852	650,956
Consolidated EPS (Singapore cents)	0.49	0.46	0.17	0.17

The above financial effects are shown for illustrative purposes only and do not necessarily reflect the actual future financial position and prospects of the Company or its subsidiaries after the Placement.

5. INTEREST OF DIRECTORS AND SHAREHOLDERS

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Placement.

By Order of the Board

Tan Ching Chek
Company Secretary

30 June 2006

Singapore