

## **CHINA CDM EXCHANGE CENTRE LIMITED**

### **APPLICATION ANNOUNCEMENT**

The Directors of China CDM Exchange Centre Limited ("CCEC" or "the Company") are pleased to announce that the Company has applied for admission to PLUS under the Support Services classification. The expected date of first trading is 12 December 2006.

### **BUSINESS ACTIVITIES**

CCEC is a Jersey incorporated company providing brokerage, advisory and research services relating to the reduction of greenhouse gases ("GHGs") in Asia. It works with businesses and projects that generate carbon credits, and assists the project owner to identify buyers for, and sell on, those carbon credits.

In addition to providing advice to projects which generate carbon credits, CCEC also acts as an emissions broker and maintains its own carbon trading portfolio. It manages the only on-line platform for environmental commodity transactions in China.

The Company operates within the framework of the Clean Development Mechanism ("CDM") of the Kyoto Protocol, established under the auspices of the United Nations Framework Convention on Climate Change. The Protocol commits countries to reducing their emissions of GHGs by pre-determined amounts or compensate for maintained or higher GHGs emissions via emissions trading.

Currently, CCEC is working on 26 projects with aggregate annual CO<sub>2</sub> emissions of approximately 30 million tons.

CCEC's services cover strategy development, analysis, verification, legal and accounting advice, insurance and other professional services. Owing to its relationships with leading energy institutions, particularly Chinese power producers and Asian buyers of carbon credits, CCEC focuses on identifying buyers for larger-than-average CDM projects in China and negotiating CER purchase agreements on behalf of its clients.

As the world's second largest emitter of GHGs, China is expected to overtake the US in GHGs emissions by 2025 and become the major player in the global carbon market. To date China is the largest CDM seller and the target for many of the carbon credit funds created in the last 18 months seeking to buy carbon credits.

### **KEY ASPECTS**

- 26 secured contracts with aggregate annual CO<sub>2</sub> emissions of approximately 30 million tons providing stable and recurring cash flow;
- Established relationships with major Chinese power producers;
- Access to deal flow – clients include:
  - State Grid Corporation and China Southern Power Grid Corporation - ranked 40th and 316th in 2004 Global Fortune 500 in 2005
  - Other partners include GD Power Development Co., Ltd, China Yangtze Power Co. Ltd and CNOOC Gas & Power Ltd - leading companies in China energy sector;
  - Exclusive partnership with leading Asian buyers of GHGs emissions including Mitsui & Co. and Tokyo Electric Power Company;
- Managing the only online platform for environmental commodity transactions in China and working towards developing into a major emission trading scheme in Asia to serve as an exchange for climate commodities;
- President of the Company is also the Chairman of the Council for the Promotion of CDM, the only industrial association in China setting industrial standards for the CDM industry;
- Advisory Panel of leading and influential figures in government, industry and academic

circles including the former Ministers of the energy and power departments; and the former Vice Ministers of Water Resources in China; and

- Experienced team of transaction specialists
  - Local knowledge gives CCEC a competitive advantage over international firms
  - Understand the CDM market in China – opportunities, risks and major players
  - Able to deal with complex requirements and approval procedures.

## **THE MARKET**

According to the World Bank the global market in trading carbon dioxide has doubled in the past year with approximately US\$ 22 billion of carbon traded around the world in the first nine months of this year compared with just over \$10bn in the whole of 2005.

The market in trading carbon was created under the Kyoto Protocol on climate change, which requires developed nations to cut their GHGs by an average of 5 per cent relative to 1990 levels over the period 2008 – 2012. 161 countries (producing 61% of the developed world's emissions) have committed themselves to the protocol with only the US and Australia, among developed countries, have rejected the treaty.

Carbon credits are used to meet compliance targets under the Kyoto Protocol to reduce the effects of global warming. Rich countries may reach their reduction targets by funding the development of projects, such as wind farms or solar energy generation, that reduce emissions in developing countries such as China. This set up an international market in trading carbon credits generated by such projects.

China had a 63 per cent share of the market for selling credits in 2006. India generated 12 per cent of credits and Africa nearly 6 per cent. However, this market for buying and selling credits makes up only a small proportion of the total carbon market by value (approximately US\$ 3 billion to date in 2006). US\$ 19 billion was traded under the European Union's GHGs emissions trading scheme between January and October 2006. Under the EU scheme, companies in certain energy-intensive industries are issued with allowances for the amount of carbon dioxide they may emit. Companies wishing to emit more than their quota must buy allowances from cleaner companies which have cut their emissions leaving them with additional credits. This creates significant opportunities for the carbon credit market in China.

## **FINANCIAL RESULTS AND SHAREHOLDERS**

CCEC was incorporated in Jersey in October 2006 so has minimal trading to date.

Significant shareholders are:

Kang Zheng	53%
Liu Qingmei	18%
London Asia Chinese Private Equity Fund	10%
Sha Ying	5%
Dong Xiujuan	3%

The Directors of China CDM Exchange Centre Limited accept responsibility for this announcement.

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