



CHINA ENVIRONMENT LTD.
(Registration No.: 200301902W)

REPLY TO SGX QUERIES

The Board of Directors (the “**Board**”) of China Environment Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the Group’s announcement released to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 25 November 2016.

The following information is in response to SGX-ST’s queries dated 29 November 2016.

SGX Queries raised on 29 November 2016

It was disclosed in the announcement that:

- (i) Bank of China, the Lender, has filed a civil suit against the Company’s wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd (“ **FJDY**” and the “**Civil Suit**”) for the corporate guarantee of RMB20 million FJDY allegedly entered into for Bangbu Xingyuan Environmental Protection Technology Co., Ltd (“**BBXY**” and the “**Corporate Guarantee**”); and
- (ii) the Anhui Bangbu People’s Court has served an injunction on the Land and Property assets of FJDY, pending the outcome of the civil suit (“**Injunction**”). Under this Injunction, the Land and Property assets cannot be damaged, sold, pledged, transfer without the People’s Court approval. The People’s Court will hear the civil suit on 28 November 2016.

SGX Query 1

Please advise (a) background information of BBXY including details of the directors and shareholders; (b) details of the background leading to the provision of the corporate guarantee on bank loan of BBXY;

Company’s Response to SGX Query 1

(a) According to the information provided by the Group’s staff in China, the legal representative for BBXY is a PRC citizen named Chen Sheng, the shareholders for BBXY are Zhang Liangxin and Chen Xiaoping.

(b) This Corporate Guarantee was entered into for a RMB 20 million loan to BBXY from Bank of China.

The current Board is not aware of the circumstances leading to the provision of the Corporate Guarantee that was issued in June 2015.

SGX Query 2

Please advise particular of the Corporate Guarantee, including (a) date on which it was entered; (b) confirmation as to whether the then board of directors have approved the provision of the Corporate Guarantee (c) any recourse to FJDY in the event of the bank calling on the Corporate Guarantee;

Company's Response to SGX Query 2

(a) The Corporate Guarantee was entered into this 1 June 2015. Huang Min is the legal representative of FJDY at that time.

(b) The Company to the best of its knowledge is not aware of the then Board giving any approval for this Corporate Guarantee as we are not able to find any approval in the Board resolutions or the minutes of the Board meetings.

(c) The Company has informed its legal advisors on this Corporate Guarantee with a view to a possible rescission on the Corporate Guarantee amount.

SGX Query 3

Please advise as to whether the Company had disclosed the Corporate Guarantee in its financial results announcements via SGXNet and annual reports;

Company's Response to SGX Query 3

To the best of the Company's knowledge, this Corporate Guarantee was not disclosed previously by the then management.

SGX Query 4

Please advise whether BBXY was/is an interested person as defined under Listing Rule 904;

Company's Response to SGX Query 4

Based on the information as provided by the Group's staff, the current Board can only state that it would appear BBXY is not an interested person by virtue of its shareholders and legal representative as mentioned in Query 1 (a).

SGX Query 5

Please confirm if the Company had complied with the requirements under Chapter 9 of the Listing Manual in respect of the Corporate Guarantee if applicable;

Company's Response to SGX Query 5

As per reply to SGX Query 4, it would appear that BBXY is not an interested person by virtue of its shareholders and legal representative as defined under Listing Rule 904.

The Company had complied with the requirements under Chapter 9 of the Listing Manual in respect of the Corporate Guarantee.

SGX Query 6

Please advise (a) when was the Company served the notice of Civil Suit; (b) when was the notice of court hearing relating to the Civil Suit dated; and (c) when the court Injunction was dated and served; and

Company's Response to SGX Query 6

(a) The Company's notice of civil suit was served on 6 Nov 2016

(b) The company's notice of court hearing was dated 6 Nov 2016

(c) The court injunction was served on and dated 18 Nov 2016

SGX Query 7

Please advise what is the latest development of the Civil Suit after the hearing on 28 November 2016

Company's Response to SGX Query 7

The Judge has adjourned the hearing on 28 November 2016. The Court has asked both the plaintiff and defendant to try to resolve the matter out-of-court before going to trial,

The date of trial is tentatively adjourned to a date to be confirmed by the Court.

BY ORDER OF THE BOARD

China Environment Ltd.

Norman Winata
Executive Chairman
2 December 2016