



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

REPLY TO SGX QUERY

The Board of Directors (the “**Board**”) of China Environment Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 1 September 2016 (each, a “**SGX Query**”) as follows:

SGX Query 1

What actions have been taken by the Company (together with subsidiaries, the “Group”) to recover the trade receivables prior to provision of impairment allowance?

Company’s Response to SGX Query 1

The Group’s employees have to date liaise with the customers via tele-conversation to chase up on the outstanding receivables. Employees have also visited the offices of the customers whose receivables are overdue. Legal representation has also been made by the Group lawyers to the customers whose receivables are long outstanding.

SGX Query 2

What are the factors taken into consideration by the Board in determining the impairment allowance?

Company’s Response to SGX Query 2

The amounts have been overdue for more than 365 days, the customers have not responded to the actions taken by the company to recover the trade receivables prior to the provision of impairment allowance.

SGX Query 3

The Board’s elaboration on how it was satisfied with the actions taken by the management to recover the amounts impaired;

Company’s Response to SGX Query 3

The Board has been given a briefing by the management on the actions taken to recover the amounts impaired and is satisfied that management has to the best of their ability attempted recovery for the amounts impaired before approving the write-down

SGX Query 4

The Board's assessment of the reasonableness of the methodologies used to determine the amount of the impairment allowance;

Company's Response to SGX Query 4

The amount of the impairment allowance is based on the overdue amount outstanding for more than 365 number of days.

It is the Board assessment that this methodology for impairment is reasonable and in line with the Group's accounting policy

SGX Query 5

The Board's confirmation as to whether it had sought appropriate independent professional advice on the impairment;

Company's Response to SGX Query 5

The Company's management has sought professional advice from an accounting firm on the recognition of impairment loss. The Company has been advised that experienced judgement is used in any estimate for the amount of any impairment loss. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

SGX Query 6

Details of the composition of the special task force;

Company's Response to SGX Query 6

The special task force is composed of our Executive Chairman Norman Winata , Group CEO Huang Xin Zhi, General Manager Personal Assistant Huang Taotao

SGX Query 7

The Board's opinion as to whether the Company and/or the Group can continue as a going concern and the bases for such an opinion;

Company's Response to SGX Query 7

As of 30.06.2016, the Group current assets are greater than current liabilities after taking in impairment charge of RMB356 Million. The Group is also in the process of chasing up on overdue receivables and restructuring short-term borrowings, the Group suppliers have also not cease credit lines to our operations in china.

It is the Board's opinion that the Group will be able to pay its debts as and when they fall due and continue as a going concern

SGX Query 8

The aging analysis of (a) outstanding amount due from customers, and (b) the impaired trade receivables;

Company's Response to SGX Query 8

	Group 30.06.2016 RMB'000
Past due less than 30 days	25,039
Past due 30 days to 60 days	-
Past due 61 days to 90 days	-
Past due 91 days to 180 days	-
Past due 181 days to 365 days	284,123
Past due 365 days to 730 days	491,972
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	801,134
Less: impairment	(491,972)
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	309,162
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The impaired trade receivables is made up of RMB491,972,000 past due 365 days

SGX Query 9

Confirmation as to whether the Company and /or the Group are still trading with Anhui Shengyun mechanical Co. Ltd and Nanning Youji Technology Co. Ltd and if yes, measures put in place;

Company's Response to SGX Query 9

The Group is no longer trading with Anhui Shengyun Mechanical Co. Ltd and Nanning Youji Technology Co Ltd

The management in China have since tightened up credit control and credit risk assessment for all projects present and future.

SGX Query 10

Details of the contracts with Anhui Shengyun mechanical Co. Ltd and Nanning Youji Technology Co. Ltd for which the impairment allowance had been provided.

Company's Response to SGX Query 10

Anhui Shengyun mechanical Co. Ltd

Contract Value RMB	Project	Product
21,300,000	盛运-中国铝业中州分公司燃煤 锅炉	Electrostatic Precipitator

23,000,000	盛运-唐山三友热电有限公司	Electrostatic Precipitator
24,000,000	盛运中山火力发电有限公司	Electrostatic Precipitator

Nanning Youji Technology Co. Ltd

Contract Value RMB	Project	Product
16,400,000	南宁友济-福能集团福维股份有限公司	Electrostatic Precipitator
14,800,000	南宁友济-山东禹王生态食业有限公司	Electrostatic Precipitator
19,600,000	南宁友济-山东聊城瑞祥热电有限公司	Electrostatic Precipitator
24,100,000	南宁友济-山东省冶金设计院股份有限公司	Electrostatic Precipitator
24,000,000	南宁友济-凌源钢铁股份有限公司	Electrostatic Precipitator
23,800,000	南宁友济-南京钢铁有限公司三期	Electrostatic Precipitator
11,000,000	南宁友济-南京钢铁改造项目	Electrostatic Precipitator
23,600,000	南宁友济-青岛捷能电站工程有限公司	Electrostatic Precipitator
19,800,000	南宁友济-鲁丽集团有限公司热电厂	Electrostatic Precipitator
20,600,000	南宁友济-南钢1#机头除尘器	Electrostatic Precipitator
21,300,000	南宁友济-芜湖兆信炉料有限公司	Electrostatic Precipitator
17,600,000	南宁友济-陕西华电杨凌热电有限公司	Electrostatic Precipitator

SGX Query 11

Please confirm as to whether the trade receivables impaired are related to the sales invoices that could not be verified with the PRC local taxation authority's website by the former auditor Baker Tilly, as announced by the Company on 7 December 2015.

Company's Response to SGX Query 11

The trade receivables impaired are not related to the sales invoices that could not be verified with the PRC local taxation authority's website by the former auditor Baker Tilly, as announced by the Company on 7 December 2015

BY ORDER OF THE BOARD

China Environment Ltd.

Norman Winata
Executive Chairman
6 September 2016