



Securities Investors Association (Singapore)

Dialogue Session

with

Minority Shareholders

of

Sino-Environment Technology Group Limited

Tonight's Panel Members:

Mr David Gerald

(President / CEO, SIAS)

(Panel - Chairman)

Mr Goh Chee Wee

(Chairman of Audit Committee and Remuneration Committee
and member of Nomination Committee)

Mr Wong Chiang Yin

(Chairman of Nomination Committee and member of Audit
Committee)

Mr Nish Shetty

(Partner, Clifford Chance)

The Board of Sino Environment comprise of

Executive Directors (EDs)

Sun Jiangrong
(Chairman and CEO)

You Shengquan
(Acting CEO/COO)

Li Shouxin
(CTO)

Independent Directors (Ids)

Goh Chee Wee
(Chairman of Audit Committee and Remuneration Committee
and member of Nomination Committee)

Wong Chiang Yin
(Chairman of Nomination Committee and member of Audit
Committee)

中华环保科技集团

Sino-Environment Technology Group Ltd
(Sino-Env)

Singapore

中华环保清洁能源有限公司

Sino-Environment Clean
Power Technology Pte.
Ltd.
(Clean Power)

Singapore
(100%)

大拇指环保设备
(福建) 有限公司

Fujian Thumb
Environmental Facilities
Co., Ltd
(Fujian Facilities)

PRC
(100%)

大拇指环保科技集团
(福建) 有限公司

Thumb Env-Tech
Group (Fujian) Co., Ltd
(Fujian Thumb)

PRC
(100%)

中华环保废弃物管理
科技有限公司

Sino-Environment
Waste Management
Technology Pte. Ltd.
(Sino Waste)

Singapore
(100%)

福建卫东环保科技
有限公司

Fujian Weidong EPT Co.,
Ltd
(Fujian Weidong)

PRC
(100%)

创东能源环保科技(福
建) 有限公司

Chuang-Dong Energy &
Env-Tech (Fujian) Co.,
Ltd.
(Chuang-Dong)

PRC
(100%)

福建福大德塞环保产业
有限公司

Fujian Fuda Desai
Environmental Protection
Co., Ltd
(Fuda Desai)

PRC
(100%)

重庆大拇指环保工程
有限公司

Chongqing Thumb
Environmental
Engineering Co., Ltd
(Chongqing Thumb)

PRC
(100%)

龙岩市卫东工程环保有限公司
Fujian Weidong Environmental
Engineering Co., Ltd
(Fujian Engineering)

PRC
(100%)

大拇指固废环保科技(南平)
有限公司

Thumb Waste Management
Technology (Nanping) Co., Ltd.
(Nanping Waste)

PRC
(100%)

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Sino-Environment Group Business

The Group's business is split into the following main segments:

1. Industrial waste gas treatment, management and recovery of volatile organic compounds ("VOC"), in particular toluene
2. Dust elimination
3. Industrial waste gas treatment and management of sulphur dioxide (SO₂) and oxidised forms of nitrogen (NO_x) for independent power plants, in particular coal-fired power plants (desulphurisation and de- nitrogenation)
4. Industrial waste water treatment and management

Sino-Environment Group Business

The Listing

Sino-Environment Technology Group Limited was listed on the main board of Singapore Exchange Securities Trading Limited (SGX-ST) on 28 April 2006.

Last Financial Report

On 28 Feb 2009, the Company has reported their FY2008 financial results. At the point, the Company has a cash balance of RMB 727.8 mil. Since this Financial result announcement, the Company has not made any further announcement on the financial status of the Company.

Chronology of Events

1. Chairman, Sun Jiangrong, took a personal loan from Stark Investment ("Hedge Fund") on or about 2007, amounting to S\$120mil with a pledge of his full shareholding in Sino-Environment, which was 56% of the Company.
2. This personal loan commitment was defaulted somewhere in February/March 2009.
3. The default resulted in the Chairman losing his entire shareholding in Sino-Environment. Stark Investment enforced in blocks of the charge and sold the entire 56% gradually in the open market.
4. This loss of control of the Company by the Chairman through the enforcement by the Hedge Fund meant a possible default of the company's convertible bond, which will result in the redemption/conversion of S\$149mil.

Chronology of Events

5. Therefore, the Board appointed an independent financial adviser, NTan Corporate Advisory, to carry out a thorough and comprehensive review of the implications of the matters raised in the [5 March 2009 announcement] and to advise on the appropriate measures to be adopted by the Group to safeguard its assets, continue its operations smoothly and enhance values to all its stakeholders and to advise the Company in dealing with, *inter alia*, towards, the Bondholders.

6. To step up the controls of the assets, especially cash of the Company, the Audit Committee, sometime in April 2009, recommended to the Board that a special cash audit be conducted by the Statutory Auditors, PwC.

Chronology of Events

7. In April 2009, the then Chief Financial Controller, Mr David Tan, resigned from his position due to personal reasons. Mr Liang was asked by the Board to undertake equivalent duties in the Company. No steps were taken by the Company's management or the EDs to appoint a new Chief Financial Officer or to object to Mr Liang taking over the ex-Chief Financial Controller's duties. Mr Liang was the sole individual carrying out the duties of the former Chief Financial Officer. He was not only the Head of Finance of the Company but also served as the Financial Controller of Sino-Environment Clean Power Technology Pte Ltd.

Chronology of Events

8. Pursuant to para 3 above, there was a mass resignation of the China Executive Directors from their key Management positions on 5 May 2009. This is in spite of the fact that the Company was facing uncertainties due the above-mentioned events. However, at that juncture the IDs have yet to uncover any possible wrongdoings on the part of the EDs hence, the IDs requested that the EDs withdraw their resignation from the Company's Board. Even during the period of their resignation, they continued to control and run the Company's PRC subsidiaries and refused to return the Company's seals or authorize others to manage the Company's PRC bank accounts.

9. The EDs have not been co-operative with the IDs causing the IDs to resort to engaging solicitors (Wong Partnership LLC) to make the EDs respond to urgent matters of the Company creating doubts as to the intentions of the EDs.

Chronology of Events

10. The EDs did not respond but after many requests by the Audit Committee, sometime end July 2009, PwC was finally permitted and was allowed to conduct their independent review.

11. During the course of PwC's review, PwC faced numerous challenges in terms of obtaining required information and access to PRC banks. On 12 October 2009 the Independent Directors released an announcement stating that "in the course of the [PwC Review], [PwC] had identified certain questionable cash transactions and matters which may have a significant impact on the financial position of the Company. The Company has forwarded the findings of [PwC] to the relevant authorities in Singapore, including the Commercial Affairs Department, and the People's Republic of China.

12. At this point, IDs instructed Financial Controller, Mr Raynauld Liang, to assist the authorities with the investigation.

Chronology of Events

13. The Financial Controller, Mr Liang's, services was terminated on 10 November 2009, by the Acting CEO, Mr You Shengquan. The termination was not authorised by the Board and was a unilateral action taken by Mr You Shengquan, with the remaining EDs, Mr Sun Jiangrong and Prof. Li Shouxin, fully endorsing and supporting the termination. The IDs have taken the firm view that the termination of Mr Liang's services is improper as his service agreement with the Company clearly provides that only the Board can terminate his services and not any officer of the Company. The reasons given by Mr You Shengquan that Mr Liang's services was terminated for misconduct and breaches of duties as per the Announcement has been dismissed by the IDs as baseless, unjustified and not in the best interest of the Company. At no time has Mr You Shengquan nor any of the EDs given the evidence to support their claims.

Chronology of Events

14. The Independent Directors took the view that if the Executive Directors wish to effectively continue managing the Group's operation and finances, it was only appropriate for them to be accountable for their actions. The IDs have lost confidence in the EDs' motives and management in relation to the Company and its affairs. The manner in which the EDs have conducted themselves and their unwillingness to properly facilitate the PwC Review or implement steps proposed by the IDs to improve the safeguarding of the Company's assets lead the IDs to reiterate that it would be in the best interests of the Company and its stakeholders if the EDs were to immediately resign from all positions in the Board and the Company.

Chronology of Events

15. The above chronology shows that the EDs show scant regard to the notion of corporate governance. From, resigning en-masse from the Board while retaining control of PRC subsidiaries when the CEO lost his stake in the Company; to refusing to attend duly convened Board meetings; to refusing to cooperate and submit to PwC's special audit; to unilaterally trying to dismiss Mr Liang, who has only been trying to perform his duties in the best interest of the Company; to finally refusing to step down when PwC has uncovered evidence that might implicate the EDs.

16. In view of the state of affairs of the Company, the actions by the EDs to summarily dismiss the Financial Controller, who has been tasked by AC to assist in the investigation is a cause for concern for the shareholders.

Chronology of Events

17. It is the immediate concern of shareholders of the Company as to how the Company is able to safeguard the remaining assets of the Company and to ensure that their investments are protected.

18. To this end, several minority shareholders have approached SIAS and have requested for a meeting to discuss the current situation prevailing in this Company. SIAS will meet the minority shareholders of this Company and will assist them should they wish to proceed with an Extraordinary General Meeting to take any action that would advance their interest.

Conclusion

- You have the Executive directors (EDs) whose shares have been sold down and they have no interest in the Company anymore.
- The Chairman is fighting his creditors in China, Hong Kong and Singapore.
- The IDs have written to the EDs to step down a few times after June 09 as more facts and information became known to the IDs.
- For the Shareholders, you have a simple choice. You have a meeting today to discuss all these issues and the IDs are here to explain what has happened.
- The Company's account shows that it has a few hundred million R&D. Where is the money? Why has it not been used to pay off the bond holders?
- Company borrowed money about US\$60 - \$70MIL from the bond holders. Where has the money gone to?
- I expect the EDs to answer these questions.
- When the PWC report is release soon, we will know the truth. We are anxiously waiting for the report and I hope it will be made public.

David Gerald

President & CEO

SIAS