



SinoEnv

## SINO-ENVIRONMENT TECHNOLOGY GROUP LIMITED

(Incorporated in the Republic of Singapore on 2 October 2001)  
Company Registration Number 200106480Z

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### BOARD ADVISORY: CASH AND SPECIAL AUDITS

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Further to earlier Board Updates, the Board of Directors (“Board”) of Sino-Environment Technology Group Limited (“Sino-Environment” of the “Company” and collectively with its subsidiaries, the “Group”) wishes to advise that due to circumstances beyond its control, the Company is unable to facilitate the cash audit and special audit which PricewaterhouseCoopers LLP (“PWC”) was commissioned to conduct in year 2009.

#### Chronology of Events

Listed below is the chronology of events on this matter:-

#### ***February 19, 2010***

1. The Company decided to take steps to complete:-
  - (i) a cash audit to be undertaken by PWC;
  - (ii) a special audit on the Company’s affairs to be undertaken by PWC;  
and
  - (iii) due diligence on the four dumpsite projects identified in PWC’s Report announced on December 4, 2009.
  
2. In acknowledgement of the importance and urgency of the matters, the Company wrote to PWC on the same day to request for a list of outstanding matters (“list of OSM”) which needed to be addressed in order for PWC to proceed with the audit.

**February 24, 2010**

PWC reverted with the list of OSM.

**March 16, 2010**

The Company confirmed the Terms of Reference of the special audit to be conducted by PWC ("TOR").

**March 19, 2010**

1. The Board directed PWC to recommence the audit based on the approved TOR.
2. To facilitate commencement of the audit, the Company's management concurrently proceeded to locate the missing information and documents required by PWC as listed in the list of OSM.

**NB:**

*However, as a result of the resignations of a substantial number of staff in the China subsidiaries of the Company ("the China subsidiaries"), the process of locating outstanding information and documents was considerably impeded.*

**March 24, 2010**

PWC requested for authorisation letters ("the Authorisation letters") to obtain bank documents independently from the relevant banks and for these Authorisation letters to be provided separately from the rest of the collation exercise.

**March 26, 2010**

In an attempt to expedite matters, the Company's Chief Strategy Officer/Admin Manager ("the Manager") flew to Fuzhou, China to personally oversee and participate in the effort to locate and collate the outstanding information and documents.

Due to the constraints of the China operations and the Company's limited resources, the Manager focused on securing the Authorisation letters and securing the S\$14

million then held in the account of China Energy Environment (Holdings) Limited, one of the Group's China subsidiaries.

**April 6, 2010**

The Company provided PWC with one Authorisation letter for a newly-opened bank account with Xiamen International Bank, Shanghai branch. (This bank account is the account to which S\$14 million has been transferred, and for which the Company's CEO is one of the signatories.)

**NB:**

*The Manager had difficulties confirming the signatories for the Group's other bank accounts as there was lack of information due to the resignations of the former staff of the China subsidiaries who were privy to such information. Those former staff and possible bank signatories could not be located by the Manager.*

*The Manager could not get any of the remaining employees of the China subsidiaries to assist in locating those former staff.*

**April 9, 2010**

The Manager returned to Singapore and updated the Board on her findings from the trip.

**NB:**

*The Company's CEO subsequently spoke to Sino-Environment's former Executive Chairman and CEO, Mr Sun Jiangrong to request for his assistance in identifying and locating the bank signatories of the China subsidiaries' other bank accounts in China. He did not provide any assistance.*

***April 16, 2010***

1. Board meeting convened to review the situation.
2. The Board decided to appoint Beijing-based law firm, Tian Yuan Law Firm (“TYLF”) to commence procedures to secure the rights of the Board to appoint new bank signatories for the relevant bank accounts, legal representatives and directors for all the Group’s China subsidiaries. When this is completed, the new bank signatories, who will be representatives of the Company, will be able to sign the Authorisation letters for PWC to commence work on the two audits.
3. TYLF was also tasked to advise on the pro-active steps and legal processes involved to regain management control of the China subsidiaries and to pursue wrongdoings in the Company, if any.

***April 17, 2010***

The Company duly instructed TYLF to undertake the above.

***April 20, 2010***

1. TYLF reverted with a proposal and requested the Company to deposit RMB150,000 into their account before they commence work.
2. TYLF also verbally informed the Company that the work is expected to take between one to two years to complete.

***April 29, 2010***

The company reverted to TYLF to advise that the indicated timeline to complete the required tasks is unacceptable and asked TYLF to look for alternatives to shorten the process.

**Other Pressing Issues**

The Board would like to advise that while it was working relentlessly to carry out the above audits, the Company has also been stretching its thin resources to resolve

other pressing issues in order to safeguard shareholders' interest and to restore value to the Company.

Other pressing issues that the Company had to address include a cost reduction exercise, securing the Company's cash and other assets in China, addressing the concerns of other stakeholders including bondholders and minority shareholders and restructuring to facilitate potential new investments through a reverse takeover.

Following the reconstitution of the Sino-Environment Board in January, the Board appointed a Chief Executive Officer on February 10, 2010 to meet the critical need for an Executive Director to manage the multiple issues faced by the Company and to drive the recovery of value to the Company. It should be noted that the above work, amongst others, were achieved in 85 calendar days since the Company appointed its CEO, of which 10 days were during the Chinese New Year holidays when all work in China had practically ceased.

### **Going Forward**

Meanwhile, the Board is considering all options, including formal insolvency proceedings. The Board wishes to assure all the Company's stakeholders that any decision taken will be in the best interest of stakeholders and announcements on any material developments will be made on a timely basis.

**By Order of the Board**

**Sam Chong Keen**  
**Chief Executive Officer**

May 5, 2010