

Issuer: ecoWise Holdings Limited
Security: ecoWise Holdings Limited

Meeting details:

Date: 28 February 2017

Time: 15:30H

Venue: 17 Kallang Junction, #04-03, Singapore 339274

Company Description

ecoWise Holdings Limited, an investment holding company, provides resource recovery, renewable energy, and integrated environmental solutions in Singapore, Malaysia, Australia, the People's Republic of China, and internationally. Its Renewable Energy segment designs, builds, and operates biomass co-generation systems; generates and sells power; and provides services related to the applications of heat. This segment operates two biomass co-generation projects in Singapore. The company's Resource Recovery segment is involved in processing, recycling, and repurposing waste and salvageable materials into various products for industrial applications, such as washed copper slag, compost, and retreaded tires. Its Integrated Environmental Management Solutions segment offers resource management and integrated environmental engineering solutions for industrial waste and energy management comprising designing, optimizing, engineering, procuring, fabricating, commissioning, managing, and maintaining waste and energy management facilities. The company also provides general waste management services; processes, procures, deals in, and trades in rubberized related goods; researches and develops environmental and clean technologies; and develops and commercializes ecology solutions. In addition, it offers environmental consultancy solutions; project services; and investment consultancy and management services. Further, the company engages in generating and selling electricity, heat, and steam; trading new and retread tires and related rubberized products; producing, trading, and consulting services related to biomass products; and retreading tires. ecoWise Holdings Limited was founded in 1979 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5CT)

Q1. The resource recovery segment is by far the largest segment of the group, accounting for more than 80% of the group's total revenue (\$46.1 million out of \$56.9 million). In particular, the sales of rubberised products contributed \$40.8 million in revenue (Note 4: Financial information by operating segments – page 100 of the annual report).

The group's wholly-owned subsidiary, Sunrich Resources Sdn. Bhd. ("SRR" and together with its subsidiaries, the "SRR Group") is one of Malaysia's largest rubber compounder and tyre retreader and SRR would have contributed most, if not all, of the \$40.8 million in revenue for 2016.

- a) **Could shareholders get more visibility into the operational and financial performance of SRR? For instance, shareholders would like to understand the market share, the product mix and revenue split, the sub-segment margins and growth drivers.**
- b) **Does SRR hold the intellectual property to the specialty epoxidised natural rubber compound known as Ekoprena (page 18)? What is the potential of Ekoprena? What are the possible applications of Suntex-Ekoprena tyres and what are the potential growth markets?**

Q2. In the renewable energy segment, the group has two biomass co-generation power plants in Singapore. The segmental revenue from "Renewable energy" (page 101) dipped from \$11.4 million to \$10.2 million and the segment results dropped from a profit of \$1.3 million in 2015 to a loss of (\$0.5) million in 2016. The gross profit margin for the segment dropped from 23% in 2015 to 10% in 2016.

- a) In the Business overview (page 17), it was disclosed that the operations at the Sungei Kadut plant has been optimised and the number of ISO tankers have grown 9.8% year on year. The plant located at Gardens by the Bay remains "to be one of the more profitable projects" (Business Overview – page 16). **Can the group elaborate on the challenges in the renewable energy segment that caused the profit margin to drop in 2016? Can the group help shareholders understand how the segment reported a loss of (\$0.5) million?**
- b) **Given that the Sungei Kadut plant is well-established (since 2004) and that the other plant is operating under a 15 year Design, Build and Operate Agreement, what are the pro-active measures the group can take to turn-around the segment?**
- c) **Can the group scale up the renewable energy segment (particularly biomass co-generation plants) in Singapore? What are the long term prospects of biomass co-generation plants in Singapore?**
- d) In China, after a lapse of 5 years, the group has decided to carry out retrofitting works for both the Changyi biomass power plant and the Wuhan coal to biomass power plant.
 - i. **What are the reasons that led the group to restart the China renewable energy business?**
 - ii. **What is the expected capital expenditure for the two PRC power plants? How is the group going to fund this?**
 - iii. The group has on 26 September 2016 commenced legal proceedings against the Engineering, Procurement and Construction ("EPC") contractor for its failure to perform the EPC contract in relation to the construction of the plant (page 133). The Changyi plant was designed to be a 2 x 12 megawatts biomass co-generation power plant. **Can shareholders know what is the current state of the Changyi plant?**

Q3. In the Corporate Governance report, under Guideline 2.1 - Composition of Independent Non-Executive Directors on the Board (page 48), it was disclosed that:

“Our Executive Director, Mr Low Kian Beng, and our Independent Non-Executive Director, Mr Ng Cher Yan, have expressed their intention to retire at the forthcoming AGM. Following the retirement of Mr Low Kian Beng and Mr Ng Cher Yan, the Board (assuming Mr Lee Thiam Seng and Miss Pok Mee Yau are re-elected and, elected respectively) will comprise of one (1) Executive Director and two (2) Independent Non-Executive Directors. The requirement that Independent Non-Executive Directors are to make up at least half of the Board will still be fulfilled. However, it should be noted that following the aforementioned retirements, the Company will not be in compliance with the Code with regard to the composition of its Board and its various Board committees. Additionally, the Company’s Audit committee will not be in compliance with the Singapore Companies Act, Chapter 50. The Company is in the process of reconstituting its Board and Board committees and will update its shareholders in due course.”

On page 40, the company had also disclosed that following the resignation of an Independent director on 2 June 2016, “sometime(sic) was expended to find a suitable candidate” and a new independent director was only formally appointed on 19 August 2016.

- a) **What is the search and nomination process for non-executive directors?**
- b) **As Mr Ng Cher Yan is also the Chairman of the Nominating committee, would his impending retirement from the board and nominating committee further delay the search and nomination process for new directors?**
- c) **With the impending retirements of Mr Low and Mr Ng, the company’s Audit committee will not be in compliance with the Singapore Companies Act, Chapter 50 and the company will not be in compliance with the Corporate Governance Code with regard to the composition of its Board and its various Board committees. Can the NC reveal in greater detail the board’s succession plans for directors, including the Chairman and the CEO?**