

Issuer: ecoWise Holdings Limited

Security: ecoWise Holdings Limited

Meeting details:

Date: 28 February 2018

Time: 10.30 a.m.

Venue: 311 Neo Tiew Crescent Singapore 718818

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)

1. The Financial highlights (on page 9 of the annual report) show that the group's results have been mixed since FY2013. Revenue has dropped from \$80.0 million to \$56.1 million and gross profit has dropped from \$18.4 million to \$10.9 million. The group was profitable in two of the last five financial years and the cumulative loss attributable to owners of the company since FY2013 is \$(6.3) million.

Equity attributable to owners of the company has dropped from \$53.5 million in FY2013 to \$42.4 million in FY2017.

An extract of the financial highlights is reproduced and shown below:

FINANCIAL RESULTS (\$'000)	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Revenue	56,052	56,941	63,120	73,004	80,023
Gross Profit	10,900	11,460	14,015	15,745	18,416
Profit/(loss) before income tax	(422)	(1,791)	1,559	(8,960)	2,823
Profit/(loss) after income tax	(29)	(1,811)	904	(10,019)	1,854
Non-controlling Interest	210	56	294	(3,283)	(45)
Profit/(loss) attributable to Owners of the Company	(239)	(1,867)	610	(6,736)	1,899

RATIOS	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Current ratio (times)	1.14	1.34	1.51	1.38	1.02
Return on Equity, Attributable to Owners of the Company (%) *	(0.56)	(4.37)	1.36	(14.45)	3.55
Return on assets (%) *	(0.27)	(2.23)	0.69	(6.44)	1.57
Basic earnings/(loss) per shares (cents)	(0.02)	(0.20)	0.07	(0.73)	0.21
Net assets value per share (cents)	4.43	4.48	4.71	5.03	5.77

* In calculating return on Equity, Attributable to Owners of the Parent and return on assets, profit/(loss) attributable to owners of the company has been used.

(Source: Company annual report)

The group has operations in resource recovery, renewable energy and integrated environmental management solutions in Singapore, Malaysia, Australia, China and other countries. Even within a segment like resource recovery, the group is involved in diverse industries/products such as washed copper slag, compost and retreaded tyres. The group is also going into new areas like development of aqua-culture feed, development of eco-tech park and investment in carbon credit related projects.

- (i) **With the new management in place since FY2016, can the company help shareholders understand how it is able to manage and run so many new projects at the same time, in different countries/cities, with each project having its own technological, operational and legal/jurisdiction challenges?**
- (ii) **With the ROE and ROA below 4% and 2% respectively since FY2013, what are management's strategies to improve profitability of the group and to capture more value for shareholders?**
- (iii) **How can the group create greater synergies among its operations to allow the group to generate more value?**

- (iv) **What is the board’s guidance to management on capital allocation? How does the company balance out the need to seize growth opportunities and the risk of spreading out the group’s human and financial resources too thinly?**
- (v) **Can the company list down the major projects that will drive the group’s profitability in the new financial year?**

2. In addition, the group has disposed of certain associates/subsidiaries and, at the same time, acquire more interests in certain associates/subsidiaries of the group.

For instance, the remaining equity interests in Hivern Investments Pte Ltd, Ecogreen Products and Services Sdn Bhd, ecoWise Technologists and Engineers Pte. Ltd. and Winner Suntex Sdn Bhd were acquired in 2015 and the remaining equity interests in ecoWise Materials Pte. Ltd. were acquired in 2017. On the other hand, the group sold its 15% shares in Chongqing Zhongtian Electronic Waste Management Co. Ltd in March 2017 and the group’s investment in ecoWise Energy Pte Ltd and Wuhan ecoWise Energy Co. Ltd. are to be sold.

- (i) **Would the board provide shareholders with an update on the strategic direction of the group? Can the board elaborate further on how it had determined which subsidiaries/associates to retain and which to divest?**
- (ii) **Is the restructuring complete? How will the restructuring improve the group’s profitability?**
- (iii) **In addition, should China Huadian Engineering Co., Ltd deliver the CEBEC biomass plant in June 2018, what are managements’ plans for CEBEC/Hivern? Is the group looking to run the biomass plant? And if so, what other capital expenditure is required for the biomass plant?**

3. As disclosed on page 37 of the annual report (Corporate Governance – Guideline 4.4: Directors’ Time Commitment), the company has stated that it recognised that a director’s ability to commit time to the group’s affairs is essential for his contribution and performance and thus nominating committee has determined that the maximum number of listed company board representations which any director of the company may hold is six.

The company further disclosed that all the directors except Mr Er Kwong Wah have complied with the above. Mr Er Kwong Wah currently sits on the board of seven listed companies.

Mr Er Kwong Wah is also the company’s Lead Independent Director, a member of the audit committee and the remuneration committee and the Chairman of the Nominating Committee. Mr Er was appointed to the board on 3 July 2017 and is seeking election as a director of the company at the company’s 2018 Annual General Meeting on 28 February 2018.

An extract of Mr Er’s profile showing his present and past directorships is reproduced below:

Present Directorships (as at 31 October 2017):

COSCO Shipping International (S) Ltd,
CFM Holdings Ltd, The Place Holdings Ltd,
GKE Corporation Ltd, China Environment Ltd,
China Sky Chemical Fiber Co., Ltd

Past Directorships in listed companies held over the preceding 3 years (from 1 Nov 2014 to 31 Oct 2017):

China Oilfield Technology Services Group Ltd,
Success Dragon International Holdings Ltd.

(Source: Company annual report)

- (i) **Can the nominating committee help shareholders understand how it had assessed that Mr Er is able to commit enough time and energy to the company's affair and can duly discharge his responsibilities as a director of the company?**
- (ii) **Can the nominating committee (NC) confirm that Mr Er Kwong Wah (as chairman of the NC) has recused himself from the NC's deliberation of his ability to commit time to the affairs of the company and duly discharge his responsibilities as a director of the company?**
- (iii) **Would Mr Er Kwong Wah re-consider his time commitment and comply with the company's policy that the maximum number of listed company board representations which any director of the company may hold is six?**

A copy of the questions for the Annual Report for the financial year ended 31 October 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=ecoWise%20Holdings%20Ltd>

The company's response could be found here: -----