



ECOWISE HOLDINGS LIMITED
(Company Registration No.200209835C)

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) AND A SHAREHOLDER ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2021

The board of directors (the “**Board**” or the “**Directors**”) of ecoWise Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the annual report of the Company for the financial year ended 31 October 2021 (the “**Annual Report 2021**”) published on SGXNet on 15 May 2022. The Board would like to provide its response to the questions raised by Securities Investors Association (Singapore) (“**SIAS**”) and a shareholder as follows:

QUESTIONS FROM SIAS

Q1:

- (i) **Can management provide, for shareholders’ benefit, an update on the status of all the main operating businesses in the group? It has been more than 6 months since the last update for the reporting period (31 October 2021).**

Company’s response:

Set out is the status update of our operations in Singapore, Malaysia and China:

Singapore

- (a) *Our operations in Singapore are in working order and function; and*
(b) *We continue to assess, repair and make improvements to various aspects of the biomass plant and related operations.*

Malaysia

- (a) *Our Malaysian operations are also in working order and function.*
(b) *We continue to undertake repairs and retrofitting of equipment in our Malaysian operations to gradually increase production capacity and sales;*
(c) *We are in discussion with the various banks in Malaysia with whom we have banking facilities on overdue payments and payments coming due with a view to entering into appropriate workout agreements with them. To this end, we have made payments to partially settle overdue amounts and in some cases, we are working to re-activate certain banking facilities that have been frozen by the banks concerned;*
(d) *Maybank Malaysia has issued a further demand letter, on 23 May 2022, for the repayment within 7 days of approximately RM12m owing by 2 subsidiaries in Malaysia as at 30 April 2022. Management and Rodgers Reidy & Co, the Company’s financial adviser (“**Financial Adviser**”) have arranged to discuss the matter with Maybank Malaysia on 3 June 2022. The Financial Adviser is confident that Maybank Malaysia will be willing to restructure the terms of repayment of these amounts owing; and*
(e) *The Company will update shareholders as and when there are material developments on our negotiations with the banks.*

People's Republic of China

- (a) Our operations in the People's Republic of China ("PRC") have been halted because the tyre re-treading operations have been transferred to Malaysia whilst the Changyi Enersave Biomass to Energy Co., Ltd ("CEBEC") plant remains non-operational; and
- (b) We intend to monetise the assets of CEBEC and investment in China-UK Low Carbon Enterprise Co., Ltd.

- (ii) **Given the disputes and changes at the board level, how had this impacted the effectiveness of the board in leading and providing direction for the group? Do the business units have the necessary resources (financial and human capital) to execute on their strategies?**

Company's response:

With the resignation of Mr Cao Shixuan (Executive Director and Deputy CEO) on 13 April 2022, Mr Lee Thiam Seng is overseeing the Group's operations as Executive Director and Chairman. Mr. Lee has the support of Independent Directors, from diverse background with many years of experience in the accounting and legal professions, managing businesses in a range of industries, corporate development and mergers and acquisitions. The Group has also, in April 2022, appointed Mr Steven Gan Seng Poe to oversee the Group's operations in Malaysia.

The Company's Financial Adviser will soon complete their independent business review and position assessments of our key subsidiaries in Malaysia and will advise the Board in due course on the longer-term viability of various aspects of the Group's business in Malaysia.

The Board is also working out potential funding for the Group which includes temporary loans from third parties and/or existing substantial shareholders as well as restructuring of existing banking facilities with the various banks to put the Group in a more stable financial position to carry on its businesses and to execute its strategies.

- (iii) **Other than the on-going internal audit being carried out by Ernst & Young Advisory Pte. Ltd., are there any other outstanding matters from the NOC by SGX RegCo? If so, what are they?**

Company's response:

As announced by Company on 11 May 2022, Ernst & Young Advisory Pte. Ltd ("EY") has been instructed to carry out an expanded scope of internal audit (the "Expanded Internal Audit") which is mainly in relation to issues raised by the independent auditor, RSM Chio Lim LLP ("RSM") in their independent auditor's report dated 11 May 2022 on the audited consolidated financial statements of the Group and the Company for 1HFY2021.

Other than the Expanded Internal Audit to be carried out by EY and the subsequent follow-up of the significant findings highlighted in EY's and RSM's reports, the Company is not aware of any other outstanding matters under the Notice of Compliance issued by the SGX RegCo on 25 June 2021 ("NOC").

- (iv) **How is the company ensuring the cooperation of the former directors and key executives in the internal audit by EY?**

Company's response:

The Company has reached out to former Directors and key executives for their cooperation. While former Director(s) has till date been cooperative, the Company will seek external advice (if necessary) to ensure the cooperation of all former Directors and key executives if the need arises.

- (v) **When does the board expect the internal audit by EY to be completed?**

Company's response:

As set out in the Company's announcement dated 11 May 2022, the work on the Expanded Internal Audit is expected to take about 3 months. The Company will update shareholders as and when there are material developments and when the Company is able to provide more details of the Expanded Internal Audit.

- (vi) **What are the milestones before the company is ready to submit a trading resumption proposal to SGX-ST?**

Company's response:

The Company believes that it will only be able to submit a trading resumption proposal to the SGX-ST after the Expanded Internal Audit has been completed and the issues which resulted in the disclaimer of opinion by RSM in their independent auditor's reports on the audited consolidated financial statements of the Group and the Company for 1HFY2021 and FY2021 have been adequately addressed, subject to any other conditions that may be imposed by the SGX RegCo. The Company will update shareholders as and when there are material developments on this matter.

Q2.

- (i) **Separation of Chairman and CEO role: Have the independent directors, especially the nominating committee, reviewed the roles of chairman and CEO and considered the benefit of having separate persons for the roles of the chairman and CEO, as required by Provision 3.1 of the Code of corporate governance 2018? Given Mr Lee Thiam Seng's role on 15 June 2021 and his dispute with the former deputy CEO, has the board considered it good governance to appoint an independent chairman to give shareholders greater assurance on the independence of the chairman in decision-making?**

Company's response:

As set out in the "Corporate Governance" section of the Company's annual report for FY2021, the Board (including the Independent Directors) is of the view that with Mr Lee's extensive knowledge and experience in the waste management, resource recovery and biomass energy business in the region, it is more effective for him to guide the Board in discussions on the issues and challenges faced by the Group in its business operations.

As regards the independence of the Chairman in decision making, the Company wishes to highlight that the Board now comprises 5 Independent Directors and 1 Executive Director. As such, there is a strong element of independence on the Board. Each Independent Director has contributed to decision making of the Board in an independent manner since their respective appointments. Further, Mr. Tham Chee Soon was appointed Lead Independent Director as recommended by the Code of Corporate Governance 2018.

- (ii) **Bank confirmation: Three banks did not respond to the requests for confirmations of bank balances, assets held as security, guarantees, commitments, contingencies and other arrangements, if any, of subsidiaries in Malaysia as of 31 October 2021. The cash balances and borrowings recorded by the subsidiaries amounted to RM1,290,000 (approximately \$418,000) and RM17,134,000 (approximately \$5,558,000) respectively as at 31 October 2021. Can management disclose the identities of the subsidiaries and the banks? What are the reasons that the auditors have not been able to obtain the bank confirmations? What is the audit committee (AC)'s view of the matter and how would the board/AC address and resolve this issue?**

Company's response:

There were two Malaysian local banks from which RSM did not receive the bank confirmation replies. For these banks, all bank statements and other documents such as loan agreements were provided to RSM to enable them to perform alternative audit procedures. The Company has followed up with these banks but unfortunately the replies were not received prior to the signing of the audited financial statements. Moving forward, the audit committee has advised

management to work closely with the banks and ensure that sufficient time is given for the banks to respond to such bank confirmation requests.

- (iii) **Breach of loan agreement terms:** The group is in negotiation with its lender (Al Rajhi Banking & Investment Corporation (Malaysia) Bhd) following the breach of the loan agreement terms. Separately, the group has also received letter of demands from Affin Bank Berhad and Malayan Banking Berhad (page 141). As of 25 March 2022, total overdue payments to the banks were approximately RM9,096,000 (approximately \$3,000,000). What options are available to the group to resolve the breach and make good the overdue payments?

Company's response:

As set out in our response in Q1(i), discussion with the banks in Malaysia on overdue payments and payments coming due are on-going. The subsidiaries in Malaysia have resumed making part repayments to the banks to demonstrate a commitment to settle overdue amounts and are working to re-activate certain frozen banking facilities. Subject to further discussion with Maybank Malaysia on 3 June 2022 on the matter of their demand letter received on 23 May 2022, the banks are quite receptive with the Company's proposals. The Company will update shareholders as and when there are material developments on our negotiations with the banks.

- (iv) **Working capital:** Given the unsettled debts from the bank, how does the group ensure that it has sufficient working capital to fund its operations?

Company's response:

As set out in our response to Q1(ii), the Board is looking into various potential funding opportunities, which include temporary loans from third parties and/or existing substantial shareholders and restructuring of existing banking facilities with the various banks. The Group also plans to monetise non-core assets in Singapore, Malaysia and the PRC which will include recovering the assets of CEBEC and the proceeds from the liquidation of China-UK Low Carbon Enterprise Co., Ltd.

- (v) **China Huadian Engineering Co., Ltd, ("Hua Dian"):** Despite the group being successful in securing the arbitral award against Hua Dian in 2017, Hua Dian failed to deliver a plant in accordance with the technical specifications within 6 months from 23 December 2017. This recoverability of the carrying amount of the 24 MW biomass co-generation power plant (the "CEBEC Plant") located in Changyi, Shandong Province was highlighted by SIAS as early as February 2019 at the 2019 AGM. As at 31 October 2021, the carrying values of CEBEC Plant and land use rights were RMB10,800,000 (approximately \$2,300,000) and RMB5,421,000 (approximately \$1,100,000) respectively. What are the options available to the group given that there has been no progress made in the past years despite winning the arbitration in 2017? What is the current (financial and operational) status of Hua Dian? Has management tried to look for a buyer for the biomass co-generation power plant? How assured is the board/management that the carrying values of the CEBEC Plant (RMB10.8 million) and the land use rights (RMB5.4 million) will not be further impaired?

Company's response:

As set out in our response to Q1(i), the Group plans to monetise the assets of CEBEC.

We are unable to comment on the current (financial and operational) status of Hua Dian as it is a third-party company and not related to our Group.

In relation to the carrying values of the CEBEC plant and land use rights, these valuations are based on professional valuers' reports which were subject to audit procedures performed by RSM. Nevertheless, there can be no assurance that the carrying values of the CEBEC Plant and the land use rights will not be impaired in the future.

- (vi) **Given the existence of material uncertainties which may cast significant doubt on the ability of the group to continue as going concerns (pages 65 & 66 – Independent auditor’s report; pages 76 & 77 - Note 1 Material uncertainties related to going concern), has the board considered it necessary to seek protection from the group’s creditors and to appoint a judicial manager for the company and/or its Malaysian subsidiaries?**

Company’s response:

As set out in our response in Q1(ii), the Company has appointed Rodgers Reidy & Co. as its financial adviser in respect of its subsidiaries in Malaysia to perform independent business review and position assessments as well as to advise the Board on the longer-term viability of various aspects of the Group’s business in Malaysia. The Financial Adviser is also assisting the Company in discussion with the banks in Malaysia on overdue payments and payments coming due are on-going. The subsidiaries in Malaysia have resumed making part repayments to the banks to demonstrate a commitment to settle overdue amounts and are working to re-activate certain frozen banking facilities. Subject to further discussion with Maybank Malaysia on 3 June 2022 on the matter of their demand letter received on 23 May 2022, the banks are quite receptive with our proposals.

Further, the board is looking into various potential funding opportunities, which include shareholders’ loans and restructuring of existing loans to provide the Group with the added assurance of available funding in the near to mid-term.

In view of the foregoing, the Directors believe that currently, it is not necessary to seek protection from the Group’s creditors or appoint a judicial manager for the Company and/or its Malaysian subsidiaries.

The Directors will continue to assess the situation and will take the necessary actions in the best interest of the Company and shareholders. The Company will continue to update shareholders of material developments in a timely manner.

Q3.

- (i) **Given that the group reported a \$(7.0) million loss for the financial year ended 31 October 2021 and is faced with \$3.0 million in unsettled (overdue) bank debt, how does the board and/or the remuneration committee justify the increase in FY2022 directors’ fees from \$145,000 to \$323,000?**

Company’s response:

Each of the Independent Directors who have been appointed since September 2021 have come on board on agreed terms to ensure the terms of the NOC are complied with and to lead and guide the Company to a better and more stable future. Further, the Company wishes to clarify that the increase in directors’ fees was due mainly to the increase in the number of Independent Directors on the Board compared to FY2021.

- (ii) **Given the current unfavourable financial position of the group, has the board considered paying the directors’ fees (or part of it) in shares? Doing so would improve the alignment of the directors’ interest with shareholders’ interest.**

Company’s response:

The directors’ fees are currently paid in cash as the trading of the Company’s shares has been suspended. The Directors will consider receiving directors’ fees in shares in lieu of cash when the Company’s shares resume trading on the SGX-ST.

QUESTION FROM SHAREHOLDER

- Q4. When will the suspended shares be listed?**

Company’s response:

Please refer to reply to question 1(vi) above.

The shares in the Company have been suspended from trading on the Singapore Exchange Securities Trading Limited since 18 June 2021. Shareholders and potential investors of the Company are advised to read this announcement and further announcements by the Company carefully. In the event of any doubt, shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

26 May 2022

This announcement has been prepared by ecoWise Holdings Limited ("**Company**") and its contents have been reviewed by the Company's sponsor, W Capital Markets Pte. Ltd. ("**Sponsor**").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Chia Beng Kwan, Registered Professional, W Capital Markets Pte. Ltd., at 65 Chulia Street, #43-01, OCBC Centre, Singapore 049513, telephone (65) 6513 3541