

**ecoWise Holdings Limited**

## **Executive Summary**

**28 March 2024**

**Private & Confidential**

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This Executive Summary should be read in context of the relevant reports, its limitations, exhibits and appendices. It does not stand alone, but rather provides a summary of the key findings and observations from these reports.

## 1. BACKGROUND

1. ecoWise Holdings Limited (the “Company” or “EWH”) is a public limited company domiciled and incorporated in Singapore. It is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX”).
2. On 25 June 2021, Singapore Exchange Regulation (“SGX RegCo”) issued a Notice of Compliance (“NOC”) to the Company, highlighting certain significant events and corporate governance concerns. The matters noted in the NOC relate to the following:
  - (a) Mr. Lee Thiam Seng (“Mr. Lee”), Chief Executive Officer (“CEO”) and Executive Chairman of the Company, did not approve the release of the Company’s financial results for the first half of the financial year ended 30 April 2021 (“1H FY2021”) due to insufficient information provided to him.
  - (b) Mr. Lee requested for more information on the following transactions (collectively “the Transactions”)
    - Status update on Changyi Enersave Biomass Energy Co. Ltd.’s (“CEBEC”) ongoing arbitration with China Hua Dian Engineering Co., Ltd. (“Hua Dian”), a contractor engaged by EWH’s group of companies (“ecoWise Group” or the “Group”), for failure to perform the Engineering, Procurement and Construction (“EPC”) Contract as agreed between the parties (the “Arbitration”).
    - Status of the liquidation of China-UK Low Carbon Enterprise Co. Ltd. (“CULCEC”), a company which one of the Company’s wholly owned subsidiaries has 20% equity interest (the “Liquidation”).
    - Information on the disposal of Saiko Rubber (Malaysia) Sdn Bhd (“Saiko”) (the “Saiko Disposal”) and the use of disposal proceeds (the “Saiko Proceeds”).
  - (c) The Company’s announcements on 22 and 25 June 2021 stated that Mr. Lee had engaged Stone Forest IT Pte Ltd (“SFIT”) to secure and restrict access to the Company’s information technology (“IT”) servers.
  - (d) Disclosure by the Company that certain matters had come to the attention of the EWH’s Board of Directors (“Board”) about the management of EWH, and the timing and sufficiency of material information being provided by the management team to the Board. The members of the Board at the time of the NOC were Mr. Lee, Mr. Cao Shixuan (“Mr. Cao”) and Mr. Er Kwong Wah (“Mr. Er”).
  - (e) Resignation of two independent directors (“ID”) from the Company<sup>1</sup>.

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<sup>1</sup> Mr. Hew Koon Chan (“Mr. Hew”) and Mr. Tan Wei Shyan (“Mr. Tan”) resigned on 4 and 7 May 2021 respectively.

3. The Company was instructed to appoint an independent professional to assess the adequacy of its controls which corresponded to the events and governance issues identified. On 27 August 2021, Ernst & Young Advisory Pte. Ltd. (“EY” or “we” or “us”) was engaged by the Company to conduct a review of the key areas highlighted in the NOC, including the adequacy and effectiveness of financial reporting internal controls, release of announcements, escalation and information flow to the Board and safeguarding of the Company’s assets (the “Internal Review”). Unless otherwise mentioned, the period of the Internal Review is from 1 November 2019 to 31 July 2021 (“Review Period”).
4. On 11 May 2022, the Company announced its 2021 half-year financial results (“HY2021 Results”) in which its statutory auditors, RSM Chio Lim LLP (“RSM”), issued a disclaimer of opinion (“Audit Opinion”). Some of the reasons supporting the Audit Opinion are:
  - (a) a lack of sufficient and appropriate evidence on the service agreements entered by the Company’s subsidiary, Chongqing ecoWise Investment Management Co., Ltd (“CQEIM”) with a company named Hong Kong Chenbang Investment Limited (“HKCB”) for the management of CQEIM’s properties in China (collectively known as “Service Agreements”);
  - (b) non-disclosure of related party relationships, transactions, and balances in relation to HKCB and its shareholder, a Mr. Chen with certain personnel of the Company; and
  - (c) a lack of evidence regarding two wholly owned subsidiaries registered in the People’s Republic of China (“PRC”), namely Wuhan Lvke Huajing Enterprise Management Co., Ltd (“Wuhan Lvke”) and Chongqing Lvke Huajing Enterprise Management Consulting Co., Ltd. (“Chongqing Lvke”) (collectively known as the “PRC Entities<sup>2</sup>”), which were disposed by the Group in January 2019.
5. On 1 August 2022, at SGX Regco’s instructions, the Company instructed us to expand the scope of the Internal Review to analyse the following areas (the “Expanded Scope”):
  - (a) The Service Agreements between CQEIM and HKCB;
  - (b) Disclosures of potential related party relationships, transactions, and balances between the Group, HKCB, Mr. Chen, Chen Bang Energy Pte. Ltd. (“CBE”, formerly known as ecoWise Energy Pte Ltd), as well as the PRC Entities; and
  - (c) Incorporation of the PRC Entities and its impact on the Group’s financial results during the relevant period.

The period of review for the Expanded Scope is from 1 January 2017 to 30 April 2022.

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<sup>2</sup> The most recent names of Wuhan Lvke and Chongqing Lvke are Wuhan Fubang Enterprise Management Co., Ltd and Chongqing Bangchen Enterprise Management Consulting Co., Ltd respectively.

## 2. SUMMARY OF SCOPE OF WORK FOR INTERNAL REVIEW AND EXPANDED SCOPE

6. Our scope of work for the Internal Review and Expanded Scope is summarised below:

### Internal Review

7. Conduct discussions with the relevant personnel of the Company to understand the circumstances and key concerns raised in relation to the financial results for 1H FY2021.
8. Obtain an understanding of the current internal controls, policies, and procedures, with respect to financial reporting, preparation and release of SGX announcements, information flow to the Board and the safeguarding of assets. This includes conducting interviews with relevant personnel and analysing available policies and procedures to assess existence and identify weaknesses or lapses, if any.
9. Obtain an understanding of the Transactions through interviews with relevant individuals and reading of relevant supporting documents. Provide an account of the background of the Transactions, circumstances leading to the Arbitration, Liquidation, the Saiko Disposal (including use of Saiko Proceeds), status of the Arbitration and Liquidation, and any relevant developments.
10. Where relevant, assess if significant events or matters had been reported to the Board in a timely and accurate manner and where applicable, announced on SGXnet as required under the Catalyst Rules and internal policies and procedures.
11. Check that payments from 28 June 2021 were approved in accordance with the interim safeguards as announced by the Company.

### Expanded Scope

12. Obtain an understanding of the circumstances surrounding CQEIM's purchase and disposal of the following properties (collectively known as "CQEIM Properties"):
  - an office unit located at Unit #16-5 Fortune Centre, No.2 Fortune Avenue, Yubei District, Chongqing (重庆渝北区财富大道 2 号 16-5) ("Office Unit") and,
  - a factory located at No. 41-17, Zhenhua Road, Shapingba District, Chongqing (重庆沙坪坝区振华路 41 号附 17 号) ("Factory").
13. Obtain an understanding and assess:
  - the background of the Service Agreements entered between CQEIM and HKCB with respect to the latter's appointment, due diligence procedures on HKCB prior to its appointment, HKCB's responsibilities, and rationale for the leaseback of the CQEIM Properties,
  - selection of valuers for the CQEIM Properties, assumptions used in valuations and basis for determining the selling prices, and
  - HKCB's effort to dispose CQEIM Properties.

14. Assess if proceeds from the disposal of CQEIM Properties were received in accordance with the terms and conditions of the respective Sales and Purchase Agreement ("SPA")(s) and the amount outstanding, if any.
15. Perform checks to:
  - (a) Identify the new owners of the CQEIM Properties and check their association, if any, with the company's executives or any substantial shareholders of the company,
  - (b) Identify the involvement of the Company's senior management in CBE at the time of the Service Agreements and sale of CQEIM Properties and,
  - (c) Identify relationships between HKCB (and/or Mr. Chen), if any, with senior management personnel of the Group.
16. Identify the circumstances, business rationale and approvals surrounding the incorporation of the PRC Entities. Establish if the PRC Entities had any transactions and/or activities since incorporation/acquisition and whether the Group had provided any working capital or loans to the PRC Entities. Quantify, to the extent possible, whether the Group's results during the relevant period had been materially misstated as a result of the unconsolidated PRC Entities.
17. Undertake digital forensics procedures on devices used by relevant key individuals. Perform targeted keyword searches and review procedures with respect to the scope of work to identify relevant correspondences/ documents.

Internal Review and Expanded Scope

18. For both Internal Review and Expanded Scope, identify potential breaches to the Catalist Rules, regulations and laws; and parties involved in the events related to the potential breaches. Identify weaknesses or lapses in internal controls relevant to the scope and propose appropriate recommendations.

### 3. SUMMARY OF KEY WORK PROCEDURES

#### 19. With respect to the Internal Review,

- (a) We commenced our work on 17 September 2021 and substantially completed our fieldwork by 23 December 2021. Subsequent to the completion of our field work and on an ad-hoc basis up to 10 March 2022, additional information was received from the Company. Additional clarification interviews were conducted in 2023 as well.
- (b) The procedures performed included conducting interviews with relevant personnel; understanding relevant internal controls, policies, and procedures; conducting background research; analysing books and records; and review of relevant documents.

#### 20. With respect to the Expanded Scope,

- (a) We commenced our work for the Expanded Scope on 1 August 2022 and substantially completed our work on 14 April 2023. The procedures performed included analysing books and records; review of relevant documents; conducting background research; acquiring forensics images of devices; performing electronically stored information (“ESI”) review; and conducting interviews with relevant personnel.
- (b) We performed digital forensics procedures on the laptops issued by the Company to Mr. Cao and Mr. Ivan Lye, former Assistant Group Financial Controller and former Company Secretary (“Mr. Lye”).
- (c) Mr. Lee provided us with a hard disk containing a copy of the Group’s server data (“SFIT Backup”) which was preserved by SFIT on 15 June 2021. We conducted targeted keyword searches in the SFIT Backup to identify information of relevance such as cashbook listings, management accounts of the China subsidiaries and associates, which we relied on for our analysis<sup>3</sup>.
- (d) The Key Individuals and transactional documentation relevant to the Expanded Scope were mostly unavailable. We have therefore relied on documents identified from our ESI review and certain documents<sup>4</sup> provided during the Internal Review as they contained clarification on some areas of the Expanded Scope.

#### 21. Please note that unless otherwise indicated, amounts used in this Executive Summary are rounded to the nearest Singapore dollar (“SGD”). Where documents have indicated amounts in currencies other than SGD and did not provide the exchange rate, we have converted them to SGD based on the

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<sup>3</sup> We are unable to assess the completeness and accuracy of the data contained in the SFIT Backup. We are also unable to confirm whether the data returned from our keyword searches represents the full population of the transactions as there could be relevant transactions that do not contain the keywords used.

<sup>4</sup> (i) A Word document sent by Mr. Lye sent on 2 February 2022 containing Company management team’s clarification in response to our draft Interim Report (“Clarifications to EY”)

(ii) An email from Mr. Lye to the former Audit Committee (“AC”) Chairman, Mr. Tham Chee Soon (“Mr. Tham”) on 7 February 2022 that contained further clarifications on questions raised by Mr. Tham on our draft Interim Report (“Clarifications to Mr. Tham”)

(iii) A Word document from Mr. Cao to SGX Regco on 10 March 2022 that contained clarifications from the Company management team in response to RSM’s draft HY2021 Results (“Clarifications to SGX Regco”).

average historical exchange rate published by the Monetary Authority of Singapore between 1 January 2017 to 14 April 2022. The following exchange rates are used throughout this Executive Summary:

- 3.06 Malaysian Ringgit ("MYR")/SGD
- 0.73 United States Dollars ("USD")/SGD
- 4.96 Chinese Yuan ("CNY")/ SGD

22. For amounts indicated in million dollars, the amounts are rounded to the nearest SGD 10,000. Due to rounding, there could be minor differences in the computed numbers.

23. Maxwellisation procedures<sup>5</sup> were performed, and we have received replies from all except from the IT Manager based in Malaysia. We have incorporated the responses of the Maxwellisation procedures where appropriate.

24. Please refer to Annexure 1 for:

- (a) List of Key Individuals relevant to Expanded Scope,
- (b) Historical and current names of relevant entities renamed during the review period.

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<sup>5</sup> In the context of our work, the Maxwellisation procedures refer to the process whereby individuals whom we have quoted in this Executive Summary are given the opportunity to read the relevant sections of the report, comment, correct and confirm the information attributed to them and on the way in which the information is presented.



#### 4. SPECIFIC LIMITING CONDITIONS AND CONSTRAINTS

25. On 2 February 2022, we received a letter dated 30 January 2022 containing a disclaimer from the Company:

*“We would like to inform all documents and information provided are solely for internal discussion purposes. The management gives no warranty and accepts no responsibility or liability for the accuracy and completeness of the documents and information submitted. Under no circumstances will the management be held responsible or liable in any way for any claims, damages, losses, expenses, costs or liabilities whatsoever resulting or arising directly or indirectly from your use and disclosure of the information and documents”<sup>6</sup>.*

The letter was signed off by “ecoWise Holdings Limited” and does not bear any personnel names. There is no indication of the personnel representing “*management*” referred to in the letter<sup>7</sup>.

It is important to note that our work is based on documentation, information and representations provided by the Company/ Group, including clarifications obtained during the Maxwellisation procedures. Accordingly, the disclaimer in the Company letter dated 30 January 2022 may have a significant impact on our observations and findings.

26. The Executive Summary contains information gathered from public databases (such as the Accounting and Corporate Regulatory (“ACRA”) website), third party vendors and public websites in the period of our fieldwork. Given the nature of such information, it is difficult to confirm the accuracy and/or completeness of the information obtained.
27. With regards to the Expanded Scope,
- a. A majority of key documents and data that we had requested for and are important to our work were not available. This included accounting ledgers of the China subsidiaries and associates; bank statements and supporting documents for key periods of review.
  - b. We do not have access to the books and records of the PRC Entities.
  - c. Mr. Cao’s and Mr. Lye’s laptops contained limited number of emails that pertained to our review period under the Expanded Scope, and this could have an impact on the availability of data for review.
    - Our analysis shows that Mr. Cao’s laptop contained approximately 2,700 emails and standalone user documents (approximately 0.6GB of data) of which 391 pertained to “Sent” and “Received” emails; whilst Mr. Lye’s laptop had approximately 62,000 electronic documents (approximately 11.06GB of data) of which 7,038 pertains to “Sent” and “Received” emails.
    - Our analysis of Mr. Cao’s mailbox shows that emails prior to 1 April 2022 accounted for approximately 18% of the total email count, with the remaining 82% of his emails (321 out of

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<sup>6</sup> Letter signed off and stamped by “ecoWise Holdings Limited”.

<sup>7</sup> Mr. Lye explained that “The content of the letter is standard disclaimer statement that help minimise the company’s legal liability and risks, which I believe most established companies will have similar statements when providing information to 3<sup>rd</sup> parties unless some particular parties intend to get the Company exposes into such risk.” He further explained that management felt that it was necessary to protect the interest of the Company and its staff.

391 email items) dated April 2022.

- Our analysis of Mr. Lye's mailbox shows that 82% of his emails (5,806 out of 7,038 email items) were in the period of November 2021 to March 2022. Months between March 2017 to December 2020 contains no more than nine email items each month, while months between April to October 2021 contains no more than 41 emails items each month.

28. Please also note the following specific limitations with regards to the Internal Review:

- (a) We did not perform digital forensics procedures on computers or servers of the Company during the Internal Review. Emails referenced for the Internal Review had been provided by the Group and not independently obtained.
- (b) It is not within our scope to do a detailed assessment of the Company's IT infrastructure and security controls.

29. We had requested for all the minutes of Board and AC meetings from 1 January 2017 to 31 December 2021. However, we understand that the Company did not retain a complete set of these minutes and had obtained the historical copies from their current corporate secretary. Accordingly, the minutes provided to us may not be complete.

30. There are individuals whom we consider to be relevant to our Expanded Scope ("Key Individuals") who were no longer in employment with the Group when we commenced our work. In particular, we consider Mr. Cao to be a key source of information to address most of the areas under review as he was the legal representative and/or the Executive Director of the PRC Entities at different periods; and Mr. Cao supposedly oversaw the operations in China.

- (a) We contacted Mr. Cao on 27 March 2023 to request for an interview. He rejected our request and proposed that we email our questions to him as he was unavailable to meet us. We shared a written questionnaire with him on 14 April 2023 to obtain clarification on our preliminary findings of the Expanded Scope. On 19 May 2023, Mr. Cao responded to our questionnaire via email:

*"In view that I have relinquished all my roles in ecoWise and its subsidiaries more than a year ago and I do not hold any documents and digital devices from ecoWise and its subsidiaries anymore. I am unable to provide you with all details on your 300 questions, but my brief answers to all the questions are as follows: 1. All major decisions were made and approved by the Board of Directors. 2. All transactions in Malaysia, China and Singapore were completed with all payment recovered. ecoWise did not lose a single cent. 3. If you need more details on the transactions, please refer to the documents and record kept by ecoWise."*

- (b) Mr. Lye and Ms. Carol Zhang ("Ms. Zhang")<sup>8</sup> did not respond to our and/or EWH's requests for interviews.

- (c) Mr. Wu Yong Zhi ("Mr. Wu")<sup>9</sup> was uncontactable as the Company did not have his contact details.

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<sup>8</sup> Ms. Zhang was the former Financial Controller & Chief Human Resource/Admin Officer, China Region and a former EWH consultant.

<sup>9</sup> Mr. Wu was the former Assistant Financial Controller, Central and North China Region.

As we were unable to speak with the Key Individuals, we were unable to obtain information/clarity on matters related to a significant part of our scope. If we had been able to speak with these individuals, we may have further information with respect to our observations and findings.

Please also refer to Section 9 for our General Limitations and Constraints.

## 5. HIGHLIGHTS OF SIGNIFICANT FINDINGS AND OBSERVATIONS

This section sets out a high-level overview of our significant findings and observations. Further details of these significant findings and observations are elaborated in the next section.

31. It appears that certain key matters of the Transactions were not reported to the Board, including updates on the Arbitration; incorporation and acquisition of companies in China and the plan to liquidate CULCEC. There were also instances where updates to the Board were either unclear or inaccurate.
32. Announcements on SGXnet were not made for certain key matters. We understand from Mr. Lye that it generally seeks advice from the sponsors of the Company to advise on matters that require announcements. That being said, we learnt from Stamford Capital Pte Ltd ("Stamford") and ZICO Capital Pte Ltd ("ZICO Capital") (collectively known as "Former Sponsors"), that they were not aware of certain matters and therefore were unable to advise the Company accordingly. We understand from one of the Former Sponsors that if they had been made aware of these events, they would have advised the Company to make the necessary announcements. Such matters include the acquisition of Chongqing Lvke and incorporation of Wuhan Lvke in 2017.
33. HKCB was involved in three transactions with EWH, namely the acquisition of the Company's subsidiaries ecoWise Energy Pte Ltd ("EWE") and Wuhan ecoWise Energy ("WEE") in 2019; the management/disposal of CQEIM Properties and the failed acquisition of a stake in CULCEC by HKCB in 2020. In this period, there were business connections between Mr. Cao and Mr. Chen. Based on the documents provided to us, we did not find evidence to show that Mr. Cao had disclosed these business connections to the Board at the material times of the three transactions. Information gathered by us in the course of our work did not reveal any familial relationships between Mr. Cao and Mr. Chen.
34. In his Clarifications to SGX Regco, Mr. Cao stated that HKCB was appointed to manage and dispose the CQEIM Properties because CQEIM had failed to find buyers despite efforts made over a few months, and that HKCB had the connections to secure the disposal of the properties. We were not provided with and also did not find evidence to support the efforts made by CQEIM, nor evidence that due diligence procedures were conducted to assess the capabilities of HKCB prior to its appointment.
35. We were not provided with and did not identify from the ESI the SPA for the sale of the CQEIM Properties. As such, we are unable to determine the actual selling prices of the CQEIM Properties. We have assumed that the CQEIM Properties were sold at the minimum disposal prices stated in the Service Agreements. In the Clarifications to SGX Regco, Mr. Cao said that the prices were based on valuation reports issued by professional valuers. However, the valuers appear to have been appointed after the appointment of HKCB and after title deeds were transferred to the new owners, which raises questions as to whether the disposal prices were indeed based on the valuation reports.
36. CQEIM Properties were transferred to their new owners shortly after HKCB was appointed. Copies of the title deeds provided to us do not show the full names of the new owners. We were unable to proceed with formal enquires with the China government agencies for information on the current owners due to the lack of official CQEIM company documents. Our analysis revealed that one of the individuals appointed by HKCB to pay for the CQEIM Properties could be a former employee of the Group. Another payer of the CQEIM Properties is a company that was registered on 12 November 2021, and it was a wholly owned indirect subsidiary of CBE (formerly EWE) and HKCB. At this time, Mr. Cao and Mr. Lye were both directors of CBE.

37. Based on the information available to us, it appears that there could still be monies due from HKCB/new owners of the CQEIM Properties as of October 2021. Given that HKCB was dissolved on 3 March 2023, the Company should consider seeking legal advice to recover the monies due if they are still outstanding.
38. Based on publicly available reports, Wuhan Lvke was incorporated in July 2017 as an indirect subsidiary of the Company under ecoWise Solutions Pte Ltd (“EWS”). Our analysis of available financial data of EWS did not show outflows to incorporate this entity. Wuhan Lvke was deregistered on 1 December 2022. It does not appear that there were transactions between Wuhan Lvke and the Group prior to its deregistration. Public corporate profile of Wuhan Lvke shows that its principal activities relate to “*enterprise management*”; we are unable to obtain further information on its operations and activities from the date of incorporation till 2018. A third-party credit report suggests that Wuhan Lvke was not operationally active from 2019 to 2021<sup>10</sup>.
39. Chongqing Lvke was acquired by CQEIM in July 2017 and ceased to be part of the Group on 24 January 2019. It was deregistered on 2 December 2020. Our analysis of available financial data of CQEIM did not show funds outflows to acquire this entity. There were however transactions between Chongqing Lvke and the Group after the former was no longer part of the Group. Based on available information, it appears that CQEIM had a net cash inflow of RMB 550,000 from its transactions with Chongqing Lvke. We do not have the supporting documents to comment on the nature of the transactions (*note: both inflows and outflows*).
40. With respect to the approval for incorporating and/or acquiring the PRC Entities, minutes of a Board meeting show that the idea of incorporating a new entity for carbon trading was discussed, but we did not see further discussions and/or approval on the same. Publicly available information shows that Mr. Cao was the first legal representative of Chongqing Lvke and Executive Director of Wuhan Lvke after their respective acquisition/incorporation. Mr. Cao and Mr. Chen were at different points in time, the legal representatives of the PRC Entities prior to January 2019.
41. We further noted that an employee of Chongqing eco-CTIG Rubber Technology Co. Ltd (“CECRT”), current indirect subsidiary<sup>11</sup> of the Group, was also an employee of the PRC Entities between 2017 and January 2019. A document provided to us suggests that there was an arrangement in 2017 between HKCB/Mr. Chen and EWH to allow HKCB to appoint their employees as the legal representative and shareholder of the PRC Entities, even though HKCB had no direct relationship with the PRC Entities at the time the document was issued.
42. Certain key control lapses were noted during our review, including instances where payment amounts were split to circumvent the existing Delegation of Approval (“DOA”) matrix to supposedly expedite the payment process; insufficient documentation to support payment; no documented policies on matters that require company announcement; no formalized policy on nature/ type of matters that should be escalated to the Board; lack of oversight over certain entities and poor data retention practices of the Company.

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<sup>10</sup> The specific months were not stated in the credit report.

<sup>11</sup> The Group acquired the remaining 35% equity interest of CECRT on 28 May 2021. CECRT was previously jointly controlled by EWH’s wholly owned subsidiary, ecoWise RubberTech Pte Ltd and Chongqing Municipal Transport Development and Investment (Group) Co., Ltd.

## 6. SUMMARY OF SIGNIFICANT FINDINGS AND OBSERVATIONS

### 6.1 Information Flow to the Board and Company Announcements

43. The Company does not have stipulated guidelines or documented policy to govern the type of issues/ matters that should be reported and/ or approved by the Board. There were differing views on the approval limits on transactions that require Board's approval. Some former members of the Board believed that transactions above SGD 1 million should be reported to and approved by the Board; whilst certain former members of the Board said that there are no stipulated thresholds.
44. With respect to the Transactions, documented minutes of Board and AC meetings did not mention certain key events. Accordingly, it is possible that the Board and AC members might not have been updated on these key events. Based on our review of meeting minutes and interviews with the former Board members, there were also instances where matters concerning the Transactions were unclear or inaccurate.
45. With respect to making company announcements, there are no guidelines/ documented policies on the nature of transactions/ events that require company announcements to be made. We understand from Mr. Lye that the Company would generally seek the advice of the Sponsors on matters that are required to be announced.
46. We understand from Stamford<sup>12</sup> that Mr. Lee and Mr. Cao would visit its office to discuss key matters and Stamford would advise the Company accordingly. Mr. Lye said that ZICO Capital<sup>13</sup> would advise the Company during the Board meetings, or via emails for significant matters that happened outside of Board meetings.
47. We noted that there were events which were not announced on SGXnet. We understand from the Former Sponsors that they were not always made aware of events, and therefore could not advise the Company accordingly.

### 6.2 Key concerns regarding the financial results for 1HFY2021

48. The unaudited financial results for 1HFY2021 released on SGXnet<sup>14</sup> were not approved by Mr. Lee. Mr. Lee said he did not approve the release of financial results as there were no AC members to review the financial results after the resignation of Mr. Hew and Mr. Tan. He also personally needed more time to go through the financial results. Particularly, he said he was not provided with sufficient information on long outstanding queries on the Transactions. His concerns on the Transactions that may impact the financial results were:
- (a) Arbitration: The cost and liability arising from the legal fees of the arbitration incurred were not made available to him, and he did not note these expenses in the financial results.
  - (b) Liquidation: He was not updated on the identity of the liquidator and the progress of the CULCEC liquidation.

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<sup>12</sup> Stamford was the Company's Catalyst Sponsor from 5 October 2015 to 10 September 2019.

<sup>13</sup> ZICO Capital was the Company's Catalyst Sponsor from 11 September 2019 to 29 July 2021.

<sup>14</sup> We have sampled two other periods of financial results and the Board had approved them prior to release.

- (c) Saiko Disposal: In his view, the disposal proceeds were utilised too quickly. The proceeds of MYR 18 million were received on 23 April 2021. Management of EWH reported in the Board meeting on 11 June 2021 that the proceeds had been fully utilised. He noted that SGD 900,000 of the proceeds was used to make tax payments in China. Mr. Lee said he did not note any tax liabilities provided in the financial results. Mr. Lee further explained that Mr. Cao was aware that China businesses were winding up and no monies should be transferred to any China entities<sup>15</sup>.
49. We noted from the Board meeting minutes dated 31 May 2021 that Mr. Er and Mr. Lee voiced their discomfort with the financial results. Mr. Cao suggested that the Company engaged RSM to “audit” the financial results.
50. The Company entered into an agreement<sup>16</sup> with RSM on 7 June 2021 to perform Agreed Upon Procedures (“AUP”) with a focus on the Saiko Disposal<sup>17</sup> and the accuracy of computation of percentages/ ratios, earnings per share and net assets per share. Mr. Lye explained that the focus of the AUP was on the Saiko Disposal as it was the only non-routine transaction in the period, and that the scope of work was proposed by RSM. The scope does not appear to cover Mr. Lee’s concerns<sup>18</sup>.
51. Mr. Lye explained that although Mr. Cao had suggested to the Board an audit of the 1HFY2021 financial results, the directors would understand that an audit would not have been possible given the short turnaround time (approximately two weeks prior to release of results). Accordingly, although the word “audit” was used, it was not an audit.
52. Board meeting minutes dated 11 June 2021 show that RSM had completed their work and that the “results were accurate”. Mr. Lye explained he had reported that the financial results were “accurate” as RSM did not suggest any changes to the financials in the unaudited draft financial results announcement<sup>19</sup>.
53. At the Board meeting on 11 June 2021, Mr. Lee and Mr. Er requested for a written confirmation from RSM on the results of their “audit”. The Board members unanimously agreed they would release these results on or prior to 14 June 2021, upon written receipt of confirmation from RSM that they have reviewed the financial results.
54. After the Board meeting on the same day, in response to the Board members’ request for a written confirmation, Mr Lye sent RSM’s comments on the draft financial results announcement and the AUP engagement letter to Mr. Lee, Mr. Er and Mr. Cao. Mr. Er approved the release of the 1HFY2021 financial results thereafter.
55. On 12 June 2021, Mr. Lee instructed Mr. Cao, Mr. Er, Mr. Lye and ZICO Capital via email not to release

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<sup>15</sup> We are unable to verify Mr. Lee’s representation that there was instruction/ directive that monies should not be transferred to China entities from Board meeting minutes and interviews conducted.

<sup>16</sup> Accepted and signed by Mr. Cao.

<sup>17</sup> Based on the AUP engagement letter, the scope of work includes obtaining the SPA, Saiko’s management accounts, computation of gain on disposal, cash flow effect and consolidation entries for the disposal of Saiko in determining whether the interim financial statements are compliant with SGX Catalist Rules.

<sup>18</sup> The 31 May 2021 board meeting minutes stated that Mr. Lee does not want to discuss about the financial results without the appointment of independent directors, given that Mr. Er is not comfortable with signing off on the results. It does not explicitly state whether Mr. Lee had told the Company about his concerns.

<sup>19</sup> RSM emailed Mr. Lye their comments to the unaudited financial results announcement on 10 June 2021. Comments from RSM include addition of the word “unaudited”, changes to account name description and additions to notes to the results. We did not see any apparent amendments made to the figures recorded.

the results until further instructions from him. Mr. Lee did not give reasons for his instruction in the email. We noted from subsequent email correspondences on 13 June 2021 that Mr. Cao did not agree with Mr. Lee and replied that the Company should comply with its duties and obligations and release the results. Email correspondences provided to us also show that the Company's external legal counsel and ZICO Capital had advised them to release the results if the majority of the directors agreed to the release, and also to be compliant with the Catalist Rules.

56. Mr. Lye said that since he had received majority approval from the Board (namely Mr. Cao and Mr. Er) and the support of ZICO Capital and the lawyers, he proceeded to release the financial results on SGXnet on 14 June 2021.

### **6.3 Compliance with interim safeguards for payments made from 28 June 2021**

57. We were instructed to check if payments made from 28 June 2021 were made in accordance with the interim safeguards announced on SGXnet. These interim safeguards require all payments to be approved by the entire Board after the review of supporting documents.

58. We selected our samples from the period of 28 June 2021 to 30 September 2021. We have observations on 24 out of 63 samples that appear to be non-compliant with the safeguards announced:

- (a) Five intercompany transfers were not approved by the Board. Mr. Lye explained that the Board did not require such transfers to be approved as the funds remained in the Group. We are unable to independently verify this as no documented instructions were provided.
- (b) 14 instances where payments were made before all approvals were obtained<sup>20</sup>. Reasons cited for the non-compliance include auto deduction for loan payments or urgent payments for vendors who would have claimed bank guarantee if they did not receive payments.
- (c) Two instances where the names of payees provided in the payment listing to the Board are different from the actual payees<sup>21</sup>.
- (d) Three samples<sup>22</sup> where no or insufficient supporting documents were provided to us and accordingly, we are unable to determine the nature of the payment and if the goods were received.

### **6.4 Status of the Group's Ongoing Arbitration Against Hua Dian**

59. CEBEC, a wholly owned subsidiary of EWH, initiated arbitration proceedings against Hua Dian on 19 September 2016 for building a powerplant that according to CEBEC, did not meet the contract specifications and caused delays.

60. The arbitration process took place over several years, and a summary of the key developments is set out below:

- (a) CEBEC won the arbitration in December 2017 and Hua Dian was instructed to handover a qualified

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<sup>20</sup> Of the 14 instances, eight instances relate to transactions where approvals were obtained after payments were made (includes purchase of tires and rubber, legal fee and food), four had no evidence of approval (Banker Acceptance ("BA") and property loan) and two payments were not approved by all the directors (legal fee and purchase of rubber).

<sup>21</sup> The two instances relate to purchases of food ingredients for staff canteen.

<sup>22</sup> The transactions pertain to the payments without clear description of nature, and a purchase of rubber tyres.



powerplant to CEBEC within six months of the verdict, and to pay CNY 18.8 million to CEBEC as liquidated damages. This was announced on SGXnet on 15 January 2018.

- (b) In July 2018, CEBEC filed an enforcement application with the Beijing No. 2 Intermediate People's Court to obtain an execution order on the arbitration award.
- (c) Hua Dian subsequently filed an appeal against the execution order in January 2019 and court ruled in favour of Hua Dian on 24 May 2019.
- (d) CEBEC appealed against the court judgement on the same day of the verdict (i.e., 24 May 2019) and the court ruled against CEBEC in December 2019.
- (e) CEBEC filed a second arbitration application at Weifang Arbitration court in May 2020, which was rejected in March 2021.

61. From the Board minutes analysed, Hua Dian's January 2019 appeal and the May 2019 court judgement ruling in favour of Hua Dian (paragraph 60(c)) were not mentioned. Board meeting minutes in the relevant period also did not show that the Board was consulted prior to the second arbitration application, although the Board was updated on the progress thereafter. We further noted that the progress of the arbitration as noted in the preceding paragraphs (Paragraph 60(b) to 60(e)) were not announced.

62. We noted instances where documented updates to the Board appeared to be inaccurate<sup>23</sup>. From the Board minutes, we noted:

- (a) On 11 September 2018, Mr. Cao updated the AC that *"Having reviewed Hua Dian's accounts, it was noted that Hua Dian does not have enough money to compensate CEBEC..."* Mr. Cao explained to us in his interview that the Board minutes were inaccurate as Hua Dian is a China state owned enterprise, and its accounts would not be available publicly. He did not know why the minutes were recorded as such. The minutes of this meeting were confirmed by the Board members including Mr. Cao.
  - Mr. Cao clarified in his Maxwellisation reply that *"What I meant when I communicated with the Board then was that based on Hua Dian's track record, Hua Dian may not be voluntarily compensate CEBEC. There could be some misinterpretation when it was minuted."*<sup>24</sup>
- (b) On 29 March 2021, Mr. Cao updated the Board that the *"request to terminate the contract has been turned down ... however CNY 18.8 million was still payable by Hua Dian"*. It was minuted for the Board meeting on 11 June 2021, that the Board was updated that *"there was an arbitral award of CNY 18.8 million issued in favor of CEBEC – this amount would still be payable by Hua Dian regardless of whether the Company disposed CEBEC."* The minutes to this meeting did not appear to be confirmed and did not specify the person(s) who provided the update.

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<sup>23</sup> The minutes for two of the three meeting were confirmed in the subsequent meeting. The minutes of the meeting on 29 March 2021 appeared unconfirmed. As voice recordings were not taken during these meetings, we are unable to independently verify the actual discussions in the meetings.

<sup>24</sup> Mr. Cao further explained in his Maxwellisation reply that he would speak in Mandarin during the Board meetings, and he would rely on the translator to convey his updates in English to the Board and AC members.

- From the available documents, we understand that the execution order on Hua Dian was rejected by the Beijing Municipal High People's Court on 24 May 2019 for the handover of powerplant along with the liquidated damages, and CEBEC's appeal on the 24 May 2019's verdict was unsuccessful on 24 December 2019.
- We asked Mr. Cao for clarification in our interview, and he told us that based on the legal opinion from the lawyers, the 2017 arbitration award that Hua Dian needed to pay CNY 18.8 million to CEBEC still stands. Mr. Cao also mentioned that this opinion had been provided to RSM earlier.
- Mr. Cao provided a legal opinion dated 9 February 2022<sup>25</sup> in the form of a PDF document that indicates that CEBEC "...can still require Huadian Company to deliver qualified powerplants and pay 18.8 million yuan in liquidated damages. This opinion is based only on existing rulings and evidence, and does not exclude changes in conclusions after the emergence of new evidence (if any)".
- The document was provided to us on 10 February 2022 as part of Mr. Cao's Maxwellisation reply. It showed a company stamp of a China law firm on the last page, but it was not printed on the firm's letterhead<sup>26</sup>. We did not have the opportunity to ask Mr. Cao the basis of the update to the Board on 29 March 2021 when the legal opinion is dated approximately 10 months later. We contacted the law firm to clarify its advice but our request for an interview was rejected.

63. We understand from the former directors that there was a lack of documents provided to the Board to support the verbal updates from Mr. Cao, and one of them said that he did not recall receiving any legal advice from the lawyer's correspondence in relation to court verdicts or judgements on matters relating to the Arbitration.

Lack of and/ or inaccurate SGX announcements/ responses

64. Key events that occurred after the first arbitration judgement on 23 December 2017 were not announced.

- (a) On 24 May 2019, Beijing No.2 Intermediate People's Court ruled in favour of Hua Dian's application to refute CEBEC's enforcement application and CEBEC's application for an execution order on the arbitration award was rejected;
- (b) CEBEC's appeal to Beijing Municipal High People's Court on 24 May 2019's verdict was unsuccessful on 24 December 2019; and
- (c) CEBEC's second arbitration application at Weifang Arbitration Court on 29 May 2020 and the corresponding verdict on 3 March 2021 where CEBEC's requests in the arbitration were turned down.

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<sup>25</sup> The properties of the PDF document showed that the creation date was 9 February 2022.

<sup>26</sup> This document includes text in Chinese and its corresponding translation in English. This document has similar contents to another document provided by Mr. Lye on 2 February 2022. Mr. Lye had described this document as "legal opinion", but it was not signed or printed on the letterhead of any firm.

65. In response to SGX Regco queries on 25 June 2021, Mr. Lee indicated<sup>27</sup> his concerns on the 1HFY2021 Results and provided a background on the arbitration against Hua Dian, stating that a second arbitration proceeding was initiated but “*the arbitration commission had yet to issue its decision*”. This is inconsistent with the actual status as Weifang Arbitration court had turned down the second arbitration application on 3 March 2021, and this was updated to the Board (where Mr. Lee was present) at the 29 March 2021 Board meeting.
66. We asked Mr. Lee to clarify his understanding of the status of the Arbitration vis-à-vis the actual status. Mr. Lee acknowledged Mr. Cao’s verbal update on 29 March 2021. Mr. Lee explained that since he was not provided with any legal document or arbitration award, he was unable to confirm the status.
67. We asked Mr. Cao the reasons for not announcing the key events noted in Paragraph 64. He said that the verdicts were not confirmed, and the Company was making appeals to the courts. He also mentioned that the former Sponsors did not advise EWH or the Board to make the relevant announcements when he updated the Board during the meetings<sup>28</sup>. We understand from the Former Sponsors that they were not aware of the events highlighted by us (when they happened) and therefore would not have been able to advise the Company.

## **6.5 Status of the Liquidation of China-UK Low Carbon Enterprise Co. Ltd.**

68. On 20 September 2011, a joint venture (“JV”) contract for CULCEC was entered between China Energy Conservation and Environmental Protection Group (“CECEP”), Carbon Trust International Limited (“CT”) (collectively known as “JV partners”) and ecoWise Ventures Pte. Ltd (“EWV”), a wholly owned subsidiary of the Company.
69. On 14 April 2020, a sales and purchase agreement (“EWV SPA”) was entered with HKCB to dispose EWV and its 20% stake in CULCEC. The EWV SPA was affixed with EWH and HKCB’s company stamps respectively and did not bear the signature of any individuals. An announcement was made on this proposed transaction on 16 April 2020<sup>29</sup>. This EWV SPA was subsequently terminated through a termination agreement dated 30 December 2020 (“Termination Agreement”).
70. Based on official records, HKCB was incorporated in Hong Kong on 18 October 2017<sup>30</sup>, and its sole director and shareholder is Mr. Chen. The paid-up capital of HKCB is Hong Kong Dollars (“HKD”) 1 million<sup>31</sup> (approx. SGD 174,200)<sup>32</sup>.
71. Based on documents provided to us, we noted that EWH proceeded to execute the EWV SPA dated 14 April 2020 despite ZICO Capital’s request on the same day to hold off till they provided their

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<sup>27</sup> In response to Question 1 of SGX Regco queries.

<sup>28</sup> We have noted in Paragraph 61 that the Board meeting minutes did not mention these key events. It is therefore not clear if the then Sponsor was aware of them.

<sup>29</sup> According to Paragraph 8.2 of the announcement, the Company intended to seek a waiver from compliance with Rule 1014(2) of the Catalist Rules on the requirement to seek Shareholders’ approval for the disposal.

<sup>30</sup> Information based on Hong Kong Integrated Companies Registry Information System (“ICRIS”) report dated 17 May 2022.

<sup>31</sup> Information based on HKCB’s ICRIS Annual Returns as at 18 October 2021

<sup>32</sup> Based on the historical exchange rate published by the Monetary Authority of Singapore published for 19 October 2017 at HKD 100 = S\$ 17.42. As 18 October 2017 was a public holiday in Singapore, the exchange rate of the next working day was applied in the translation.

comments. The signed EWV SPA was then sent to ZICO Capital on 15 April 2020. In response, ZICO Capital advised the Company to “*request for a trading halt immediately, pending release of an announcement in respect of the disposal in compliance with Chapter 10 of the Catalist Rules...*”.

72. There was no trading halt by the Company subsequent to this email advice. When asked why the EWV SPA was signed before receiving comments from ZICO Capital, Mr Cao explained that it was not a common practice for ZICO Capital to provide comments on the EWV SPA. Mr. Lye also explained that the EWV SPA was signed quickly to seal the deal to prevent the buyer from changing its mind, and ZICO Capital was aware of the deal.
73. ZICO Capital explained that the Company first provided the draft SPA to ZICO Capital for review on 14 April 2020. ZICO Capital was not informed of the target signing date. The Company proceeded to sign the SPA on 15 April 2020 and informed ZICO Capital only after the SPA had been signed. ZICO Capital had initially requested for a trading halt pending their review of the announcement. However, as ZICO Capital completed its review of the announcement and cleared it for release before the market opened on 16 April 2020, a trading halt was not made.

Absence of or inaccurate Board meeting minutes

74. From our review of the Board meeting minutes, we noted that there was no documented evidence of updates to Board on the following matters:
- (a) EWV's intention to exit CULCEC on 12 February 2019;
  - (b) EWV's application for forced liquidation of CULCEC on 3 April 2020 (prior to the EWV SPA);
  - (c) Sale of EWV and its 20% stake in CULCEC to HKCB on 14 April 2020; and
  - (d) Supplemental agreement signed by EWV and HKCB on 17 April 2020. This agreement includes an additional clause that the original SPA is subject to the approval of SGX shareholders. HKCB could terminate the SPA if necessary approvals were not obtained within 30 days.
75. We noted the following instances where the documented evidence of updates to the Board are inaccurate. As voice recordings were not taken during these meetings, we are unable to independently verify the actual discussions in the meetings.
- (a) Based on AC meeting minutes dated 10 November 2020, “*the court had requested that CULCEC be liquidated*” is inaccurate as we understand from the court documents that it was not a court request, but a voluntary application. In his interview, Mr. Lye confirmed that the minutes were inaccurate, and it was supposed to mean that the liquidation was under the supervision of the court. The minutes of this meeting were confirmed<sup>33</sup>.
  - (b) We understand from the Court's written judgement dated 21 December 2020 that CECEP was agreeable to the forced liquidation of CULCEC; and from the Asset Disposal plans prepared by the Liquidator, we understand that the Liquidator Beijing King & Capital Law Firm (北京市京都律师事务所) was appointed by the Court. However, on 28 December 2020, it was documented in the

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<sup>33</sup> The minutes of the 10 November 2020 AC meeting were duly confirmed and acknowledged by the AC members in the 28 December 2020 AC meeting. The AC members at that point in time were Mr. Er, Mr. Hew and Mr. Tan.

Board meeting minutes that “*Management will talk to RSM to conduct the liquidation*”. Mr. Lye explained that the appointment of RSM was only a discussion point, and they did not speak to RSM to conduct the liquidation. The minutes of this meeting did not appear to be confirmed.

## **6.6 Disposal of the Group's Malaysia Subsidiary, Saiko Rubber (Malaysia) Sdn Bhd and use of proceeds**

76. Saiko was a JV between Sunrich Integrated Sdn. Bhd. (“SRIT”), a wholly owned subsidiary of the Company, and Kato Sansho Co., Ltd. (“Kato”). SRIT and Kato held 51% and 49% shareholdings in Saiko respectively.

77. Mr. Cao, as SRIT’s managing director, executed the SPA dated 23 April 2021 with Kasan Corporation (Malaysia) Sdn Bhd (“Kasan”)<sup>34</sup> for the sale of its investment in Saiko for MYR 18 million (approximately SGD 5.82 million). On the same day, the proceeds of MYR 18 million were received by SRIT (referred as “Saiko Proceeds”).

78. We noted from the Board meeting minutes dated 19 April 2021 (prior to receiving the proceeds) that the Saiko Proceeds were to “*be used for inter alia,*

- *Management of the tax risk in Malaysia arising from the Disposal*
- *Ensure and bring a stable cashflow/ additional income to the Group as it includes future cashflow of the disposed business and*
- *Redemption of those bank loans with high interest rates, including inter-company loans in both Singapore and Malaysia.”*

79. The Saiko Proceeds were transferred to other sister companies in Malaysia on the day after receiving the funds from Kasan. Thereafter, various intercompany transfers were made to the Group’s entities in Singapore and China, in addition to payments to third parties.

80. EWH had provided us with the list of transactions for the planned use of the Saiko Proceeds (“Planned Use”) at the commencement of our fieldwork. There were instances where the Planned Use differed from the actual usage of funds<sup>35</sup>. We selected a sample of 30 payments which were not part of the Planned Use but did not receive supporting documents for 15 of the samples<sup>36</sup>. The payments for which supporting documents were not received supposedly relate to reimbursement to individuals, interbank transfers, and employee bonuses. For the 15 samples with supporting documents, these appeared to be used for operations and 12 of these payments were approved by Mr. Cao.

**Board did not review draft SPA and Director’s Resolution in Writing (“DRIW”) was signed after execution of**

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<sup>34</sup> Kasan is a related party to Kato. Mr. Cao explained on 25 February 2022 that it was the buyers’ business decision to use a subsidiary to buy the asset from the Company. He also mentioned that at the time of the transaction, the Board members were aware of the relationship between Kasan and Kato.

<sup>35</sup> The Company explained that the payment listing may differ from the actual use of funds due to timing differences or when circumstances change within the Group on operational expenses.

<sup>36</sup> There are a total of 263 payments which were not part of the Planned Use.

## SPA

81. From the Board minutes of meetings provided to us, we did not see updates or discussions surrounding the draft Saiko SPA. The Board, except for Mr. Tan, did not see/ receive the draft SPA for review prior to the execution on 23 April 2021.
82. The DRIW to approve the SPA and the draft announcement was dated 23 April 2021. However, we noted that Mr. Lye only circulated the DRIW to the Board for their signature through an email on 28 April 2021 (i.e., after the receipt of the Saiko Proceeds on 23 April 2021), indicating that the DRIW was backdated.

## **6.7 Disposal of the CQEIM Properties**

### Purchase of the Office Unit in 2017

83. According to the documents provided to us, CQEIM had purchased the Office Unit from Mr. Lee for RMB 2.85 million (approx. SGD 579,386) in July 2017. Although there was a DRIW in May 2017<sup>37</sup> approving the purchase of an office space in Chongqing, we were told by Mr. Lee that the office space mentioned in the DRIW is not the Office Unit. We did not identify any other DRIWs that approved the purchase of the Office Unit.
84. The SPA for the purchase of the Office Unit shows that the transaction was executed by an individual with the surname “Deng” (“DENG”) on behalf of Mr. Lee, and by an individual with the surname “Zhang” on behalf of Mr. Cao as the legal representative of CQEIM<sup>38</sup>.
85. CECRT payroll records show that DENG was its employee between 7 March 2016 to 31 July 2021. Mr. Lee understood from other employees of the Group that DENG is Ms. Zhang’s cousin.
86. Mr. Lee said that he was unaware the Office Unit had been sold until RSM informed him in December 2021. He recalled that he had signed certain documents that transferred the Power of Attorney of the Office Unit to an individual. A Power of Attorney document (委托书) dated 25 April 2017 provided by Mr. Lee shows that Mr. Lee had entrusted DENG as an agent to handle matters relating to the sale of the Office Unit on his behalf.
87. Mr. Lee further clarified in his Maxwellisation response that *“he did not receive any monies from this individual for the sale of the Office Unit or for any other purpose. Furthermore, he states that the signing of the Power of Attorney was arranged by Mr. Cao and Mr. Lee understood the purpose of the Power of Attorney to be for the management of the Office Unit then. Mr. Lee said that he had no intention to sell the Office Unit and had no reason to do so.”*

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<sup>37</sup> Signed by Mr. Lee and two other former directors namely Mr. Wong Joo Wan (“Mr. Wong”) and Ms. Pok Mee Yau (“Ms. Pok”).

<sup>38</sup> A copy of CQEIM’s business license dated 17 May 2017, attached as part of the SPA of the Factory dated 29 September 2017 indicated that Mr. Cao was the legal representative. However, publicly available records indicated that Ms. Zhang was the legal representative of CQEIM from 20 April 2016 i.e., at the point in time. As Mr. Cao and Ms. Zhang did not respond to our requests for interviews and/or responses to our queries, we are unable to determine the actual legal representative at the time the SPA was executed.

88. In CQEIM's cashbooks, we observed multiple outflows<sup>39</sup> which could be related to the purchase of the Office Unit:

- (a) RMB 104,139 (approx. SGD 21,171) and USD 555,624 (approx. SGD 756,981) from July to September 2017<sup>40</sup>.
- (b) Payment of RMB 15,000 (approx. SGD 3,049) in June 2017 to a real estate company in China for transfer service fee.

The Company does not have the supporting documents which relate to these payments; therefore, we are unable to verify the nature and recipients of the funds.

89. With respect to recording the Office Unit as an asset in CQEIM's books, we noted a total amount of RMB 2,502,982 (approx. SGD 508,840) recorded in a "Work in Progress" account in July and August 2017. We observed that the amount recorded was similar to the payments made in the same months.

90. This amount (RMB 2,502,982) was subsequently removed from the "Work in Progress" account in September 2017, and the fixed assets listing recorded an office unit<sup>41</sup> of RMB 3,653,685 (approx. SGD 742,770) with a unit number described as #16-7 instead of #16-5 in the same month.

- The Company Finance Team<sup>42</sup> indicated it did not know if CQEIM had a separate office unit at #16-7 or whether this was a clerical error. It was unable to provide a reason why a different amount was recorded in the fixed assets listing as compared to the "Work in Progress" account.

#### Purchase of the Factory

91. According to the SPA<sup>43</sup> signed on 29 September 2017, CQEIM had purchased the Factory from a real estate development company for a sales consideration of RMB 4,660,402 (approx. SGD 947,429). Mr. Cao executed the SPA as the legal representative of CQEIM<sup>44</sup>.

92. The title deed which stated that CQEIM was the owner (权利人) of the Factory was dated 23 June 2020, a gap of approximately 33 months after the SPA was executed. We do not know the reason for the delay in the transfer of the title to the Factory from the seller to CQEIM.

93. The minutes of the AC meeting on 7 June 2017 suggest the AC was informed by Mr. Cao about the Company's intention to purchase a factory space for its operations.

94. The minutes of the AC meeting on 8 September 2017 indicated the AC was updated on the Company's

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<sup>39</sup> We do not have the bank mandates of 2017 and 2018 to identify the authorised bank signatories of CQEIM. The latest bank mandate provided to us shows that Mr. Wu was the custodian of the legal representative stamp as at December 2021.

<sup>40</sup> These outflows were described as payment for stamp duty ("缴纳购买财富大厦A座16-5应纳契税, 印花税") and house payment ("结汇支付房款").

<sup>41</sup> The office unit recorded in the fixed asset listing was described as 财富大厦A座16-7 with a capitalized cost of RMB 3,653,685.

<sup>42</sup> The current Company Finance Team refers to Mr. Jojo Alviedo ("Mr. Alviedo"), EWH's Chief Finance Officer and Mr. Eugene Lau ("Mr. Lau"), EWH's Assistant Finance Manager.

<sup>43</sup> The SPA indicated that the building purchased by CQEIM had the land area of 57,775m<sup>2</sup> with the right-to-use till 29 September 2066 and is to be used for industrialisation (工业). These details were the same as the details of the Factory in the title deed dated 23 June 2020, and thus it appears reasonable to assume that the SPA was in relation to the purchase of the Factory.

<sup>44</sup> Based on Mr. Cao's name stamp.

efforts to source a factory space. There was no DRIW that approved the purchase of the Factory, although an amount of RMB 200,000 had already been paid to the real estate development company as a deposit for a factory in August 2017. This may indicate the AC was not accurately updated on the Company's progress in sourcing a factory space during the September meeting.

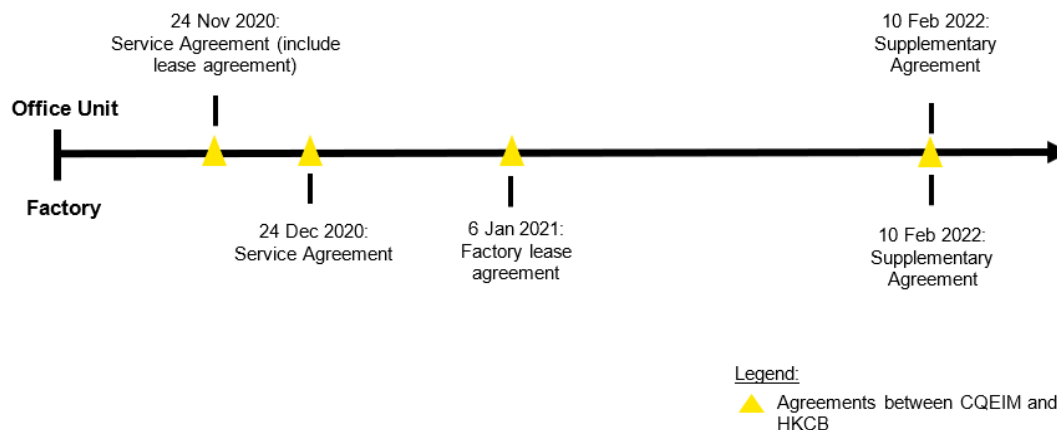
95. In addition to the deposit paid, there were two outflows to the real estate company in January 2018 of RMB 198,321 (approx. SGD 40,317) and USD 185,437 (approx. SGD 252,638) as payment for the Factory. We also noted 11 outflows in two different currencies totalling RMB 487,165 (approx. SGD 99,037) and USD 362,287 (approx. SGD 493,579) between October 2017 and October 2018 with descriptions relating to the Factory. No information on the recipients of these funds was available and the Company Finance Team does not have relevant supporting documents for these payments<sup>39</sup>.
96. CQEIM's management accounts show that the costs of the Factory were recorded progressively under "Work in Progress" from August 2017 and aggregated to RMB 4,407,869 (approx. SGD 896,090) by November 2018. This amount was subsequently removed from the "Work in Progress" account in December 2018. In the same month, CQEIM's fixed asset listing recorded a factory (联东 U 谷厂房) under "Building", at the cost of RMB 4,300,767 (approx. SGD 874,317).
97. The Company Finance Team does not know if the assets recorded in the "Work in Progress" and "Building" accounts relate to the Factory; and if they do, they are unable to explain the difference of RMB 107,102 (approx. SGD 21,773) between the amounts recorded.

The Service Agreements between CQEIM and HKCB for CQEIM Properties

98. CQEIM appointed HKCB in November and December 2020 to assist in the management and disposal of the Office Unit and Factory respectively. Prior to this appointment, HKCB had acquired EWE and its subsidiary, WEE; and had also attempted to acquire EWV and its 20% stake in CULCEC.
99. We did not identify any discussions in meeting minutes or email communications explaining the circumstances of the appointment of HKCB, and the Company did not have any supporting documentation in this regard.
100. The diagram below sets out the timeline of the key agreements between HKCB and CQEIM with respect to the CQEIM Properties:



### Timeline 1: Dates of Service Agreements, Lease Agreement and Supplementary Agreements



101. **Table 1** below summarises the key arrangements of each agreement. The agreements were affixed with CQEIM and HKCB's company stamps and did not bear the signature of any individuals. Accordingly, we do not know the individuals who had authorised these agreements.

Table 1: Summary of key agreements entered between HKCB and CQEIM	
Name of agreement	Scope of work/ key arrangements
Service Agreement for Office Unit dated 24 November 2020	<ul style="list-style-type: none"> <li>HKCB to manage (管理) and dispose/ handle (处置) the Office Unit on behalf of CQEIM.</li> <li>HKCB was liable to pay for the Office Unit within 18 months.</li> <li>Minimum disposal price (房产处置低价)<sup>45</sup>: RMB 3,477,650 (approx. SGD 706,983).</li> <li>CQEIM to pay HKCB RMB 200,000 (approx. SGD 40,659) as management fees for managing the Office Unit.</li> <li>Total rental of RMB 750,000 (approx. SGD 152,470) (at RMB 25,000 per month) shall be deducted from the minimum disposal price receivable by CQEIM from HKCB for the lease of the Office Unit from 24 November 2020 to 23 May 2023.</li> </ul>
Service Agreement for	<ul style="list-style-type: none"> <li>HKCB to manage (管理) and dispose/ handle (处置) the Factory on</li> </ul>

<sup>45</sup> 房产处置低价 loosely translates to "real estate disposal low price".

Table 1: Summary of key agreements entered between HKCB and CQEIM	
Name of agreement	Scope of work/ key arrangements
Factory dated 24 December 2020	<p>behalf of CQEIM.</p> <ul style="list-style-type: none"> <li>• HKCB was liable to pay for the Factory within one year.</li> <li>• Minimum disposal price: RMB 4,620,660 (approx. SGD 939,349).</li> <li>• CQEIM to pay HKCB RMB 200,000 (approx. SGD 40,659) as management fees for managing the Factory.</li> </ul>
Leasing Agreement for Factory dated 6 January 2021	<ul style="list-style-type: none"> <li>• Leasing agreement effective from 6 January 2021 until CQEIM relocates its machineries.</li> <li>• Monthly rental at RMB 35,000 (approx. SGD 7,115).</li> </ul>
Supplementary Agreements dated 10 February 2022	<ul style="list-style-type: none"> <li>• Authorised three individuals and one entity to pay for the Office Unit.</li> <li>• Authorised two individuals to pay for the Factory.</li> </ul>

102. The Clarifications to SGX Regco provided the following key explanations on the purpose of the Service Agreements:

- The purpose of the Service Agreements was to dispose of CQEIM Properties at the “*minimum prices*” as stipulated in the agreements.
- HKCB was appointed after CQEIM's unsuccessful attempts in finding buyers for the CQEIM Properties. In addition, due to the increasing uncertainties in the local property market due to COVID-19, management was keen to expedite the disposal process to reduce its risks in Chongqing. HKCB was therefore appointed as it had familiarity and connections in the Chongqing market.
- The sale proceeds of CQEIM Properties will be used to fund the acquisition of shares in CECRT.
- There was no DRIW signed for the disposal of CQEIM Properties, however the disposal had been discussed and approved by the Board.

103. With respect to the approval for the disposal of the CQEIM Properties, Mr. Cao told the AC members on 28 December 2020 that CQEIM and CECRT may merge and the assets of the two companies will be disposed after the merger. The meeting minutes did not mention the specific assets of CQEIM to be disposed, however we assumed that these assets are referring to mainly the CQEIM Properties as the CQEIM Properties appeared to be significant assets of the entity.

104. We noted that the AC was updated on the plans to dispose CQEIM's assets after HKCB was appointed to manage and handle the CQEIM Properties, and after the transfer of the Office Unit's title to the new owner. Our analysis of meeting minutes did not reveal explicit approval from the Board and/or AC for the sale of CQEIM Properties to third parties.
105. Based on the Service Agreements, it stated that HKCB had between one year to 18 months to pay for the CQEIM Properties in full, regardless of how the property was managed/disposed (“处置”<sup>46</sup>).
106. From our ESI review, we identified scanned title deeds for the CQEIM Properties with the surnames of the owners' redacted. According to the Clarifications to SGX Regco, the names within the title deed were redacted at the new owners' request. The title deeds found showed that the Office Unit and Factory was transferred to the new owners within three days and 13 days respectively of executing the Service Agreements with HKCB.
107. Based on the documents provided to us, two valuation companies were engaged to value the CQEIM Properties after their transfer to the new owners. The Company Finance Team does not have information on the selection process and the due diligence performed regarding the appointment of these two valuers.
108. The minimum disposal prices of the CQEIM Properties in the Service Agreements<sup>47</sup> were similar to the valuations performed by one of the valuation companies (a difference of less than RMB 50 in total (approx. SGD 10)).
109. An authorisation letter dated 4 January 2021 was issued to one of the valuation companies, stating the purpose of the valuation was to obtain a market value reference. It is unclear why CQEIM issued the authorisation letter when the Office Unit had already been transferred to the new owners on 27 November 2020.
110. We also noted that the valuation reports issued by the two valuation companies continued to name CQEIM as the parties with the rights (权利人) to the CQEIM Properties even after they were transferred to the new owners.
111. Mr. Cao had mentioned in the Clarifications to SGX Regco that the minimum disposal prices in the Service Agreements were determined based on third party valuation reports. However, the valuer's appointment dates raise questions as to whether the basis of the minimum disposal price was indeed based on the valuation reports. Additionally, in the absence of new information, we are also unable to determine the reason why the valuation reports issued after the transfer of the title to the CQEIM Properties<sup>48</sup>, continued to name CQEIM as its owner.
112. The title deeds to the CQEIM Properties appeared to be transferred before full payments were received from the buyers.
113. With respect to the payments for the CQEIM Properties, we noted authorisation letters (“Authorisation Letters”) executed between HKCB and five parties whereby HKCB authorised them to make payment

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<sup>46</sup> The Chinese word “处置” translates to dispose of, handle and managed.

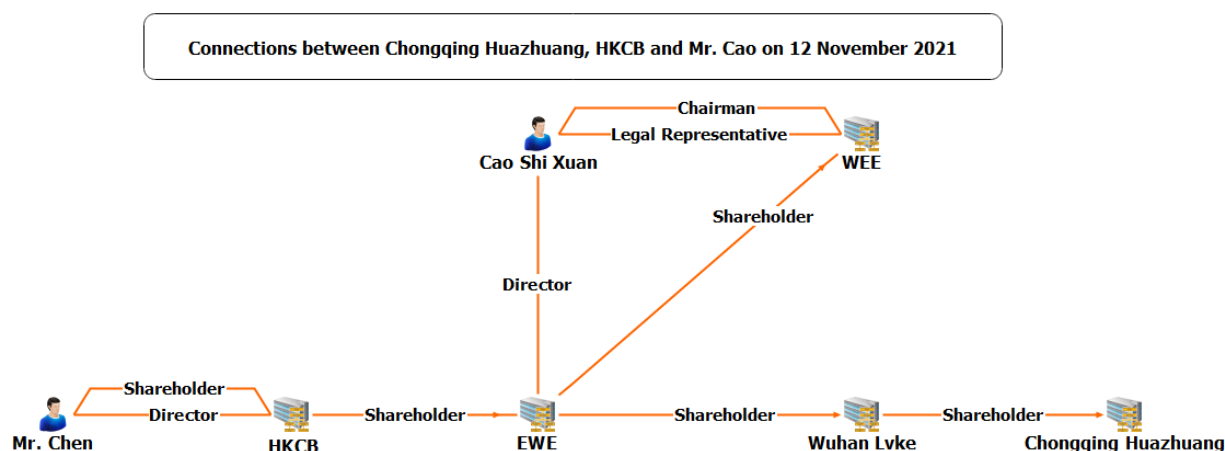
<sup>47</sup> The minimum disposal price of the Office Unit and Factory is RMB 3,477,650 and RMB 4,620,660 respectively.

<sup>48</sup> The title deeds for the Office Unit and Factory with the partially redacted owners were dated 27 November 2020 and 6 January 2021 respectively.

for the CQEIM properties. We noted that all except one of the Authorisation Letters were dated the same day as the Service Agreements i.e., most of the payers were determined when HKCB was appointed to manage/dispose the CQEIM Properties.

114. Subsequent to the Authorisation Letters, Supplementary Agreements were executed between CQEIM and HKCB on 10 February 2022 to formalise the payment arrangement for the CQEIM Properties. The five parties consist of four individuals and one company named Chongqing Huazhuang Baiquan Enterprise Management Co. Ltd (“Chongqing Huazhuang”) (to be collectively known as the “Payers”).
115. The payers of the Office Unit do not share common names with the new owner and therefore we are unable to determine their relationship, if any. The name of one of the payers for the Factory shares a common Chinese character with the new owners of the Factory, but we are unable to conclude if they are one and the same.
116. We identified the following potential relationships/connections between the Group and the Payers:

- (a) Chongqing Huazhuang was registered on 12 November 2021 with its sole shareholder listed as Wuhan Lvke, one of the PRC Entities. Please see below the connections between Chongqing Huazhuang, HKCB and Mr. Cao on 12 November 2021.



- (b) One of the Payers, “HUANG”, was Chongqing Huazhuang’s legal representative and executive director at the time of incorporation. Available records also suggest that HUANG may have been an employee of WEE or CQEIM between August 2016 and April 2019. The registered address of Chongqing Huazhuang was the same as the Office Unit from an unknown date up till 12 January 2022<sup>49</sup>.
- (c) DENG, a former CECRT employee, was the Supervisor of Chongqing Huazhuang from November 2021 to August 2022.

117. As we do not have the SPAs for the sale of the CQEIM Properties, we assumed the selling prices of the properties are not less than the disposal prices in the Service Agreements. Accordingly, the total

<sup>49</sup> Based on publicly available report dated 30 August 2022

proceeds from the CQEIM Properties were likely to have been at least RMB 8,098,310 (approx. SGD 1,646,333).

118. Available CQEIM bank statements show receipts from the four individuals amounting to RMB 4,141,160 (approx. SGD 841,870) as of 30 September 2021<sup>50</sup>; and the cashbooks show total receipts from them as RMB 4,441,160 (approx. SGD 902,858) as of 31 October 2021<sup>51</sup>. Rental and management fees due to HKCB were also recorded to offset the amount to be received from the sale of the Office Unit and Factory.
119. We do not have the bank statements and cashbooks of CQEIM after September 2021 and October 2021 respectively. Therefore, we are unable to determine subsequent receipts from the Payers. As Chongqing Huazhuang was incorporated in November 2021, we are not able to determine if it has paid for the Office Unit.
120. In summary, taking into consideration the cash inflows and the offset of rental and management fees due to HKCB, it is possible that HKCB/ the new owners owe CQEIM approximately RMB 1.967 million (approx. SGD 399,909) for the properties as at 31 October 2021.
121. The Clarifications to SGX Regco stated that HKCB had informed CQEIM that it (HKCB) had authorised the Payers to make payments. It further stated that CQEIM had no control of HKCB's business decisions and there was no risk of not receiving consideration in full because HKCB was obliged to pay the minimum disposal price within the stipulated contract period.
122. HKCB was deregistered on 3 March 2023. If CQEIM did not receive money for the CQEIM Properties after October 2021, it would appear that HKCB may still owe CQEIM RMB 1,967,150 (approx. SGD 399,909) for the same.

#### Leasing Arrangements for CQEIM Properties

123. The leasing arrangement for the Office Unit was included in the Service Agreement. The leasing arrangement states that the total rental of RMB 750,000 (approx. SGD 152,470) shall be deducted from the minimum disposal price receivable by CQEIM from HKCB. There was a separate lease agreement for the Factory dated 6 January 2021. Refer to **Table 2** for details of the lease for CQEIM Properties.

Table 2: Summary of leasing arrangement for the Office Unit and Factory					
CQEIM Properties	Date of Agreement	Lessor	Lessee	Monthly Rental (RMB)	Period of Lease
Office Unit	24 November 2020	HKCB	CQEIM	25,000	24 November 2020 to 23 May 2023

<sup>50</sup> The bank statements do not provide sufficient information on the nature of the funds received. Therefore, we relied on the descriptions in the cashbooks as the timings of the receipts per the bank statements and the date of which the amounts were recorded in the cashbooks were on the same day.

<sup>51</sup> An amount of RMB 300,000 (approx. SGD 60,988) was supposedly received from HUANG in October 2021.

Table 2: Summary of leasing arrangement for the Office Unit and Factory					
CQEIM Properties	Date of Agreement	Lessor	Lessee	Monthly Rental (RMB)	Period of Lease
Factory	6 January 2021	HKCB	CQEIM	35,000	6 January 2021 until CQEIM had relocated the machineries <sup>52</sup>

124. The lease agreement for the Factory entered between CQEIM and HKCB was on the same date (6 January 2021) as the transfer of Factory's title deed to the new owners.
125. Due to the lack of information from the Company's meeting minutes and from the data covered in our ESI review, we were unable to obtain an explanation from the Company as to why the leases of the Office Unit and Factory Building were entered into with HKCB instead of its new owner(s); and whether the Company undertook any market survey or research in their determination of the monthly rental.
126. We are not aware of arrangements (if any) between HKCB and the new owners to allow CQEIM to lease the Office Unit or Factory. As such, we do not know if there would be any legal implications for CQEIM in occupying the CQEIM Properties as it does not have any formal or direct agreement with the new owners of the properties.
127. With respect to the leasing agreement, the rental fee was offset against amounts due from HKCB for the CQEIM Properties. However, deducting the rental from the minimum disposal price was not mentioned in the lease agreement for the Factory.
128. The relevant documents provided to us did not explain the reason for leasing the Office Unit for 30 months. In the Clarifications to SGX Regco, it was mentioned that the "*Company will no longer need such big space for either office or factory*" after the termination of the tyre service agreements. Mr. Cao had also updated the Board on 11 June 2021 that "*...CQEIM and CECRT may be wound up subsequently.*" This raises question as to why CQEIM would enter into a 30-month lease given the preceding comments.
129. In our interview with Mr. Lee, he explained that he was not aware of the reason to lease the Office Unit. Mr. Lee said that he was not aware because Mr. Cao oversaw the China operations, and the latter did not update him or the Board on the developments in China.
130. CQEIM's bank statements also show that it had paid one of the Payers with a surname "XIONG" for the purpose of rental for April to June 2021. XIONG shares a common first name with one of the new owners of the Factory. It is unclear why CQEIM, who entered into a lease agreement with HKCB had

<sup>52</sup> Mr. Steven Gan ("Mr. Gan"), Director of Sunrich Integrated Sdn Bhd ("SRIT"), a wholly owned subsidiary of EWH informed us that the machineries were fully relocated to Malaysia in July 2021.

paid XIONG for leasing the Factory instead of HKCB.

Current ownership of the Office Unit and Factory

131. We attempted to independently identify the current owners of the CEQIM Properties from the government agencies in China. However, we were unable to proceed further as the Company does not have the required documents such as its business license and the identity card of the legal representative to conduct these checks.
132. Notwithstanding that, we were told verbally by a representative of a China government agency on 31 August 2022 that based on its system records, the registered owner of the Factory was CQEIM.
133. We visited the CQEIM Properties on 13 April 2023. We noted that the Office Unit was unoccupied and the Factory was occupied by two companies that did not appear to be related to the Group, Mr. Chen, Mr. Cao, or the Payers based on publicly available information.
134. We further enquired with the building management and understand that the previous company occupying the Office Unit was known as “Lvke Science and Technology” (绿科科技<sup>53</sup>).
135. In summary, we are unable to determine the following:
- (a) the efforts made by HKCB to dispose of the CQEIM Properties and the reasons for the transfer of the CQEIM's Properties shortly after execution of the Service Agreements;
  - (b) the actual selling price of CQEIM Properties and the relevant terms and conditions of the sale as the SPA was not available; and
  - (c) the identities of the buyers of CQEIM Properties and their relationships with the Company and the Group at the point of sale.

**6.8 Transactions between HKCB and the Group**

136. Apart from engaging HKCB to manage and handle the CQEIM Properties, HKCB and Mr. Chen were also involved in other transactions with the Group. These transactions include:
- Sale of EWE and its subsidiary WEE to HKCB in 2019
  - Proposed sale of EWV and its 20% stake in CULCEC to HKCB in 2020 which did not proceed.
  - Potential engagement of Mr. Chen as a consultant of EWH in 2017.

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<sup>53</sup> It is further understood that 绿科科技 has moved out more than half a year ago. We are unable to determine if 绿科科技 refers to CQEIM (重庆绿科投资管理有限公司). However, it appears reasonable to assume that 绿科科技 could be referring to CQEIM due to similarity in names.

*Sale of ecoWise Energy Pte Ltd and Wuhan ecoWise Energy Co. Ltd to HKCB*

137. EWE was incorporated on 9 June 2008 and was a wholly owned subsidiary of the Company until 1 August 2019<sup>54</sup>.
- (a) It was the parent company of WEE and ecoWise Marina Power Pte Ltd (“EMP”).
- (b) WEE was incorporated on 2 February 2009.
- (c) EWE held 51% of WEE from 2 February 2009 to 20 March 2012, and 49% from 21 March 2012 to 15 July 2019.
138. On 7 June 2017, Mr. Cao informed the AC that the Company intended to dispose WEE in the next three months. Subsequently on 22 June 2017, a DRIW for the disposal of EWE was signed by Mr. Lee and two former independent directors of the Company<sup>55</sup>.
139. The proposed sale price was SGD 1,250,000 and according to the DRIW of 22 June 2017, it was based on the audited value of 49% equity stake in WEE<sup>56</sup>. The available DRIWs and meeting minutes did not state that an independent valuer was appointed to value the entity.
140. In the 8 September 2017 AC meeting, Mr. Lee updated that a potential buyer had been found. He further informed the AC that EMP has to be transferred to another entity within the Group to ensure that the potential buyer was only purchasing WEE. In our interview with Mr. Lee, he told us that the initial buyer mentioned in the AC meeting on 8 September 2017 was a company named “*Shenzhen Nengyuan*”<sup>57</sup>.
141. Although the initial interested buyer was “*Shenzhen Nengyuan*”, approval was given to sell EWE to HKCB based on a DRIW signed by Mr. Lee and three former independent directors of the Company<sup>58</sup> on 2 November 2017. The Board and AC meeting minutes did not explain the reason for the change.
142. From the SFIT Backup, we found a Share Transfer Agreement (“STA”) signed on 1 November 2017 between EWH and HKCB for the sale of EWE and WEE at SGD 1.2 million. The STA was signed by Mr. Cao on behalf of EWH, whilst the signing party on behalf of HKCB was Mr. Chen<sup>59</sup>.
143. With respect to the STA, we noted references to the STA for the same transaction but with differing dates:
- (a) A DRIW approved on 24 May 2019, stated that the Company had entered a STA with HKCB for the disposal of EWE on 6 November 2017 (note: five days after the date of the signed STA). An

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<sup>54</sup> EWH's Register of Members ACRA report dated 12 September 2022

<sup>55</sup> The two former directors of the Company were Mr. Wong and Ms. Pok. The reason for disposal was due to WEE being a loss-making asset and unresolved differences between the shareholders.

<sup>56</sup> We do not have the financial data of WEE to verify the audited value of the equity stake.

<sup>57</sup> In Mr. Lee's Maxwellisation response, he stated that “*Shenzhen Nengyuan*” was operating a waste-energy plant next to EWE's power plant.

<sup>58</sup> The three former independent directors were Mr. Er, Mr. Wong and Ms. Pok.

<sup>59</sup> The signature does not spell out Mr. Chen's name, but we have confirmed the signatory with Mr. Lee.



announcement on 8 November 2017 also states that the STA was entered on 6 November 2017.

(b) Disclosure note 9 in the Company's Annual Report for the year ended 30 October 2019 stated that the STA for the disposal of EWE was dated on 8 November 2018.

144. We requested for the STAs mentioned in the preceding paragraph and was advised that the Company did not have them. Mr. Lee informed us that he was not aware that there were different STAs. As such, we are unable to confirm if the STAs dated 6 November 2017 and 8 November 2018 refers to the identified signed STA dated 1 November 2017.
145. If the signed STA dated 1 November 2017 is the final executed version, it would appear HKCB had intended to acquire EWE and its subsidiary approximately two weeks after the former was incorporated. We understand from Mr. Lee that due diligence checks were not performed on HKCB prior to the sale. In the absence of further information, we are unable to assess HKCB's financial position and accordingly, whether it was able to pay EWH for the acquisition at the time the STA was executed.
146. It would also appear that the directors only approved the sale of EWE and WEE to HKCB (i.e., 2 November 2017) after the STA was executed on 1 November 2017.
147. The announcement on 8 November 2017 provides that HKCB and Mr. Chen were not related to the Company, its directors and substantial shareholders. It was also disclosed that HKCB was introduced to the Company by "*business acquaintances*". Mr. Lee told us HKCB was introduced by Mr. Cao, but we were unable to verify this independently with Mr. Cao.
148. Documents analysed by us suggest that Mr. Chen was known or had interacted with EWH prior to the incorporation of HKCB and the execution of the SPA. These documents include an unsigned consultancy agreement between the Company and Mr. Chen dated 19 September 2017, as well as airfare incurred for Mr. Chen in early October 2017.
149. Separately, on 27 December 2017 (i.e., close to two months after the STA was signed), Mr. Cao transferred his shareholdings in a Singapore entity known as Fubon Investment Pte Ltd ("Fubon") to Mr. Chen but remained as its director. Fubon is not part of the ecoWise Group of companies. Mr. Chen became a director of Fubon, together with Mr. Cao till the company was dissolved on 5 July 2021.
150. The transaction for the sale of EWE and WEE was completed on 15 July 2019, close to two years after the STA was executed. The Company had made separate announcements on 14 May 2018, 27 February 2019, and 21 May 2019 to extend the completion date.
151. In the period prior to the completion of the disposal, we noted some updates by Mr. Cao and Mr. Lye to the AC members on the disposal of EWE. The AC meeting minutes dated 21 December 2018 show "... *Richie informed the AC that they (HKCB) would pay an additional RMB500k by end of December 2018.*" It is unclear as to whether the RMB 500,000 (approx. SGD 101,647) mentioned by Mr. Cao is in addition to the initial sales consideration.
152. In the same meeting, Mr. Wong requested that if funds were not received by end of December 2018, management should consider terminating the STA. Subsequently, in the 10 June 2019 AC meeting, Mr. Wong requested to wind up EWE and terminate the STA if the disposal could not be concluded by 30 June 2019.

153. We noted that the STA was not terminated. We sighted two extension agreements dated 24 January 2019 and 6 May 2019 whereby EWH and HKCB agreed to extend the payment deadlines. These two extension agreements were signed by Mr. Chen on behalf of HKCB<sup>60</sup>. It appears that there was another extension agreement dated 8 May 2018, but we did not receive it.
154. The disposal of EWE and WEE was announced on 18 July 2019. Based on the ACRA records, EWE's shareholder was changed to HKCB on 1 August 2019 and was subsequently renamed "Chen Bang Energy Pte Ltd" on 21 May 2021.
155. With respect to the sales proceeds, we found an undated "*delegated collection agreement*" (委托收款协议) between EWH and CQEIM in relation to the STA for the sale of EWE and WEE to HKCB dated 6 November 2017. This agreement provides that EWH had entrusted CQEIM to collect the payment of SGD 1.2 million on behalf of EWH. Accordingly, we attempted to trace the receipts of funds based on CQEIM's available information.
156. In the SFIT backup, we identified scanned copies of bank documents and internal CQEIM receipt vouchers suggesting that CQEIM had received SGD 1.2 million between the period from 27 December 2017 to 15 July 2019. We do not have CQEIM's bank statements to independently verify the receipts recorded. Except for SGD 60,000 where the bank documents show Mr. Chen to be the payer of the amount, we are unable to determine the payer of the remaining sales consideration of SGD 1.14 million.
157. The sale of EWE/WEE from FY 2017 to FY 2019 resulted in several accounting entries in ecoWise New Energy Pte Ltd ("ENE") and EWH's general ledger ("GL"). These entries appeared to have the effect of:
- (a) Transferring EMP to ENE;
  - (b) Transferring the payment arrangement for the sale of EWE from CQEIM to CEBEC<sup>61</sup>;
  - (c) EWH writing off a quasi-equity loan of SGD 8.87 million and non-trade receivables of SGD 948,000 due from EWE;
  - (d) EWH recognizing a gain in income of SGD 8,000 for the disposal of EWE/WEE.

We are unable to confirm our understanding of the above accounting entries as the finance team that was responsible for these records has left the Company.

158. In April 2021, CQEIM had also eliminated the amounts due from WEE of RMB 3,891,239 (approx. SGD 791,063)<sup>62</sup>. The GL description stated that this was in accordance with a debt deduction and exemption agreement. The Company Finance Team was unable to provide us the supporting documents and hence, we are unable to determine the rationale for the loan forgiveness.

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<sup>60</sup> The extension agreement dated 24 January 2019 was signed by Mr. Cao on behalf of EWH, but the extension agreement dated 6 May 2019 was affixed with EWH's company stamp and did not bear the signature of any individuals.

<sup>61</sup> We did not identify any document (e.g., agreements) to support the transfer of the payment obligations from CQEIM to CEBEC.

<sup>62</sup> The amounts due from WEE were offset against CQEIM's deferred revenue and its payables to EWH.

Consultancy agreement with Mr. Chen

159. We found an unsigned consultancy agreement between the Company and Mr. Chen from the SFIT Backup dated 19 September 2017. This was prior to the incorporation of HKCB and the execution of the STA for the sale of EWE to HKCB. The contract was for a period of one year with monthly consultancy fee payable to Mr. Chen of SGD 3,000. The contract indicated his direct reporting line to be Mr. Cao and his scope of work includes operational matters such as attending the Group's Board meetings and sub-committee meetings. Mr. Lee told us that he does not know if the consultancy agreement had been signed.
160. We did not identify payments made to Mr. Chen based on our analysis of available accounting data and bank statements<sup>63</sup> for the relevant period. However, we had identified transactions involving Mr. Chen such as reimbursement of airfare and hotel accommodation<sup>64</sup>.

**6.9 Background of the PRC Entities and transactions with the Group**

Background of the PRC Entities

161. Wuhan Lvke was incorporated on 27 July 2017 and was wholly owned by EWS<sup>65</sup>.
- (a) Mr. Cao was its Executive Director from 17 October 2017.
  - (b) Public records suggest that Mr. Cao was its first legal representative after incorporation as the first change in the legal representative role was from Mr. Cao to Mr. Chen. Mr. Chen became Wuhan Lvke's second legal representative from 18 December 2017 till 8 September 2020. Mr. Cao became the legal representative of Wuhan Lvke from 8 September 2020 once again and relinquished this position on 18 October 2021.
  - (c) The shareholder of Wuhan Lvke was changed from EWS to EWE on 17 October 2017.
  - (d) Wuhan Lvke was deregistered on 1 December 2022.
162. Chongqing Guan Mei Cosmetic Co. Ltd was incorporated on 23 September 2015 by two individuals with surnames "Li" and "Yu".
- (a) The shareholders were changed to CQEIM on 11 July 2017<sup>66</sup>, and it was renamed "Chongqing Lvke" on the same day. The Clarifications to SGX Regco mentioned that this entity was acquired

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<sup>63</sup> We were provided with EWH's bank statements for all bank accounts except for UOB.

<sup>64</sup> Our analysis of the Group's GL using keywords that are variations of Mr. Chen's full name in English and Chinese languages. These words highlighted payments for Mr. Chen from SRIT and EWH totalling MYR 806 (approx. SGD 264) (two transactions) and SGD 3,024 (nine transactions) respectively. We checked supporting documents for three transactions above SGD 500 and noted that it included expenses like airfare and hotel costs incurred for Mr. Chen in 2017 and 2018 respectively. The ledgers and supporting documents did not specify the reasons for these expenses.

<sup>65</sup> We do not have information on the paid-up share capital of the company, but we noted from public records that its registered share capital was USD 1 million (approx. SGD 1,362,398).

<sup>66</sup> At the point of acquisition, the registered and paid-up share capital was RMB 1 million (approx. SGD 203,293).

through a “*business contact*” who was not named.

- (b) Mr. Cao was the legal representative and director of Chongqing Lvke after the acquisition till 12 December 2018. Prior to the acquisition, Mr. Cao was its Executive Director and General Manager from 3 April 2017 to 20 December 2018.
  - (c) Mr. Chen became its legal representative from 12 December 2018 till 13 May 2020. HUANG was the legal representative thereafter.
  - (d) The shareholder of Chongqing Lvke changed from CQEIM to Wuhan Lvke on 27 November 2017.
  - (e) Chongqing Lvke was deregistered on 2 December 2020.
  - (f) Prior to its deregistration, publicly available records showed that Chongqing Lvke shared the same office address as the Office Unit since 12 December 2018.
163. Based on publicly available information, Wuhan Lvke and its subsidiary Chongqing Lvke were part of the Group, prior to the transfer of ownership on 24 January 2019 to Mr. Chen. Although the entities were part of the Group from 2017 to 2019, the two entities were not consolidated as part of the Group’s accounts.
164. Analysis of the available cashbooks and general ledgers did not show cash outflows to fund the incorporation of Wuhan Lvke and the acquisition of Chongqing Lvke, nor receipts pertaining to the transfer/disposal of Wuhan Lvke (and its subsidiary Chongqing Lvke) to Mr. Chen in January 2019.
165. Based on information available to us, it appears that the Board and AC members were not aware of these entities as we did not identify meeting minutes that discussed the incorporation and/or acquisition of the PRC Entities.
166. Mr. Cao and Mr. Lye informed us that the Board had discussed exploring new business opportunities through setting up new subsidiaries on 15 March 2017. We noted that in the 15 March 2017 Board meeting minutes, Mr. Cao had proposed to set up a new company for carbon trading. However, we did not note further discussions with respect to this matter in the Board/AC meeting minutes after March 2017, or any DRIW approving the setting up of new entities.
167. In the Clarifications to SGX Regco, it was mentioned that the AC was made aware of the PRC Entities back in September 2017 through a presentation deck that showed the PRC Entities. A screenshot of the presentation deck shows two companies with similar names to the PRC Entities. The Clarifications to SGX Regco further explained that the management decided to dispose of the PRC Entities as the plan for carbon trading was aborted, and the disposal of these entities was in line with the Group’s divestment strategy in China. In addition, the management had consulted with Mr. Lee prior to the disposal.
168. We did not see the said presentation deck in the AC meeting minutes for 8 September 2017 that were provided to us, and the minutes did not explicitly mention the PRC Entities. Mr. Lee confirmed that he was not aware of the PRC Entities when they were first part of the Group, and he was also not consulted on their disposal.

Transactions with Chongqing Lvke

169. Our analysis of CQEIM's cashbook listings had identified several cash movements between CQEIM and Chongqing Lvke between 25 September 2019 to 23 November 2020 i.e., after Chongqing Lvke ceased to be part of the EWH Group.
170. Based on our analysis, CQEIM recorded a net cash inflow of RMB 550,000<sup>67</sup> (approx. SGD 111,811) from September 2019 to November 2020. The Company did not have access to the supporting documents for the above transactions. Accordingly, we are unable to comment on the nature of the same.

Transactions with Wuhan Lvke

171. Our analysis of the available accounting records did not reveal transactions between Wuhan Lvke and the Group.
172. We do not have access to the books and records of Wuhan Lvke to comment on its state of operations/affairs from incorporation till 2018. We obtained a third-party credit report of Wuhan Lvke for 2019 to 2021 and it appears that the company might not have been actively operating from 2019 to 2021.
173. We were not provided with and did not identify management accounts or financial statements of the PRC Entities. As such, we are unable to quantify the potential financial impact to the Group's financial statements if the PRC Entities have been properly accounted for as subsidiaries of the Group.

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<sup>67</sup> Total receipts were RMB 1,694,144 and total payments were RMB 1,144,144. Net inflows calculated as total receipts RMB 1,694,144 less total payments RMB 1,144,144.

#### **6.10 Connections between Key Individuals, HKCB and its shareholder and PRC Entities**

175. During our course of review, we identified business associations between the Key Individuals, HKCB and Mr. Chen at various key material points such as the dates of the sale of EWE and WEE, the failed sale of EWV and CULCEC and the engagement of HKCB in relation to the CQEIM Properties.

##### *Relationships between Mr. Cao and Mr. Chen*

176. We noted business connections between Mr. Chen and Mr. Cao at key material points. For example, Mr. Chen and Mr. Cao were directors of Fubon when the extension agreements for the sale of EWE were executed; and when the Service Agreements were executed.

177. As mentioned earlier, it does not appear that Mr. Cao had disclosed his business connections with Mr. Chen to the Board/AC based on the Board and AC meeting minutes.

178. Based on the Company's annual reports from FY 2018 to FY 2020, Mr. Cao also did not declare his directorship in Fubon. Instead, he declared his directorship in a company known as "Fubon Investment (China) Co., Ltd". We are unable to find information on "Fubon Investment (China) Co. Ltd" using publicly available databases.

##### *Relationship of Key Individuals in EWE and WEE after the disposal*

179. Subsequent to the sale of EWE and WEE to HKCB, we noted that several Key Individuals continued to hold positions in EWE and WEE. For instance, Mr. Lye was a director of EWE between 26 January 2021 to 10 January 2022; while Mr. Cao and Ms. Zhang continued to be the Chairman/Legal Representative and director of WEE respectively after its disposal.

180. In the Clarifications to Mr. Tham, Mr. Lye clarified that the former Board was aware of the "*nominal appointments*" of Mr. Lye and Mr. Cao in EWE/WEE after the entities ceased to be part of the Group. These appointments were not discussed officially in Board meetings and were captured in a "*post-meeting note*".

181. The "*post-meeting note*" was part of a bundle of documents that included the 12 September 2019 AC meeting minute. The "*post-meeting note*" was undated and unsigned. The key summary of the "*post-meeting note*" is:

(a) The Board<sup>68</sup> approved the appointment of the Key Individuals in the following roles in EWE and WEE subsequent to the sale of these entities to HKCB until HKCB appoints a local replacement.

- EWE: Mr. Cao as Director; Mr. Lye as Director and Company Secretary
- WEE: Mr. Cao as Director and Legal Representative; Ms. Zhang and Mr. Wu as Director and Supervisor

(b) Mr. Cao and Mr. Lye were not involved in the daily operations and decision making of EWE and

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<sup>68</sup> As this document was found in a bundle of documents that included the 12 September 2019 AC meeting notes, we assume that the Board members are in reference to those in office on 12 September 2019. The Board members then were Mr. Cao, Mr. Lee, Mr. Hew, Mr. Tan and Mr. Er.

WEE.

182. We asked Mr. Lee about the “*post-meeting note*” and understand that he did not see, nor was he aware of any communications of the “*post-meeting note*” in 2019. He was made aware that the Key Individuals continued to hold positions in EWE and WEE after their disposal through a Handshake Report made available to him after 2019.
183. We noted that Mr. Cao did not disclose his directorship in EWE after its disposal in the FY 2019 Annual Report; but had declared his directorship in EWE in the FY 2020 Annual Report.
184. In the Clarifications to Mr. Tham, Mr. Lye said that he did not receive remuneration for his appointment. We are unable to independently verify his representation as we do not have access to the financial records of EWE and WEE.

Relationships of Mr. Chen and Mr. Cao with PRC Entities

185. Based on publicly available records on the PRC Entities, we noted that Mr. Chen had held the roles of Executive Director, General Manager and Legal Representative of the PRC Entities when the PRC Entities were part of the Group (i.e., before 24 January 2019); and Mr. Cao had held similar roles in Wuhan Lvke when it was no longer part of the Group (i.e., after 24 January 2019).
186. We noted that Page 62 of the Company’s 2021 Annual Report stated that “(...) *the executive director mentioned in relation to CBE (...) were legal representative and directors of two entities registered in the PRC that appear to be related to HKBC at the dates of the CQEIM Transactions. The executive director concerned resigned as legal representative of these two entities on 18 October 2021 and 7 January 2022.*” However, based on publicly available reports, we noted that Mr. Cao had resigned from Wuhan Lvke on 18 October 2021 and from Chongqing Lvke on 12 December 2018 i.e., not completely consistent with the disclosure in the Annual Report.
187. In the Clarifications to EY, Mr. Lye said that the Board had discussed and agreed for relevant staff to hold nominal positions in the PRC Entities. He further stated that these relevant staff did not participate in the operations, nor did they receive any salaries from the PRC Entities.
188. We did not see discussions of the preceding paragraph in the minutes of Board and AC meetings that were provided to us. ESI Review also did not show such information being communicated to the Board and AC members.
189. Mr. Lye provided a scanned PDF notice letter addressed to EWH from HKCB dated 2 November 2017 in Chinese (“Notice”) which loosely translates that in relation to the SPA<sup>69</sup> entered between HKCB and EWH in November 2017, HKCB will appoint its own employees as legal representative(s) and shareholder(s) of the PRC Entities. The Notice did not specify the names of the employees to be appointed.
190. As of the date of the Notice, Chongqing Lvke was a wholly owned subsidiary of CQEIM. Similarly, HKCB was not related to Wuhan Lvke as the sale of EWE to HKCB was not completed till 15 July 2019. It is therefore unclear why HKCB would designate its own employees as legal representative of the

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<sup>69</sup> The Chinese words used was “購買協議” which translates to Sales and Purchase Agreement. This could be in reference to the STA dated 1 November 2017.

PRC Entities when there does not appear to be any direct relationship between HKCB and the PRC Entities on 2 November 2017.

#### **6.11 Transactions between the Group and other concerned individuals and entities**

191. From our analysis of available data, we identified transactions between the Group and the following entities/individuals:

- CQEIM and WEE for the sale of vehicles
- Salary payments by SRIT on behalf of WEE
- Transactions between the Group and DENG
- Transactions between the Group and HUANG

##### **Sale of vehicles by CQEIM to WEE after the disposal of WEE to HKCB**

192. Following the sale of EWE and WEE to HKCB, CQEIM sold two vehicles to WEE in May 2021 for RMB 25,000 (approx. SGD 5,082). The total purchase value of these vehicles as recorded in the “Work-in-Progress” account in October 2017 was RMB 98,344 (approx. SGD 19,993). There was no depreciation expense associated with these vehicles and it would appear that the vehicles were sold at a loss of RMB 76,221 (approx. SGD 15,495).

193. We did not find information to support the basis of the sales price at RMB 25,000 (approx. SGD 5,082) and Company Finance Team was unable to provide us with supporting documents pertaining to the sale of these vehicles.

##### **Salary payment by SRIT to Mr. Gu on behalf of WEE from March 2019 to October 2021**

194. Whilst WEE was part of the Group, SRIT had paid salaries and incurred expenses for a “Mr. Gu”, an employee of WEE for the period from March 2019 to July 2019 of MYR 11,650 (approx. SGD 3,810). We understand from Mr. Gan that Mr. Gu was working in the IT Department of SRIT, but his responsibilities were not clear to them.

195. After HKCB became the official shareholder of EWE on 1 August 2019, salaries of MYR 102,900 (approx. SGD 33,649) and expenses of MYR 3,415 (approx. SGD 1,117) continued to be incurred till October 2021 by SRIT for Mr. Gu.

196. As of 30 June 2022, SRIT recorded an outstanding amount owed by WEE of MYR 84,000 (approx. SGD 27,469). SRIT continued to classify the amount receivables from a related company even though WEE is no longer part of the Group as we understand that the Finance Department of SRIT did not know that WEE had been sold.

##### **Transactions between the Group and DENG**

197. DENG was an employee of CECRT between 7 March 2016 till 31 July 2021. Based on public information, DENG was also a Supervisor of Wuhan Lvke from 18 December 2017 whilst being an employee of CECRT. DENG also held the following roles in companies outside of the Group:



(a) Chongqing Huazhuang: Supervisor from November 2021 to August 2022 (specific dates unknown);

(b) WEE: Director from 7 January 2022<sup>70</sup>.

198. Between January 2017 to May 2021, we noted multiple expense reimbursements made by CECRT to DENG of RMB 152,724 (approx. SGD 31,048) and one receipt in January 2017 for the return of petty cash of RMB 10,000 (approx. SGD 2,033). The nature of reimbursements pertains to hotel, office supplies and telecommunications expenses.

199. We also noted loans and subsequent repayments as well as expense reimbursements between CQEIM and DENG from 2016 to 2021. Based on the descriptions in the cashbook listing, the nature of reimbursements pertains mainly to transportation and office supplies. We do not have the payroll records of CQEIM and therefore are unable to determine DENG's relationship with CQEIM.

200. We are unable to verify the nature of these transactions as Company Finance Team does not have access to their supporting documentation.

#### Transactions between the Group and HUANG

201. WEE management accounts had recorded staff receivables from HUANG since August 2016 up till April 2019. As of April 2019, the outstanding amount due from HUANG is RMB 5,000 (approx. SGD 1,016). CQEIM had also provided an advance to HUANG for a car purchase<sup>71</sup> in April 2017 and subsequent reimbursement for car related expense claims.

202. CQEIM fixed asset listing showed that a laptop had been assigned to HUANG who was part of the administrative and human resource department of "Wuhan Lvke" on 1 April 2016. "Wuhan Lvke" herein likely refers to WEE as Wuhan Lvke was only acquired on 27 July 2017.

203. Based on the above observations, it is possible that HUANG, one of the designated payers for the CQEIM Properties, was an employee of WEE at some point in time. However, in the absence of CQEIM's and WEE's payroll records, we are unable to confirm HUANG's relationship with the Group.

#### **6.12 Digital forensic analysis**

204. We understand from Mr. Alviedo that Mr. Cao had returned his laptop and Mr. Lye's laptop to the Company on 1 July 2022.

205. In relation to the laptops belonging to Mr. Cao and Mr. Lye:

(a) The Microsoft operating system was installed on Mr. Cao's and Mr. Lye's laptops on 24 August 2021 and 24 December 2021 respectively. Accordingly, certain data and system artefacts prior to the installation dates may not be available for our review.

(b) Mr. Cao supposedly retained his laptop and that of Mr. Lye after their respective dates of separation<sup>72</sup>. Both devices were accessed between the dates of separation and the date that we

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<sup>70</sup> Based on publicly available report dated 5 September 2022

<sup>71</sup> The car was recorded in CQEIM's fixed asset listing in May 2017.

<sup>72</sup> Mr. Alviedo is unable to confirm when Mr. Lye's laptop was handed to Mr. Cao after his last day on 25 March 2022.

performed forensic imaging of the devices. We noted access and modifications made to Mr. Cao's and Mr. Lye's mailboxes, but we are unable to determine the specific changes made to these laptops.

- For Mr. Cao's laptop, we noted several user logins by the account '*RICHIE*' on 26 April 2022 to 1 July 2022. On 30 June 2022, Mr. Cao's mailbox was accessed and modified<sup>73</sup>. However, specifics of what was done in the mailbox cannot be determined using the available logs and system artifacts. We noted remote access connections to Mr. Cao's laptop by a user account named "*Qiu Liang*" on 24 April 2022 and 26 April 2022. The user "*Qiu Liang*" could be Mr. Qiu Liang, the former Information Technology Manager of the Company who left on 26 March 2022.
  - For Mr. Lye's laptop, we also noted remote access by the user account "*Qiu Liang*" on 16 April 2022 and 17 April 2022. No notable logs pertaining to user activities were retrieved in this time period. On 1 July 2022, Mr. Lye's mailbox was modified<sup>73</sup>. However, specifics of what has been done in the mailbox cannot be determined using the available logs and system artifacts.
- (c) Mr. Cao's laptop contained approximately 2,700 electronic documents (approximately 0.6GB of data) of which 391 pertained to "Sent" and "Received" emails; whilst Mr. Lye's laptop had approximately 62,000 electronic documents (approximately 11.06GB of data) of which 7,038 pertains to "Sent" and "Received" emails.
- (d) Our analysis of Mr. Cao's mailbox shows that emails prior to April 2022 accounted for less than 20% of the total email count whereas our analysis of Mr. Lye's mailbox shows that emails prior to November 2021 accounted for less than 20% of the total email count<sup>74</sup>.
- (e) Mr. Cao's laptop uses solid-state drive ("SSD") as internal storage with the TRIM<sup>75</sup> function enabled and therefore recovery of deleted data was not possible. Mr. Lye's laptop uses a non-SSD hard-disk drive ("HDD"), and we were able to recover some deleted files. However, the recovered files were unreadable/corrupted and cannot be analysed.

206. The Company does not know why the operating systems were installed on Mr. Cao's and Mr. Lye's devices in 2021, and whether the devices provided to us were the only devices assigned to the users. Mr. Qiu, who was responsible for these matters had left EWH when we commenced work on the Expanded Scope.

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<sup>73</sup> Modified refers to changes in the mailbox such as receiving, sending or deleting emails.

<sup>74</sup> Our observations are based on the following findings: 1) email activity in April 2022 contributes 82% of Mr. Cao's mailbox; 2) email activity between November 2021 and March 2022 contributes 82% of Mr. Lye's mailbox.

<sup>75</sup> TRIM is a command in Windows computer using SSD, where deleted files will be permanently deleted, making it irrecoverable.

## 7. POTENTIAL BREACHES OF CATALIST LISTING RULES AND SINGAPORE COMPANIES' ACT 1967 ("COMPANIES ACT")

207. Whilst our work has identified certain areas of concern with respect to the following Catalist Listing Rules and Companies' Act<sup>76</sup>, we advise the Board to seek professional legal advice on the same and take the necessary remedial action where necessary.
208. Catalist Rule 703(1) - An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which: (a) is necessary to avoid the establishment of a false market in the issuer's securities; or (b) would be likely to materially affect the price or value of its securities.
209. The Company's disclosure obligations under Appendix 7A Corporate Disclosure Policy, in particular paragraph 9 of Appendix 7A states that under Rule 703, the following events (not exhaustive) such as (f) the purchase or sale of a significant asset, (m) significant litigation and (o) a significant dispute or disputes with sub-contractors, customers or suppliers, or with any parties as well as guidance set out in paragraph 5.5 of Practice note 7A Continuing Disclosure on ongoing developments. The matter to consider is:
- (a) The ongoing arbitration case between CEBEC and Hua Dian where several appeals were applied by both parties and the court judgements.
210. The Company should consider its disclosure obligation under the previous Catalist Rule 704(16)(c) and Rule 704(17)(c), in respect of the announcements on acquisitions and realisations. Such events include:
- (a) Acquisition of 100% stake in Chongqing Lvke on 11 July 2017.
- (b) Disposal of Wuhan Lvke and Chongqing Lvke on 24 January 2019<sup>77</sup>.
211. Catalist Rule 719 (1) – An issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management. The matters to consider include the following:
- Lack of documented policies on the matters that require reporting to the Board, and announcements to be made.
  - Lack of adequate documented policies on payment procedures.
  - Backdating of DRIWs
  - Splitting payments and/or fund transfers to circumvent approval limits.

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<sup>76</sup> Please note that this does not constitute legal advice.

<sup>77</sup> We are unable to determine if the PRC Entities are substantial or would exceed 5% of the relevant thresholds under Rule 1006 due to the lack of the financial records of the PRC Entities.

- Use of end-of-life version of Windows operating system.

212. Companies Act S160(1): “(...) *the directors must not carry into effect any proposals for disposing of the whole or substantially the whole of the company’s undertaking or property unless those proposals have been approved by the company in general meeting.*” The supporting DRIWs and meeting minutes did not show discussions or approval for the disposal of the PRC Entities.

## 8. SUGGESTED IMPROVEMENTS TO INTERNAL CONTROLS

213. The Company may consider implementing the following guidelines from Singapore Institute of Directors (“SID”) to improve the state of corporate governance in respect of making company announcement, approval and release of financial results and escalation and information flow to the Board:
- (a) Statement of Good Practice 14/ 2016 - Disclosures and SGX Announcements, by adopting clear written disclosure policy setting out the process of approval and release of SGX Announcements that is consistent with the applicable laws and regulations.
  - (b) Section 8 - Disclosure Requirements also lists several matters that require announcements on SGXnet and timings of such disclosures. Company may refer to guidelines for preparation of announcements under paragraph 28 of Appendix 7A.
  - (c) Section 4.1(iii) - Material announcement in formalising the timeframe and process of the review of financial results by the Board before announcement as there is no formalised procedures with respect to the approval and release of financial results.
  - (d) Section 6 Chapter 6.6.1 - Group wide policies and procedures on matters requiring approval and to be escalated to Board such as investment and divestments, purchase of assets.
214. With respect to the Arbitration, the Company should consult its lawyers on the legal opinion provided by the China law firm on the Arbitration with respect to the latest verdict to plan the next steps, and if an announcement is required.
215. From our high-level process walkthroughs with the IT managers in Singapore and Malaysia, we noted internal control gaps with respect to the general IT infrastructure of the Company, such as access rights given to employees, retention of emails and version of the operating system. The Company should consider a comprehensive review on the Company’s IT infrastructure, security, retention of data and controls by an IT specialist. The Company should consider establishing internal policies on provision of access to Company’s data and information to non-employees.
216. The Company should retrieve CQEIM’s company, finance, and legal representative stamps. The Company should also ensure that all important stamps for the China subsidiaries and associates are secured, and with the designated and approved custodians. To the extent the Company has not, it should consider lodging a report with the relevant authorities in China as a safeguard in the event the lost stamp is misused for unauthorised purposes and publish an announcement of the loss in a designated newspaper. The Company should identify and secure the remaining assets (if any) belonging to the China subsidiaries and associates.
217. The following improvements should also be considered by the Company:
- (a) Ensure that approval was obtained from the relevant personnel prior to execution of any transaction; and that documents should be dated correctly.
  - (b) Significant and key changes surrounding the Group’s operations should be communicated promptly to entities within the Group, and that overall oversight over the Group should be strengthened.
  - (c) Conduct regular audits and/or visits to EWH’s overseas entities as it appears that there is an over

reliance on few key individuals to monitor its overseas operations.

- (d) Identify safeguards and practices to ensure that documents are kept safe, complete, and accurate. These practices should be documented, and regular internal audits should be done to ensure that there are proper controls in place.

218. The EWH Staff Handbook mentioned that all employees shall not directly or indirectly undertake any external positions that may conflict with the performance of their duties in the Group<sup>78</sup>. The Company should consider if Mr. Cao's disclosure in these events were necessary, and if Mr. Cao's, Mr. Lye's and Ms. Zhang's following appointments are in breach of the EWH Staff Handbook:

- Mr. Cao's business/working relationship with Mr. Chen;
- Mr. Cao, Mr. Lye, and Ms. Zhang's potential business/working connections to HKCB and Mr. Chen when the Service Agreements were executed through their association in EWE, WEE, Wuhan Lvke and Fubon; and
- Mr. Cao, Mr. Lye and Ms. Zhang who were employees of the Group but continued to hold roles in EWE/WEE after the companies were sold to HKCB.

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<sup>78</sup> The current HR & Admin Manager does not know whether employees were required to acknowledge that they have read the Staff Handbook prior to April 2022. She said that whilst she was the HR & Admin Manager from August to December 2019 (note: she left the Company and re-joined in April 2022), employees were required to read the Staff Handbook but there was no requirement to acknowledge that they have done so.

## 9. GENERAL LIMITING CONDITIONS AND CONSTRAINTS

219. The scope of work set out in this executive summary was tailored to meet the specific requirements of the engagement and does not amount to an audit conducted in accordance with generally accepted auditing standards, the objective of which is to express an opinion regarding the financial statements taken as a whole.
220. This executive summary has been prepared based on information, financial data and documents provided by the Company/Group, relevant individuals, as well as information obtained from publicly available sources.
221. Unless expressly stated, the information contained in this executive summary has not been subject to detailed verification procedures. No representation is made by us as to the accuracy or completeness of such information and nothing contained in this executive summary is or shall be construed as a representation of the future.
222. All assumptions made for the purpose of this engagement are based on information and representations provided by the Company and persons in connection with the assessment. We do not give any representation, warranty, indemnity or undertaking expressly or impliedly as to the accuracy or completeness of such information provided to and used by us in our assignment.
223. We wish to highlight that the people we interviewed were not under oath. Hence, certain judgments would need to be exercised as to the credibility of the views and recollections of those interviewed.
224. Any executive summary issued by us should not be used by the Company for any purpose other than that stated in our letter of engagement without our prior written consent. In the event that we provide written approval to the Company to use any of our executive summary for purposes other than that stated in our letter of engagement, we will need to approve the form and context of such an executive summary to be released. In addition, we shall require an appropriate indemnity from the Company absolving us from any liability or consequence arising from the release of such executive summary for purposes other than that specified above.
225. Neither the whole nor part of our executive summary, nor any reference thereto, may be circulated nor published in any way whatsoever, nor used for any other purpose other than that specified in the report or our letter of engagement without our prior written consent pertaining to the form and context in which it appears. This executive summary should not be used by and/ or disclosed to third parties. No reliance should be placed by third parties on the executive summary for any purposes whatsoever and we shall not be responsible to third parties who have acted on the information contained therein.
226. No reliance should be placed on preliminary draft materials and/or draft version of our executive summary issued by us for discussion purposes, and we shall not be responsible to any parties who have placed reliance on such preliminary draft materials and/or draft versions of our executive summary.
227. We reserve the right (but we are not under any obligation) to review, alter and amend our executive summary in the light of any matters not previously brought to our attention or as a result of new developments, which may or may not materially affect our opinion both prior to and subsequent to the date of this report.

## 10. ANNEXURES

### Annexure 1: (a) List of Key Individuals relevant to Expanded Scope

228. **Table 3** below sets out an overview of the Key Individuals relevant to our work in the Expanded Scope.

<b>Table 3: Overview of Key Individuals</b>			
<b>Name</b>	<b>Role<sup>79</sup></b>	<b>Date of joining</b>	<b>Date of separation</b>
Mr. Cao	Former Deputy CEO	21 January 2016	13 April 2022
	Former Executive Director	17 November 2017	13 April 2022
Mr. Lye	Former Group Assistant Financial Controller and Company Secretary	7 March 2017	25 March 2022
Ms. Zhang	Former Financial Controller & Chief Human Resource/Admin Officer, China Region	1 June 2007	12 January 2022
	Former consultant	17 January 2022	28 February 2022
Mr. Wu	Former Assistant Financial Controller, Central and North China Region	1 May 2016	Unknown <sup>80</sup>

229. Mr. Cao holds 4.44% of EWH's shares as of 13 April 2022<sup>81</sup>.

### Annexure 1: (b) Historical and current names of relevant entities renamed during the review period.

230. Some of the entities mentioned in this Executive Summary were renamed in the relevant review period.

**Table 4** below sets out the changes in the names of the entities and the corresponding date of change. For ease of reference, we have adopted the historical name of the entities in this Executive Summary.

<b>Table 4: Historical and current names of relevant entities</b>		
<b>Historical name(s)</b>	<b>Current name</b>	<b>Date of latest change</b>
ecoWise Energy Pte Ltd	Chen Bang Energy Pte. Ltd.	21 May 2021
Wuhan Lvke Huajing Enterprise Management Co., Ltd (武汉绿科华璟企业管理有限公司)	Wuhan Fubang Enterprise Management Co., Ltd (武汉富邦企业管理有限公司)	25 November 2021

<sup>79</sup> Based on EWH's Annual Report for FY 2020

<sup>80</sup> The payroll listing as of September 2021 did not state his employment cessation date.

<sup>81</sup> Information based on SGX website on 20 July 2023.



Table 4: Historical and current names of relevant entities		
Historical name(s)	Current name	Date of latest change
<ul style="list-style-type: none"> <li>Chongqing Guan Mei Cosmetic Co. Ltd (重庆冠美化妆品有限公司)</li> <li>Chongqing Lvke Huajing Enterprise Management Consulting Co. Ltd (重庆绿科华璟企业管理咨询有限公司)</li> </ul>	Chongqing Bangchen Enterprise Management Consulting Co., Ltd (重庆邦辰企业管理咨询有限公司)	13 May 2020

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