

Our Ref: REG/LC/GT/SH/NOC2021060002

25 June 2021

The Board of Directors

ecoWise Holdings Limited
1 Commonwealth Lane
One Commonwealth #07-28
Singapore 149544

Dear Sirs,

NOTICE OF COMPLIANCE (THE “NOTICE”)

ECOWISE HOLDINGS LIMITED

(“ECOWISE” OR THE “COMPANY”, TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”)

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1. Singapore Exchange Regulation (“**SGX RegCo**” or the “**Exchange**”) refers to the Company’s following SGXNet announcements:
 - (a) Dated 14 June 2021 (Announcement Reference No: SG210614OTHR8TA7) titled “*Financial Statements and Related Announcement – Half Yearly Results*”;
 - (b) Dated 15 June 2021 (Announcement Reference No: SG210615OTHR8J6O) titled “*Request for Trading Halt*”;
 - (c) Dated 18 June 2021 (Announcement Reference No: SG210618OTHR9LAI) titled “*Trading Suspension*”;
 - (d) Dated 22 June 2021 (Announcement Reference No: SG210622OTHR0R3S) titled “*Incident at Sungei Kadut Office*”; and
 - (e) Dated 25 June 2021 (Announcement Reference No:SG2160625OTHRO4KX) titled “*Response to SGX Queries*”(collectively, the “**Announcements**”).

Singapore Exchange Regulation Pte. Ltd.

Company Reg No. 201709600D
(A wholly-owned subsidiary of Singapore Exchange Limited)

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2. Release of half year FY2021 Financial Statements

- 2.1 On 14 June 2021, the Company announced its financial results for the half-year ended 30 April 2021 ("**1HFY2021 Results**"). In the Board's confirmation required under Catalyst Rule 705(5), it was disclosed that:

*"Save for Mr Lee Thiam Seng ("**Mr Lee**") (Executive Chairman and Chief Executive Officer), the board of directors of the Company ("**Board**") confirms that, to the best of the knowledge of the Board, nothing has come to the attention of the Board which may render the unaudited financial statements for the half year ended 30 April 2021 to be false or misleading in any material aspect."*

- 2.2 On 15 June 2021, the Company requested for a trading halt after the Company received queries from SGX RegCo on 14 June 2021, in relation to its 1HFY2021 Results ("**SGX Queries**"). The trading halt was converted into a voluntary trading suspension on 18 June 2021 as the Company was still working to provide responses to the SGX Queries. It was announced that the Directors were not able to unanimously agree and finalise (with one Director in dissent) the announcement on the responses to the SGX Queries before the expiry of the trading halt. Furthermore, there have been recent developments on the Company's operations which the Company requires more time to obtain information and update shareholders.

3. Board Disagreements

- 3.1 On 25 June 2021, the Company announced in response to SGX Queries that Mr Lee's concerns on the 1HFY2021 Results was due to insufficient information provided to him by the finance team who reported to Mr Cao Shixuan ("**Mr Cao**"), Executive Director and Deputy Chief Executive Officer.

Mr Lee had requested for more information about, among others, the following transactions (collectively, the "**Transactions**"):-

- (a) a status update on the Group's ongoing arbitration against China Huadian Engineering Co., Ltd., a contractor engaged by the Group, for failure to perform the Engineering, Procurement and Construction Contract as agreed between the parties;

- (b) the status of the liquidation of China-UK Low Carbon Enterprise Co. Ltd., in which the Company's wholly-owned subsidiary owns a 20% equity interest; and
 - (c) the disposal of the Group's Malaysia subsidiary, Saiko Rubber (Malaysia) Sdn Bhd, which was completed on 23 April 2021. There is a dispute between Mr Lee and Mr Cao with regard to the use of the disposal proceeds.
- 3.2 In Mr Lee's view, the information he requested for was essential for the Board to make an informed determination as to whether the 1HFY2021 Results provided an accurate and updated picture of the Group's financial and cash flow position, and whether any further disclosures were required to be made to the Company's shareholders and/or whether any of such events or transactions would have an impact on the 1HFY2021 Results being reported on. As such, Mr Lee requested that the announcement on the 1HFY2021 Results be delayed until after trading hours on 14 June 2021, so that he could seek further clarification. As the remaining directors, Mr Cao and Mr Er Kwong Wah ("**Mr Er**") were concerned about the deadline to release the 1HFY2021 Results, they decided to announce the 1HFY2021 Results in the early hours of 14 June 2021.
- 3.3 The Company also disclosed that certain matters have come to the attention of the Board about the management of the Company and the timing and sufficiency of material information being provided by the management team to the Board.
- 3.4 With the resignations of 2 independent directors ("**IDs**"), Mr Hew Koon Chan and Mr Tan Wei Shyan in May 2021, the Company's audit committee does not have the requisite minimum of three (3) members.

4. Further Developments in the Company

- 4.1 On 22 June 2021 and 25 June 2021, the Company announced that Mr Lee engaged Stone Forest IT Pte Ltd and gained access to the Company's information technology servers to secure them and restrict access to the said servers. The Board (excluding Mr Lee) disagreed with this approach.

5. Exchange's Directives

The Exchange notes that the Executive Chairman and CEO of the Company, Mr Lee did not provide the confirmation under Catalyst Rule 705(5) that nothing has come to the attention of the board of directors which may render the 1HFY2021 Results (announced by the Company on 14 June 2021) to be false or misleading in any material aspect. In response to SGX Queries, Mr Lee raised concerns on certain Transactions and the impact on the financial results.

- 5.1 The Exchange further notes that there are disagreements between the Executive Directors of the Company, namely Mr Lee and Mr Cao. In addition, the Audit Committee is left with one lead independent director, Mr Er, following the resignation of two other IDs. As such, the board may not be well constituted nor have sufficient independent members to look into areas of concerns raised by Mr Lee.
- 5.2 Catalyst Rule 305(1) provides that the Exchange may exercise administrative powers for the purpose of ensuring that the market is fair, orderly and transparent. Catalyst Rule 305(1)(e) provides that the Exchange may require an issuer to appoint independent professionals for specified purposes. Catalyst Rule 305(1)(k) provides that the Exchange may impose any other requirements on Relevant Persons which the Exchange considers appropriate.
- 5.3 In light of the above developments, SGX RegCo is concerned about (i) the lack of a strong and independent element on the Board and in particular, a well constituted Audit Committee comprising at least three non-executive directors; (ii) the accuracy of the 1HFY2021 Results announced by the Company on 14 June 2021; and (iii) adequacy and effectiveness of internal controls in relation to the Company's financial reporting, release of announcements, escalation and information flow to the Board; safeguarding of assets of the Group.
- 5.4 Pursuant to Catalyst Rules 305(1)(e) and (k), SGX RegCo requires the Company to:
 - (a) Appoint at least two (2) new independent directors based on recommendations from independent, reputable professional associations / bodies so as to constitute its Audit Committee ("**New AC**");
 - (b) Commission its statutory auditor, RSM Chio Lim LLP ("**RSM**"), to perform an audit of its 1HFY2021 Results ("**1HFY2021 Audit**"). As part of the audit, RSM's scope of work must **also** cover (i) the Transactions and concerns raised by Mr Lee; (ii) movements of cash in the Group and (iii) the Group's cash balances. RSM must report concurrently to the New AC, SGX RegCo and the Company's continuing sponsor, Zico Capital Pte Ltd ("**Zico**");

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- (c) Commission an internal audit on the adequacy and effectiveness of internal controls in relation to the Group's financial reporting, release of announcements, escalation and information flow to the Board, and safeguarding of assets of the Group ("**Internal Audit**"). The internal auditor to be appointed must report concurrently to the New AC, SGX RegCo and its continuing sponsor, Zico; and
 - (d) The New AC (comprising two new IDs to be appointed pursuant to this Notice and the Company's existing lead ID Mr Er Kwong Wah), shall remain on the board to see through the completion of the 1HFY2021 Audit and Internal Audit and satisfactory resolution of material findings from the statutory auditor and internal auditor.
- 5.5 SGX RegCo also requires (a) the Company; (b) its past, current and future board of directors, key management and staff; and / or (c) any other person(s) as directed by the Exchange, to render full cooperation to SGX RegCo, the statutory auditor, internal auditor, and continuing sponsor, Zico.
- 5.6 In addition, SGX RegCo shall have the right to require the statutory auditor and / or internal auditor to report solely to SGX RegCo, if required.
- 5.7 Where warranted, SGX RegCo may direct the New AC to look further into material findings, if any, from the 1HFY2021 Audit and Internal Audit.
- 5.8 Please note that this Notice is an official notification to the Company with immediate effect.
- 5.9 Pursuant to Catalist Rule 305(4), failure to comply with the requirements SGX RegCo has imposed shall be deemed to be a contravention of the Catalist Rules.
- 5.10 Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company and/or any Relevant Person(s) for breaches of the Catalist Rules, including any failure to comply with the requirements SGX RegCo has imposed.

Yours faithfully,

June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Ms. Alice Ng, ZICO Capital Pte. Ltd.

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