ECOWISE HOLDINGS LIMITED
(Company Registration No. 200209835C)

RESPONSES TO SGX REGCO QUERIES REGARDING 1HFY2021 RESULTS

The board of directors (the "**Board**" or the "**Directors**") of ecoWise Holdings Limited (the "**Company**") refers to queries raised by the Singapore Exchange Regulation ("**SGX RegCo**") on 14 June 2021 regarding the Company's unaudited financial statements for the six months and half year ended 30 April 2021 ("**1HFY2021 results**") released on 14 June 2021, and the Company's responses are as follows:-

Question 1

Please provide details on Mr Lee Thiam Seng's ("Mr Lee") concerns and circumstances leading to him not agreeing to the release of the 1HFY2021 results and not providing the necessary confirmation pursuant to Catalist Rule 705(5).

Mr Lee's Response

*The response to Question 1 represents Mr Lee's views only and has not been approved by the other Directors of the Company, being Mr Cao Shixuan ("**Mr Cao**") (Executive Director and Deputy Chief Executive Officer) and Mr Er Kwong Wah ("**Mr Er**") (Lead Independent Director). The Company refutes Mr Lee's statements herein and will determine the veracity of Mr Lee's statements at the Review (as defined below).*

Mr Lee had on various occasions requested for further information about, among others, certain transactions of the Group including:-

(a) a status update on the Group's ongoing arbitration against China Huadian Engineering Co., Ltd. ("**Hua Dian**");[1]

(b) the status of the liquidation of China-UK Low Carbon Enterprise Co. Ltd. ("**CULCEC**"), in which the Company's wholly-owned subsidiary owns a 20% equity interest;[2] and

(c) the disposal of the Group's Malaysia subsidiary, Saiko Rubber (Malaysia) Sdn Bhd ("**Saiko**"), which was completed on 23 April 2021,[3]

(collectively "**Requested Information**").

Shareholders should refer to the Company's annual report for the financial year ended 31 October 2020 ("**2020 Annual Report**") for information. More background on the above is described below:-

(i) Arbitration against Hua Dian

In September 2016, the Group commenced initial arbitration proceedings in Weifang Arbitration Commission in Shandong, the People's Republic of China ("**PRC**") against its

[1] Please refer to pages 54 – 55 of the 2020 Annual Report.
[2] Please refer to page 114 of the 2020 Annual Report.
3 Please refer to the announcement made by the Company on 28 April 2021.

contractor, Hua Dian, for failure to perform the engineering, procurement and construction contract ("**EPC Contract**") entered into between the two parties in relation to a 24 MW biomass co-generation power plant. The arbitration result was finalized on 23 December 2017 in the Group's favour, in which it was ordered that:-

(a) Hua Dian is to abide by the EPC Contract and deliver a biomass co-generation power plant to Changyi Enersave Biomass to Energy Co., Ltd. ("**CEBEC**") (a wholly-owned subsidiary of the Company) in accordance with the technical specifications set out in the contract within 6 months from 23 December 2017;

(b) Hua Dian's counter-claim in the amount of RMB31,657,659 (approximately S$6,300,000) (the "**Remainder Amount**"), representing the unpaid amounts under the EPC Contract, is held in abeyance until delivery of a plant compliant with the technical specifications as laid out in the EPC Contract; and

(c) the award of an interim compensation to CEBEC of RMB18,800,000 (approximately S$3,760,000) for Hua Dian's failure to perform the EPC contract, which shall be set-off against the Remainder Amount.

Hua Dian did not abide by the decision of the arbitral tribunal to deliver to CEBEC a plant in accordance with the technical specifications by the stipulated deadline (within 6 months from 23 December 2017) resulting in a second arbitration proceeding being initiated by the Group during the Company's financial year ended 31 October 2020. As at the date of this announcement, the arbitration commission has yet to issue its decision.

(ii) Liquidation of CULCEC

On 14 April 2020, the Group entered into a conditional sale and purchase agreement with HongKong Chenbang Investment Limited in relation to the disposal of the Group's entire interest in a wholly-owned subsidiary, ecoWise Ventures Pte. Ltd. ("**EWV**") and CULCEC (which EWV has a 20% equity interest in), for a consideration of RMB 6 million (approximately S$1.2 million) ("**SPA**"). The then-Board (where two independent directors who constituted the then-Board have since resigned) of the Company ("**Then Board**") had passed a directors' resolution in writing on 14 April 2020, which was signed by all directors except Mr Lee, to approve this transaction and the entry into of the SPA prior. On 29 December 2020, the management of the Company updated the Board that it was not in the interest of the Company to dispose EWV together with CULCEC, resulting in the termination of the SPA on 30 December 2020, which was announced on 31 December 2020.

Mr Lee is concerned that some procedural steps were not taken and therefore the possible lapse in corporate governance by the management team.

The Group thereafter announced in the 2020 Annual Report that it had applied for the liquidation of CULCEC so that residual assets of CULCEC could be distributed to its shareholders. This was approved by the PRC courts on 21 December 2020. Save as set out in the 2020 Annual Report, no further information on the status of the liquidation and the receipt of funds by EWV has been reported to the Board, to the knowledge of Mr Lee. There has been no update since December 2020, nor during the 19 April 2021 and 11 June 2021 Board meetings, and Mr Lee wanted the update so as to see if the 1HFY2021 results needed to reflect such updates.

(iii) Disposal of Saiko

On 28 April 2021, the Company announced that it had on 23 April 2021 disposed of 51% of the issued and paid-up share capital of Saiko Rubber (Malaysia) Sdn. Bhd. following a prior board discussion on the proposed disposal on 28 December 2020.

There is a dispute between Mr Lee and Mr Cao with regard to the use of Saiko Sale Proceeds and the procedural regularity of that meeting. Mr Lee grew concerned about the possible lapse

of corporate governance by the management team.

In Mr Lee's view, the Requested Information 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 (including as to subsequent events) were required to be made to the Shareholders and/or whether any of such events or transactions would have an impact on the 1HFY2021 results being reported on. As the Requested Information had not been provided by the finance team who reported to Mr Cao at the relevant time, Mr Lee requested that the announcement of the 1HFY2021 results be delayed until after trading hours on 14 June 2021, so that he could seek further clarification. This would still have been within the deadline for the issuance of such results announcement under Rule 705(3)(b)(ii) of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") and in any event, Mr Lee had also instructed the Company's legal advisers on 9 June 2021 to seek an extension of time from the SGX-ST but the majority of the Directors did not approve this. On 11 June 2021, the Board did not make any request for extension. The Company Secretary, acting on the approval of a majority of the Board members, proceeded to release the announcement on 1HFY2021 results in the early hours of 14 June 2021.

Question 2

Why did the Company proceed to release the 1HFY2021 results despite not obtaining the relevant confirmation from Mr Lee?

Company's Response

The response to Question 2 represents the Company's views only and has not been approved by Mr Lee. Mr Lee refutes the Company's statements herein and will determine the veracity of the Company's statements at the Review (as defined below).

Capitalised terms used in this section have the same meaning as defined in the Company's announcement dated 22 June 2021 in relation to the "Incident at Sungei Kadut Office".

The Company requested RSM Chio Lim LLP ("**RSM**") (the auditors of the Company) to assist the Board in determining whether the interim financial statements (i.e. the 1HFY2021 results) are compliant with the Catalist Rules relating to the financial statements and dividend announcement on SGXNET. On 7 June 2021, the Company engaged RSM ("**RSM Engagement**") to perform certain agreed-upon procedures on certain balances/percentages/ratio on the interim financial statements, and to issue a report on factual findings to the Company thereafter ("**RSM Report**"). The RSM Engagement was undertaken in accordance with the Singapore Standard on Related Services 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information ("**SSRS 4400**"). An engagement under SSRS 4400 is limited and does not constitute an audit or a review made in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements. Consequently, no assurance was expressed by RSM on individual balances on the interim financial statements or taken as a whole. RSM stated that they made no representation as to the sufficiency of the agreed-upon procedures for the Company's purpose. The agreed-upon procedures carried by RSM were limited to: (a) agreeing on the financial information used by management in the computation of gain and cash flow effect on disposal of Saiko to Saiko's management accounts for the period from 1 November 2020 to 30 April 2021 and the sale and purchase agreement entered into between Sunrich Integrated Sdn. Bhd and Kasan Corporation (Malaysia) Sdn. Bhd. on 23 April 2021 ("**Saiko SPA**") including the Sale Consideration; (b) checking the mathematical accuracy of the computation of gain and cash flow effect on disposal of Saiko prepared by management; (c) obtaining the consolidation entries for the disposal of Saiko from management and agreeing to the information to (i) Saiko's management accounts for the period from 1 November 2020 to 30 April 2021, (ii) the consolidation journal entries of Sunrich Group for the 12 months ended 31 October 2020 and (iii) the Saiko SPA including the Sale Consideration; (d) re-computation to determine mathematical accuracy of the percentages / ratios in the interim financial statements; (e) re-computation to determine mathematical accuracy of the earnings per share and net assets per share amounts appearing in the interim financial statements; and (f) reading and comparing the interim financial statements with the requirements of Catalist Rules on

financial statements and dividend announcements.

The Directors other than Mr Lee, being Mr Cao and Mr Er, were concerned that if the 1HFY2021 results were not issued by the Deadline, the Company would be in breach of the Catalist Rules. Mr Cao and Mr Er thus decided, in good faith and on the basis (a) that the draft RSM Report that was expected to be issued soon after the meeting, (b) of reliance, to a certain extent, on the draft RSM Report, and (c) that RSM has acted as the Company's auditors for over 10 years, to release the 1HFY2021 results immediately in the early hours of 14 June 2021. Earlier, Mr Lee gave strict instructions not to release the 1HFY2021 results until further instructions from him and that he would bear full responsibility for his instructions and would not hesitate to take all necessary actions against any person that fail to comply with his instructions.[4]

On 17 June 2021, RSM issued the RSM Report to the Company.

The Company refutes Mr Lee's above allegations that there were possible lapses in corporate governance by the management team.

Question 3

Are there disagreements or unresolved differences between Mr Lee and the board which would have a material impact on the Group or its financial reporting? Please provide details.

Company's Response

In addition to Mr Lee's concerns about there being insufficient disclosure by the management of the Company as set out in the response to Question 1 above, 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.

Given that these matters relate to the corporate governance of the Company, and may be material for disclosure, the Board and Mr Lee in his capacity as Chief Executive Officer ("**CEO**") have taken certain steps to investigate and to ensure the continuity of the Group's business and operations:-

(a) on 15 June 2021, Mr Lee in his capacity as CEO and in the exercise of such authority, took steps to (i) secure the premises and records of the Company (including by way of engagement of Stone Forest IT to secure and make forensic checks into the computer servers of the Company); and (ii) suspended the duties of certain key staff of the Company ("**Affected Staff**"), pending an internal review of the Company's operations and transactions, to protect the interests of the Company;

(b) on 18 June 2021, the Board (in a resolution that Mr Cao did not sign) resolved as follows:-

(i) the appointment of Mr Yeo Siak Ling ("**Mr Yeo**") as the Chief Operating Officer ("**COO**") immediately to oversee and take over the day-to-day management of the Group, pending completion of the requisite due diligence. Mr Yeo had been approved by the Board (excluding Mr Cao). The Company is currently working with its Sponsor on the requisite due diligence and releasing the announcement pursuant to Rule 704(6) of the Catalist Rules;

(ii) in the interim, Mr Cao is to be placed on leave of absence in respect of his executive duties as the Deputy Chief Executive Officer of the Company; and

(iii) the COO has been directed by the Board to commission and conduct a third party review of the businesses and operations of the Group ("**Review**") to determine whether there has been any breaches or lapses in the day-to-day operations of the Group. The Company will provide updates to Shareholders on material developments on the Review

[4] By way of an email to Mr Er, Mr Cao, the Group Financial Controller and Company Secretary, and Sponsor on 12 June 2021

as and when available; and

(c) As at the date of this announcement, the Company has reinstated the duties of certain Affected Staff.

Question 4

Are there matters which need to be brought to the attention of shareholders of the Company? Please provide details.

Company's Response

The Company wishes to update the shareholders in relation to the incident at Sungei Kadut office, in that Mr Lee has secured the information technology servers at the Company's premises and restricted access to the said servers to only individuals who are not subject to the Review mentioned in the response to Question 3 above and who have been reinstated. The Board (excluding Mr. Lee) disagree with this approach. The Company will provide updates to shareholders on its next course of action.

Save as disclosed in this announcement and the announcement issued by the Company on 22 June 2021 in relation to the "Incident at Sungei Kadut office", to the best of their knowledge and belief and based on the information provided by the management team to the Board, the Directors of the Company confirm that there are no other matters which need to be brought to the attention of the Shareholders. The Company will update Shareholders when there are material developments in due course.

Question 5

Please provide the Board of Directors' (including Mr Lee) confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Company's Response

As set out in the responses to SGX queries above, the above concerns relate to corporate governance and internal control issues (such as approval processes) which the Company will appoint a third party to conduct a review of. Mr Lee intends to raise his concerns at the Review to be undertaken subsequently. Accordingly, the Company has announced a trading suspension under Rule 1303(3) of the Catalist Rules on 18 June 2021. The trading suspension would avoid any irregular movement in share price and avoid market confusion as the Company continues its focus to engage and strengthen its internal processes, with a view to strengthen the Group's financial position and to preserve value for its stakeholders.

The Company will make further announcements as and when there are any material updates in relation to the above responses, and will endeavor to the resumption of trading of shares as soon as possible.

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

By Order of the Board

ER KWONG WAH
Lead Independent Director
25 June 2021

This announcement has been prepared by ecoWise Holdings Limited ("**Company**") and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd., at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.