



Regulatory Announcement

28 March 2024

SGX RegCo requires regulatory clearance on the appointment of Mr. Cao Shixuan, former director of ecoWise Holdings Limited

Singapore Exchange Regulation (SGX RegCo) refers to the Notice of Compliance issued to ecoWise Holdings Limited on 25 June 2021 and the company's announcement dated 28 March 2024 on the findings of the special audit by the special auditor, Ernst & Young Advisory Pte Ltd ("EY"). EY reports the findings directly to SGX RegCo and the company's relevant sponsors during the relevant period.

Background

On 14 June 2021, the company announced the group's financial results for the half-year ended 30 April 2021 ("**1HFY2021 Results**"). The announcement indicated that the Chief Executive Officer and Executive Chairman, Mr. Lee Thiam Seng ("**Mr. Lee**") did not agree to the release of the 1HFY2021 Results and therefore, did not provide his confirmation on the accuracy of the financial statements as required under the Listing Rules. SGX RegCo queried the company on the announcement on the same day.

On 15 June 2021, the company requested for a trading halt (which was subsequently converted into a trading suspension) as the directors could not unanimously agree and finalise their response to SGX RegCo. The company subsequently announced on 25 June 2021, among others, that Mr. Lee had concerns over certain transactions and their impact on the group's 1HFY2021 Results due to insufficient information provided to him by the finance team.

In light of the above developments, SGX RegCo directed the company, among others, to (i) commission its statutory auditor from RSM Chio Lim LLP ("**RSM Chio Lim**") to perform an audit of its 1HFY2021 Results and (ii) appoint a suitable independent special auditor to look into the transactions raised by Mr. Lee, and the corporate governance of the group. EY was appointed as the special auditor on 27 August 2021.

RSM Chio Lim's audit findings suggested that the group had PRC-incorporated subsidiaries that were not consolidated with the group and there were transactions between the group and an entity called Hong Kong Chen Bang Investments Ltd ("**HK Chen Bang**"), purportedly associated with the Group's former Executive Director and Deputy Chief Executive Officer, Mr. Cao Shixuan ("**Mr. Cao**"). EY was therefore directed by SGX RegCo to expand the scope of the special audit to include transactions undertaken by the unconsolidated entities as well as with HK Chen Bang (the "**Expanded Scope**").

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Findings from EY's Special Audit Report

Transactions raised by Mr. Lee

The transactions which Mr. Lee had concerns on were: (a) arbitration with China Hua Dian Engineering Co., Ltd, (b) liquidation of China-UK Low Carbon Enterprise Co., Ltd, an entity which the company had an indirect 20% equity interest in, and (c) disposal of Saiko Rubber (Malaysia) Sdn Bhd and the use of disposal proceeds.

EY did not observe any irregularities in these transactions, aside from the non-disclosure of key milestones relating to the arbitration with China Hua Dian. Certain key matters of these transactions were either not reported to the board of directors, or updates to the board of directors were unclear or inaccurate. EY further observed that ecoWise's board apparently relied on the former sponsors to advise on matters that require announcements. However, as the former sponsors were not always made aware of developments within the company, they were unable to advise the company accordingly.

Transactions under the Expanded Scope

The transactions covered under the Expanded Scope included the review of the transactions undertaken by the unconsolidated PRC subsidiaries and the group's transactions with HK Chen Bang which took place primarily in PRC.

Available documents showed that Mr. Cao was the legal representative and/or the executive director of the unconsolidated PRC subsidiaries, and his role was to oversee the Company's operations in the PRC. The transactions under the Expanded Scope were primarily handled by Mr. Cao. EY reported that they were unable to obtain clarity on those transactions due to the lack of comprehensive records maintained by the group and Mr. Cao also did not accede to EY's request for information.

Instances of non-compliance

EY reported certain key controls lapses, such as when payment amounts were split to circumvent the existing payment approval matrix to supposedly expedite the payment process, record keeping on payments was poor, lack of policies on matters that require company announcement, and matters that should be escalated to the board of directors.

EY also highlighted potential listing rule breaches relating to the non-disclosure of the group's ongoing arbitration with China Hua Dian and the existence of the unconsolidated PRC subsidiaries, internal control lapses, as well as potential contravention of Section 160 of the Companies Act in relation to the failure to obtain company's approval for the disposal of the unconsolidated PRC subsidiaries.

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Actions by SGX RegCo

Mr. Cao was involved in the transactions under the Expanded Scope and did not attend the interviews arranged by EY. He also failed to provide further information to EY on the transactions, when requested. Consequently, EY was unable to conduct a thorough examination of the transactions. In light of his failure to extend cooperation, Mr. Cao will be placed on our Directors' and Executive Officers' Watchlist. Issuers who intend to appoint him must seek the views and guidance of SGX RegCo before any proposed appointment.

SGX RegCo will require ecoWise to provide a satisfactory trading resumption proposal that include, among others, the following: (a) a clean audit opinion for the latest set of financial statements, (b) a viable and sustainable business, (c) demonstration of its ability to operate as a going concern, (d) assessment and confirmations by the Board and sponsor on the adequacy of working capital for at least 12 months following trading resumption and (e) an independent attestation on the effectiveness and adequacy of its internal controls, which takes into account EY's recommendations (where still relevant) and its operating environment.

SGX RegCo will investigate the potential listing rule breaches highlighted in the EY Report and refer any potential contraventions of the law to the relevant authorities.

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About Singapore Exchange Regulation (SGX RegCo)

Singapore Exchange Regulation (SGX RegCo) is the independent Singapore Exchange subsidiary undertaking all frontline regulatory functions including as securities market regulator. Our activities include the admission and supervision of issuers, intermediaries and Catalist sponsors, the surveillance of trading and issuers' disclosures, and the formulation and improvement of policies and products, guided by market feedback. We also have the Whistleblowing Office to look into allegations of issuers' regulatory shortfalls and the Sustainable Development Office to house ESG-related regulatory efforts. Regulation Asia has named us Exchange of the Year four times in recognition of efforts to uphold the integrity and development of our markets. Find out more at <https://www.sgx.com/regulation>.

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