REENOVA INVESTMENT HOLDING LIMITED

(Incorporated in the Republic of Singapore | Company Reg. No.: 200104762G)

Website: **www.reenovagroup.com**

SGX Stock Code: **5EC**

RESPONSE TO SGX-ST QUERIES

The Board of Directors (the "**Board**") of Reenova Investment Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to provide the following additional information in response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 16 November 2021 regarding the entry into a non-binding term sheet in relation to the proposed disposal of Reenova Global Pte. Ltd. to GRM Group Limited for a proposed consideration of US$6 million ("Proposed Transaction") announced on 10 November 2021.

Query by SGX-ST:

1. Please provide a brief description of GRM Group Limited, the Purchaser, including its date and country of incorporation, its directors and shareholders, its principal activities and track record, size, and the identity of the person who introduced them to the Company and how they were introduced.

Company's Response:

1. GRM Group Limited ("**GRM**" or the "**Purchaser**") was incorporated on 27 May 2015 in Hong Kong SAR, China. Mr Lam Hiu Chat Rico ("**Mr Rico Lam**"), a Chinese citizen from the Hong Kong SAR, is the sole shareholder and director, who holds 100% of the shares in GRM Group Limited. The following are based on representations from Mr Rico Lam, which have not been independently reviewed or verified by the Company:
   GRM is in the business of supplying electronic parts, raw materials for manufacturing of electronic components, supplying integrated circuit ("**IC**") chips to manufacturers for the assembly of motherboards and central processing unit ("**CPU**") sockets. The Purchaser's customers include Foxconn and Hon Hai Precision Industry Co. The Purchaser also reconditions certain products such as used Apple iPhones, iPads and BlackBerry phones and repacks and resells these reconditioned products to overseas markets. The Purchaser's revenue has been growing since its establishment in 2015 and its business revenue reached HKD400 million in FY2020. In addition, the Purchaser is also involved in green-energy projects in Mahabo district and Ampanihy in Madagascar, for the supply and installation of solar-energy panels.

   Mr. Zhao Ping, a businessman based in Hong Kong, introduced Mr Rico Lam to Mr. Chen Tong, the Executive Chairman of the Company, as Mr Rico Lam has an interest in investing in rare earth and other green mineral resources projects.

Query by SGX-ST:

2. Please clarify how much the Company originally paid for the acquisition of its 75% stake in Reenova Holding (Mauritius) Limited ("RHM"), including all the loans and advances made in relation to the acquisition and how those payments were settled. Please quantify clearly.

Company's Response:

2. The amount originally paid for the acquisition of its 75% stake in Reenova Holding (Mauritius) Limited ("**RHM**") is as follows:

Transaction	S$	Remarks
Acquisition of 60% of RHM shares from REO Magnetic Pte Ltd in December 2018	2,989,029	747,257,307 new ordinary shares of the Company were issued to REO Magnetic Pte Ltd at an issue price of S$0.004 per share in January 2019.
Acquisition of 15% of RHM shares from Tantalus Rare Earth AG in May 2019	750,619	Loans amounting to S$679,135 (plus accrued interests of S$71,484 totalling S$750,619) provided by Reenova Global Pte Ltd to Tantalus Rare Earth AG ("**TRE AG**") were settled in May 2019 by way of enforcing the share pledge agreements provided by TRE AG in relation to the loans.
Total cost of acquisition of 75% stake in RHM:	**S$3,739,648**	

Reenova Global Pte. Ltd. ("**Reenova Global**") has provided loans amounting to approximately S$9.09 million to Reenova Holding (Mauritius) Limited for working capital purposes between September 2016 to September 2021. Interest of approximately S$1.02 million has been accrued in the books of Reenova Global Pte Ltd as at 30 September 2021.

Query by SGX-ST:

3. Please disclose the Listing Rule 1006 computations for the Proposed Transaction.

Company's Response:

3. The relative figures for the Proposed Transaction as computed using the applicable bases of comparison set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Basis	Relative Figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value as at 30 September 2021.	Approximately 94%
(b)	The net profit/loss attributable to the assets disposed of, compared with the Group's net profit/loss for the nine-month period ended 30 September 2021.	Approximately 66%

Rule 1006	Basis	Relative Figure
(c)	The aggregate value of the consideration to be received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares as at 10 November 2021.	Approximately 40%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable as there are no reserves in the Madagascar Rare Earth Project.

Query by SGX-ST:

4. Please disclose the basis for arriving at the proposed valuation of US$6 million and the factors taken into account. To also disclose the valuation of the mine held by RHM.

Company's Response:

4. The proposed purchase price of US$6,000,000 was arrived at on a "willing buyer and willing seller" basis, taking into account the expiry of the exploration licence PR 6698 (the "**Exploration Licence**") on 5 November 2021, the uncertainties surrounding the Group's application to the Madagascar authorities for an extension of the period of validity of the Exploration Licence for an additional period of two (2) years due to the COVID-19 global pandemic and the Group's application for a full mining licence (*Permis de Exploitation*) in September 2020 (as elaborated in the Company's announcement dated 10 November 2021), and the Company's cash resources, which is depleting as the Company was not able to secure additional funding to allow the Company to operate as a going concern, as well as to bring the Group's Rare Earth Project to commercialisation.

   Ernst & Young Ltd, Mauritius ("**EY**") was previously engaged to perform a valuation in connection with the Purchase Price Allocation ("**PPA**") exercise in relation to the Group's acquisition of 60% shareholding in RHM as at 28 December 2018 in accordance with the requirements of Singapore Financial Reporting Standard (International) 3 *Business Combinations*. EY issued their valuation report on 27 December 2019 and concluded on an enterprise value range of **US$19.78 million** to **US$34.55 million,** with an average **US$27.17 million**, for the Rare Earth Project as at 28 December 2018**.** The average value of **US$27.17 million (which was approximately S$36.03 million)** as per EY's valuation report dated 27 December 2019 was taken and recorded as the value of the mining rights (classified as an intangible asset) in the Group's consolidated statements of financial position as at 31 December 2018, 2019, 2020 and 30 September 2021. As there were no significant developments and no further exploration activities conducted subsequent to the valuation performed by EY, the Group did not carry out a separate valuation exercise on the mining rights in FY2020 and had maintained the value of the mining rights as S$36.03 million in the Group's consolidated statements of financial position as at 31 December 2020 as well as 30 September 2021.

Query by SGX-ST:

5. Listing Rule 1014(5) requires a valuation of the disposed asset to be undertaken if any of the ratios under Listing Rule 1006 exceeds 75%. Please disclose the following details of the valuation performed for the Proposed Transaction:

   a) the identity of the valuer;
   b) the party who commissioned the valuation;
   c) the date of the valuation;
   d) the value of the Company's 75% stake in RHM; and
   e) the basis of such valuation.

Company's Response:

5. The Company has yet to commission a valuer to perform the valuation for the Proposed Transaction. Such valuation will be undertaken and the details will be provided in the circular to shareholders in relation to the Proposed Transaction pursuant to Rule 1014(5).

Query by SGX-ST:

6. Please disclose and quantify the excess or deficit of the proceeds over the book value of its 75% stake in RHM as well as the gain/loss from the Proposed Transaction

Company's Response:

6. The Company would like to highlight that as the Proposed Transaction pertains to a disposal of Reenova Global Pte. Ltd., the excess or deficit of the proceeds should be computed against the book value of Reenova Global Pte. Ltd. and its subsidiaries instead of the Company's 75% stake in RHM. The deficit of the proceeds over the book value of Reenova Global Pte. Ltd. and its subsidiaries as at 30 September 2021 is approximately S$11.1 million. The gain/loss from the Proposed Transaction would be computed upon the completion of the valuation exercise where the fair value of the assets being disposed of, have been determined.

On behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

22 November 2021