REENOVA INVESTMENT HOLDING LIMITED

(*formerly known as ISR Capital Limited*)
(Incorporated in the Republic of Singapore | Company Reg. No.: 200104762G)
SGX Stock Code: **5EC**

RESPONSE TO SGX 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 13 March 2020 in relation to the Company's announcement dated 10 March 2020 (the "**Announcement**").

Query by SGX-ST:

1. We refer to the Response to SGX Queries announced on 10 March 2020. We noted in your response to SGX-ST Query 2 that the Reenova Rare Earth Madagascar Project has been identified as the only CGU. Accordingly, please disclose the information required under Listing Rule 705(7).

Company's Response:

1. Please refer to the disclosures made in Paragraph 14 of the Company's announcement on its Unaudited Financial Statements for the fourth quarter ("**Q4 FY2019**") and financial year ("**FY2019**") ended 31 December 2019 that was made on SGXNet on 29 February 2020 (the "**29 February 2020 Announcement**").

Query by SGX-ST:

2. In the Company's response to SGX-ST Query 3.a, in the table showing the breakdown of the Group's employee benefits expense, please also include the FY2018 breakdown in the table as well as the variance between 2018 and 2019.

Company's Response:

2. Please refer to the table below for the breakdown for FY2018 as well as the variance between FY2018 and FY2019:

Description	2019 S$	2018 S$	Variance S$'000	Variance %
Salaries and wages	935,917	580,530	355	61.2
Provision for bonus	-	122,000	(122)	(100.0)
Employer's Contributions to CPF/Pension Funds	59,208	39,849	19	48.6
Insurance (Hospital and Surgical)	27,653	8,555	19	> 100.0
(Write-back of)/Provision for unutilised leave	(2,540)	10,500	(13)	> (100.0)
Other staff benefits	51,887	19,228	33	> 100.0
Total	**1,072,125**	**780,662**	**291**	**37.3**

Query by SGX-ST:

3. In the Company's response to SGX-ST Query 3.b, it was disclosed that "The increase of approximately S$98,000 of 191.0% in the Group's depreciation expense from S$51,456 for FY2018 to S$149,733 for FY2019 was mainly due to the consolidation of the depreciation expense of RREM". Please set out the fixed assets of RREM and show the depreciation schedule to support the statement.

Company's Response:

3. The Company would like to clarify that the increase of approximately S$98,000 or 191.0% in the Group's depreciation expense from S$51,456 for FY2018 to S$149,733 for FY2019, was due mainly to the depreciation of right-of-use asset related to the Singapore office rental (as mentioned in the Company's 29 February 2020 Announcement) (where with effect from 1 January 2019, in accordance to SFRS(I) 16 *Leases*, entities have to account all leases which are more than 12 months as right-of-use asset and lease liability on balance sheet and depreciate over the lease period) and the consolidation of the depreciation expense of RREM for the full financial year into the Group's consolidated statement of profit or loss for FY2019. As the Group had only acquired 60% of RHM and RREM on 28 December 2018, RREM's depreciation expense was not consolidated in FY2018.

The fixed assets of RREM and the depreciation schedule for FY2019 are set out as follows:

Description	RREM S$	Rest of Group (without RREM) S$	Group Total S$
Furniture and fittings	1,373	-	1,373
Office equipment	-	5,500	5,500
Other equipment	10,402	-	10,402
Computers	2,532	13,699	16,231

Description	RREM S$	Rest of Group (without RREM) S$	Group Total S$
Motor vehicle	-	21,337	21,337
Construction/Leasehold improvements	2,997	-	2,997
Boat	4,044	-	4,044
Sub-total	**21,348**	**40,536**	**61,884**
Right-of-use asset	-	87,849	87,849
Total	**21,348**	**128,385**	**149,733**

Query by SGX-ST:

4. In the Company's response to SGX-ST Query 3.c(i), it was disclosed that "there is currently no certainty that the Madagascar subsidiary will be able to produce commercially to enable the utilisation of the VAT receivables". Please elaborate on this statement given that the rare earth mine is located in Madagascar and the Company has recognised significant intangible assets which had a significant impact on the income statement and statement of financial position of RREM.

Company's Response:

4. As mentioned in Paragraph 10 of the Company's 29 February 2020 Announcement, the Group is currently seeking funding arrangements to begin its plans for the next phase of work, which includes trial leaching, pilot production, feasibility studies, engineering studies, and environmental impact assessments. At this juncture, there is no certainty that RREM will be able to produce commercially to enable the utilisation of the VAT receivables as RREM has not obtained the full mining licence (*Permis de Exploitation*). Accordingly, full impairment has been made on the VAT receivables as at 31 December 2019.

   The Group has recognised significant intangible assets (mainly the mining right) as at 31 December 2018 and the bargain purchase for FY2018 as part of a business combination accounted for in accordance with Singapore Financial Reporting Standard (International) 3 *Business Combinations* ("**SFRS(I) 3**"). The enterprise value of the Reenova Rare Earth Madagascar Project and accordingly, the fair value of the mining right, have been determined based on the guidelines of the VALMIN Code and accounted for in accordance with SFRS(I) 3. Please note that the intangible asset (i.e., mining right) and the bargain purchase were recognised/restated in the consolidated statement of financial position and income statement of the Group for FY2018 respectively and not in the separate financial statements of RREM.

Query by SGX-ST:

5. In the Company's response to SGX-ST Query 4.a, it was disclosed that the Currency translation differences of S$1,500,634 in the cash flow statement relates to the translation differences arising on an intercompany loan payable by RREM to RHM of MGA 67.39 million. Please clarify if it relates to the $1,521,624 exchange loss recorded in other operating expenses, or the currency translation difference in other comprehensive income of S$1,496,247 as explained in the Company's response to SGX-ST Query 3.e. Please also clarify why this currency translation difference of S$1,500,634 was not eliminated on consolidation along with the loan.

Company's Response:

5. The currency translation differences of S$1,500,634 relates to the exchange loss of S$1,521,624 recorded in other operating expenses. The currency translation differences was accounted for in accordance with paragraph 45 of SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* and was therefore, not eliminated on consolidation along with the intercompany loan. Paragraph 45 of SFRS(I) 1-21 states that "…an intragroup monetary asset (or liability), whether short-term or long-term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements of the reporting entity, such an exchange difference is recognised in profit or loss…"

On behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

17 March 2020