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 ON THE ANNUAL REPORT 2019

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 23 June 2020 in relation to the Company's Annual Report 2019.

Query by SGX-ST:

1. We refer to the FY2019 Annual Report announced by the Company on 11 June 2020. The Company's independent auditor issued a disclaimer of opinion raised by over the Group's ability to operate as a going concern. We draw the Company's attention to Listing Rule 1303(3) which states that, "The Exchange may at any time **suspend trading** of the listed securities of an issuer in any of the following circumstances:-…(3) where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so, including the following circumstance: (c) when the issuer is unable to reasonably assess its financial position and inform the market accordingly". In this regard:

   (a) Please elaborate with specific details on the Directors' view on (a) how the Group will be able to operate as a going concern for the next 12 months; and how it will be able (a) to bring the greenfield rare earth mine to commercialization and revenue generation upon the Group's successful application for a full mining license by November 2021; and (c) to raise sufficient capital to support the above project will enable the Group to operate as a going concern. Please include indicative timelines and details of how the Company intends to operate as a going concern for the next 12 months.

   (b) The Board of Directors' opinion as to why a trading suspension is not required pursuant to Listing Rule 1303(3); and

   (c) If the Board is able to justify and substantiate its view that the Company is able to operate as a going concern, to provide the Board of Directors' confirmation that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

Company's Response:

1(a) Since acquiring the Rare Earth Project, the Company has been actively exploring various funding options that will best serve the interests of the Company's shareholders. Discussions and negotiations on fundraising activities were however, disrupted due to the outbreak of COVID-19 pandemic and the imposition of lockdown/circuit breaker measures. With the lifting of lockdown/circuit breaker measures, the Company has resumed discussions and negotiations with a third party to obtain a four-year term loan of up to US$30 million. Barring any unforeseen circumstances, the Company believes that the four-year term loan can be secured by the fourth quarter of this year. The Company will make a further announcement on this matter at the appropriate time.

In addition to the four-year term loan, the Company is also working on the feasibility of raising additional funds through either one or a combination of the following avenues:

i. Placement of the Company's shares to acceptable placees; and/or
ii. Rights issue to existing shareholders of the Company.

The Company is also in discussions to negotiate and finalise offtake agreements in relation to its Rare Earth Project in Madagascar such that funding is provided by the buyer(s) in advance in order for the Group to further develop the Rare Earth Project to deliver rare earth oxides to the buyer(s).

Subsequent to 31 December 2019, the Company has obtained additional financing as follows:

i. Obtained additional interest-free loans of S$355,000 from its Executive Chairman;
ii. Raised gross proceeds of S$1,000,000 through the issuance of sub-tranche 5 of Tranche 3 convertible redeemable bonds to Premier Equity Fund (the "**Bond Subscriber**");
iii. Obtained interest-free advance of S$300,000 from the Bond Subscriber.

Taking into consideration the proceeds to be obtained from the four-year term loan of up to US$30 million, the potential placement and/or rights issue, the short-term financial support from the Executive Chairman and the Bond Subscriber as well as the estimated ongoing expenses of the Group, the Board of Directors is of the opinion that the Company and the Group will be able to operate as a going concern for the next 12 months and be in a position to bring the greenfield rare earth mine to commercialisation and revenue generation upon the Group's successful application for a full mining license (the application of which would be due to be submitted to the Madagascar Government by November 2021) as well as having sufficient capital to support the Rare Earth Project to enable the Group to operate as a going concern.

1(b) In view of the considerations set out in the response to query no. 1(a) above, the Board of Directors is of the opinion that it is premature to call for a trading suspension and it is not in the best interest of the shareholders of the Company to do so at this juncture. The Board will closely monitor the Company's progress in securing sufficient funding to enable the Group to continue operating as a going concern.

1(c) With the disclosures and considerations provided in the responses to queries no. 1(a) and 1(b) above, the Board of Directors confirms that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

Query by SGX-ST:

2. Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

   (a) We note that the Company had not complied with Provision 3.1 of the Code as the Company does not have a CEO, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 3 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

   (b) We also note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of the breakdown of remuneration of each individual director and CEO, as well as the aggregate total remuneration paid to key management personnel, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. In addition, please also disclose the aggregate total remuneration paid to key management personnel.

Company's Response:

2(a) The Company does not propose for a CEO to be appointed at this stage. The Company will consider appointing a CEO once it has secured sufficient funding as envisaged in the response to query no. 1(a) above.

The Company has explained its deviation from Provision 3.1 of the Code on page 27 of the Annual Report 2019 as follows:

i. Mr Chen Tong is currently appointed as the Executive Chairman and is responsible for the oversight and management of the Group's investments and corporate developments, as well as formulating the overall business and corporate policies and strategies for the Group.

ii. All major decisions made by the Executive Chairman are reviewed by the Board. His performance is reviewed periodically by the Nominating Committee. The Executive Chairman and other independent directors have regular meetings. All important and major decisions relating to the operations and management of the Group are made jointly and collectively by them. The Board believes that there is a balance of power and authority within the Board as all the Board Committees are chaired by independent directors.

iii. Please also refer to Provisions 2.1, 2.2 and 2.5 on page 26 of the Annual Report 2019, which further elaborate on the role played by the independent non-executive directors in ensuring that there is a strong and independent element on the Board.

Based on the above, there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making. As such, the Company believes that the existing practices are consistent with the intent of Principle 3 of the Code.

2(b) As explained in Provision 8.1 on page 33 of the Annual Report 2019, the Company disclosed the remuneration paid to each director, the Executive Chairman and the key management personnel using a band of S$250,000. The Company has further explained that given the confidentiality and commercial sensitivity attached to remuneration matters and in line with the interest of the Company, the remuneration of the directors and key management personnel (who are not directors or the CEO) would not be disclosed in dollar terms. The Company is of the view that the remuneration disclosure in the respective bands provides sufficient overview of the remuneration of directors and the key management personnel (who are not directors or the CEO). Please refer to Provisions 7.1, 7.2 and 7.3 on page 32 of the Annual Report 2019 for further details on the Company's policy and criteria for setting remuneration. In view of the above, the Company believes that the existing practices are consistent with the intent of Principle 8 of the Code. The aggregate total remuneration paid to key management personnel (who are not directors or the CEO) for the financial year ended 31 December 2019 was approximately S$252,000.

Query by SGX-ST:

3. We refer to page 111 of the FY2019 Annual Report. It was disclosed that as at 31 December 2019, the Group had trade receivables worth S$2,668,095 and debt securities of S$3,665,790 that had been fully impaired, while the Company had amounts due from subsidiaries of S$44,963,276, out of which S$31,533,012 had been impaired. Please disclose in tabular form for each debtor, the following details:
   (a) Nature of receivable and due date
   (b) Rationale for not collecting the revenue/debt when due
   (c) Identity of Debtor and the shareholders of each of these debtors
   (d) Initial Amount owing/transacted, amounts paid to-date and payment dates
   (e) Reason for impairment

Company's Response:

3(a) to (e):

Group trade receivables as at 31 December 2019:

No.	Name of debtor	Shareholders	Nature of receivables	Reason for impairment	Initial amount transacted	Amounts paid to-date	Amount owing	Amount impaired	Net amount after impairment	Payment date
					S$	S$	S$	S$	S$	
1.	Apexis Offshore Limited	Third party	Dynamic Return (Singapore) Pte Ltd ("**DRSPL**") was engaged as exclusive management consultant and introducer in connection with the proposed sale of one of the debtor's subsidiary.	The debtor was unable to pay the remaining outstanding management consultancy fee as the sale did not complete and has since lapsed. A Singapore Court action was commenced by DRSPL and default judgment was obtained against the debtor on 2 February 2018 for the sum of S$1,685,419 plus interest and costs. However, the default judgment has not yet to be enforced. Full impairment has been made since the financial year ended 31 December 2016.	2,035,419	(350,000)	1,685,419	(1,685,419)	-	1) 27 Nov 2015: S$100,000 2) 07 Apr 2016: S$50,000 3) 08 Apr 2016: S$200,000
2.	Primeforth Renewable Energy Limited	Third party	DRSPL was engaged as exclusive management consultant in connection with the proposed engineering, procurement and construction ("**EPC**") contract between the debtor and one of the debtor's clients.	The debtor was unable to pay the remaining outstanding management consultancy fee as there are uncertainties surrounding the EPC project as the debtor's client was in the process of seeking financing from bankers. The Company has decided, upon taking legal advice, not to pursue the claim via court proceedings. Full impairment has been made since the financial year ended 31 December 2016.	846,216	(300,000)	546,216	(546,216)	-	16 Mar 2016: S$300,000
3.	PT Permata Selaras Mandiri	Harun Abidin (deceased)	This pertains to outstanding interest receivable from the debtor in relation to the debt facility extended by DRSPL to the debtor.	The debtor was in the oil and gas sector and was affected by the slowdown in the industry then. The debtor indicated that they do not have sufficient cash flows to make repayments and they have defaulted on their interest payments to-date.	235,864	(130,000)	105,864	(105,864)	-	17-Mar-2016: S$130,000

No.	Name of debtor	Shareholders	Nature of receivables	Reason for impairment	Initial amount transacted	Amounts paid to-date	Amount owing	Amount impaired	Net amount after impairment	Payment date
					S$	S$	S$	S$	S$	
3.	PT Permata Selaras Mandiri *(continued)*			A Singapore Court action has been commenced against PT Permata Selaras Mandiri for recovery of sums owed to DRSPL under a facility agreement with DRSPL and against Harun Abidin on a guarantee provided in relation to the same but the originating process has yet to be served on the defendants.						
				DRSPL was subsequently advised that PT Permata Selaras Mandiri was no longer operating and Harun Abidin (the "Guarantor") is deceased. Given the circumstances, DRSPL decided to discontinue the suit in May 2020 to save time and costs. Nevertheless, DRSPL is taking steps in Indonesia by commencing a mediation claim against the heirs of the Guarantor to recover the amounts owed. Full impairment has been made since the financial year ended 31 December 2016.						
				Sub-total:	**3,117,499**	**(780,000)**	**2,337,499**	**(2,337,499)**	**-**	
4.	Various long outstanding debtors which have been fully impaired in prior years				470,596	(140,000)	330,596	(330,596)	-	1) 01 Apr 2010: S$40,000 2) 31 May 2010: S$100,000
				Total trade receivables:	**3,588,095**	**(920,000)**	**2,668,095**	**(2,668,095)**	**-**	

Group debt securities as at 31 December 2019:

For debt securities of S$3,665,790 which have been fully impaired since the financial year ended 31 December 2016, please refer to the disclosures under “Debt Facility 1” on page 92 of the Annual Report 2019 as well as the disclosures pertaining to PT Permata Selaras Mandiri in item 3 in the table above.

Company's Response: *(continued)*

3(a) to (e): *(continued)*

Amounts due from subsidiaries as at 31 December 2019:

No.	Name of subsidiary	Amounts due from	Allowance for impairment loss	Net amount after impairment	Reason for impairment
		S$	S$	S$	
1.	Dynamic Return (Singapore) Pte. Ltd.	29,479,067	(29,479,067)	-	Full impairment has been made in prior years and the subsidiary continues to be in a net liabilitiy position as at 31 December 2019.
2.	Reenova Global Pte. Ltd. (formerly known as ISR Global Pte. Ltd.)	12,757,959	(791,192)	11,966,767	Full impairment has been made on inter-company balances of approximately S$791,000 owing by Reenova Global Pte. Ltd. to the Company since the financial year ended 31 December 2015. The remaining amount outstanding of S$11.97 million mainly relates to loans extended to Reenova Holding (Mauritius) Limited that was funded by the Company and expenses paid on behalf of Reenova Global Pte. Ltd. in relation to the rare earth project in Madagascar. Taking into consideration fair values of the assets and liabilities of Reenova Holding (Mauritius) Limited and Reenova Rare Earth (Malagasy) S.A.R.L.U. following the completion of the purchase price allocation exercise in December 2019, the Company is of the view that the intercompany balances owing by Reenova Global Pte. Ltd. are recoverable.
3.	Infiniti Advantage Pte. Ltd.	1,779,591	(316,094)	1,463,497	Full impairment has been made on inter-company balances of approximately S$316,000 owing by Infiniti Advantage Pte. Ltd. to the Company since the financial year ended 31 December 2016. The remaining amount outstanding of S$1.46 million mainly relates to the investment of S$1.34 million in Straits Hi-Rel Pte. Ltd. ("SHR") that was funded by the Company and operating expenses paid on behalf of Infiniti Advantage Pte. Ltd. by the Company. No further impairment was made as Infiniti Advantage Pte. Ltd. is currently in negotiations with a potential acquirer to dispose its investment in SHR at cost of investment.
4.	Raintree Strategic Consultancy Limited	756,870	(756,870)	-	Impairment of approximately S$754,000 has been made in prior years and the subsidiary continues to be in a net liabilitiy position as at 31 December 2019.
5.	ISR China Limited	189,790	(189,790)	-	Impairment of approximately S$185,000 has been made in prior years and the subsidiary continues to be in a net liabilitiy position as at 31 December 2019.
	Total:	**44,963,276**	**(31,533,012)**	**13,430,264**	

Query by SGX-ST:

4. We refer to page 131 of the FY2019 Annual Report. Kwok Wei Woon "confirmed on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No"". Paragraph (j)(iv) of Appendix 7.4.1 requires disclosure of whether Kwok Wei Woon has ever to his knowledge been involved in the affairs of any entity which has been investigated for a breach of any law or regulatory requirement that relates to the security industry in Singapore or elsewhere. Among other things, we note that per announced by Asia Fashion Holdings Limited on 13 June 2018, in which Kwok Wei Woon was a Director, Ernst & Young was appointed to conduct an Independent Review. Please advise why this disclosure was omitted. Kindly amend the disclosure accordingly and provide details of all investigations of entities that Kwok Wei Woon was a director or key management of, as required under Appendix 7.4.1.

Company's Response:

4. In relation to the announcement by Asia Fashion Holdings Limited on 13 June 2018 on the appointment of an independent professional, Mr Kwok Wei Woon is of the view that such an appointment was to conduct an independent review into its cashflow position, and was not an investigation into a breach of any law or regulatory requirement that relates to the security industry in Singapore or elsewhere. Until the time of his resignation as Director of Asia Fashion Holdings Limited on 7 November 2018, there was no report from the independent professional stating that Asia Fashion Holdings Limited had breached or potentially breached any law or regulatory requirement that relates to the security industry in Singapore or elsewhere. It is on this basis that he confirmed on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST as "No". Mr Kwok Wei Woon further confirms that apart from the Company and certain of its subsidiaries which have been served notices by the Commercial Affairs Department of the Singapore Police Force (the "**CAD**") in April 2014 and the Company which has been served a joint notice by the Monetary Authority of Singapore and the CAD in December 2016 for investigations into an alleged offence under the Securities and Futures Act, Cap 289, there are no entities of which he was a director or key management, that are being investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere.

On behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

25 June 2020