REENOVA INVESTMENT HOLDING LIMITED
(Formerly known as ISR Capital Limited)
(Company Registration No. 200104762G)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE ANNUAL REPORT 2018

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 15 July 2019 in relation to the Company's Annual Report 2018.

Query by SGX-ST:

1. We refer to the section on "Basis for Disclaimer of Opinion" under the Independent Auditor's Report in the Company's 2018 Annual Report. It was disclosed that the auditors "were unable to obtain sufficient appropriate audit evidence, subject to completion of the formal PPA exercise, with respect to:

   i. The fair value of identifiable intangible asset, if any;
   ii. The fair value of the liabilities assumed of S$10,059,387;
   iii. The accuracy of the non-controlling interest of S$3,308,676; and
   iv. The goodwill recognised of S$7,952,042."

   Please:-

   a. Elaborate why the auditors have to disclaim and quantify effect of the disclaimer;
   b. Are the auditors of the view that current fair value are not fair and not reasonable and therefore disclaimed on the fair values?
   c. Is it an industry norm for such disclaimers for all the companies that have not done PPA exercise within the first year?
   d. Please elaborate on what would be needed specifically in the PPA exercise that will provide sufficient audit evidence since audit has already been undertaken in relation to documents and records; and
   e. Has the PPA exercise been undertaken? What is the outcome of the exercise? Please disclose the impact, quantify and disclose details of the PPA exercise;

Company's Response:

a. The Company understands that the auditors have disclaimed the abovementioned four (4) items due to the potential significant changes of these amounts between the provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired on 28 December 2018 (the "**Acquisition Date**") and the finalised Purchase Price Allocation ("**PPA**") (due in December 2019). As the quantum of the changes cannot be fairly estimated as at Acquisition Date, the full amounts of items (ii), (iii) and (iv) were thus disclaimed. The Group did not recognise any intangible assets (item (i)) as the auditors were unable to ascertain the exact value of the intangible asset (i.e., the exploration licence to be recognised). The exploration licence held by the Group for the rare earth concession area may potentially contribute positively to the Group in the future.

b. The Company understands that as the auditors were unable to obtain sufficient appropriate audit evidence to support the fair values reported in the abovementioned four (4) items, the auditors could not conclude that the current fair values are not fair and not reasonable. However, the inability of the auditors to ascertain the fair values does not tantamount to the reported fair values being unfair or unreasonable.

c. The Company understands that the auditors' opinion was not solely based on industry norm, but based on the auditors' assessment. The basis of the disclaimer was because the auditors were unable to obtain sufficient appropriate audit evidence of the fair value of the abovementioned four (4) items. The disclaimer opinion was based on a holistic view of the Group, and took into account both issues of PPA and going concern for the financial year ended 31 December 2018.

d. The Company will need to engage an external expert/consultant to perform the PPA exercise, in accordance with SFRS(I) 3 *Business Combinations*. The auditors would need to assess the estimated value of intangible assets in the formalised PPA. The auditors were unable to ascertain the exact value of intangible asset (i.e., the exploration licence) to be recognised as at acquisition date, and any change in the amount of intangible asset would cause a resultant change in the amount of non-controlling interest and goodwill.

e. The PPA exercise has not been undertaken as at the date of the auditors' report. The Company has since engaged Ernst & Young Ltd, Mauritius to undertake the PPA exercise.

Query by SGX-ST:

2. It was disclosed in the Independent Auditor's Report that the auditors were unable to assess the appropriateness of the management's use of the going concern assumption in the preparation of the financial statements. Please elaborate on why the auditors were unable to assess. What are the parameters taken into consideration?

Company's Response:

The auditors assess going concern based on the ability of the Group and the Company to be a viable business and to continue in operation at least for a period of 12 months from the reporting date. The viability of the Group's business depends on its ability to obtain sufficient funding for its operations, and its ability to carry out the next phase of activities including (i) conducting a feasibility study that involves pilot production and on-site geological topography, and (ii) completing the environmental impact assessment and relevant engineering studies, to enable the Group to apply for a full mining (*Permis de Exploitation*) licence before the expiry of the exploration licence in November 2021.

The auditors were of the view that fund raising was challenging as at the date of the auditors' report, and the potential lack of funding for the Group's operations may hamper the progress of the Madagascar rare earths project. Due to the uncertainty of the Group's ability to secure sufficient funding for its operations, this casts significant doubt over the Group's ability to carry on as a viable business/going concern in the next 12 months from the reporting date.

Query by SGX-ST:

3. Under Related Party Transactions, it was disclosed that "payment of expenses on behalf of related parties" amounts to S$7,595. Please:-

   i. Identify the related party;
   ii. Explain why the Company is paying related parties' expenses;
   iii. Are these related parties interested persons? If not, please elaborate why not;
   iv. Provide details on how the S$7,595 was determined;
   v. Provide details on whether this amount of S$7,595 has been repaid to-date; and
   vi. Also provide details on the payment terms'

Company's Response:

(i) The related parties are:
   (a) Daisuke Sasaki Asia Fashion Fund Pte Ltd;
   (b) DSAFF (Singapore) Pte Ltd (a wholly-owned subsidiary of Daisuke Sasaki Asia Fashion Fund Pte Ltd); and
   (c) DSAFF Production Pte Ltd (a wholly-owned subsidiary of DSAFF (Singapore) Pte Ltd).

(ii) The Group, through Dynamic Return (Singapore) Pte Ltd, is a preference shareholder of Daisuke Sasaki Asia Fashion Fund Pte Ltd and the Executive Chairman of the Company is an ordinary shareholder of Daisuke Sasaki Asia Fashion Fund Pte Ltd as at 31 December 2018. The expenses incurred by these related parties for the financial year ended 31 December 2018 ("**FY2018**") were mostly secretarial and legal fees. As these related parties are inactive and unable to pay these expenses, the Group as a preference shareholder, has made payments on their behalf so as to enable these entities to continue as a going concern. One of the related parties is in the midst of seeking legal advice on the potential of recovering an advance of Japanese Yen 40,000,000 (approximately S$500,000) that was paid to a producer for the production of a fashion show in Singapore that did not materialise.

(iii) Yes, these related parties are considered to be interested persons. However, no disclosures were made by the Company as the aggregate value of the transactions were less than S$100,000.

(iv) The payment of S$7,595 relate mainly to secretarial and legal fees incurred by these related parties in FY2018.

(v) These related parties are inactive and were in net liability positions as at 31 December 2018. The amounts receivable from these related parties have not been repaid to-date and have been impaired as at 31 December 2018.

(vi) Please refer to the response to question no. 3(v) above.

On Behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

17 July 2019