



REENOVA INVESTMENT HOLDING 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 21 August 2020 in relation to the Company’s Unaudited Financial Statements for the Second Quarter and Half-Year financial period ended 30 June 2020 announced on 14 August 2020 (the “**Q2 FY2020 and HY2020 Announcement**”).

Query by SGX-ST:

1. We refer to the 1H 2020 FS announced. It was noted that other income increased by more than 100% to S\$40,021 mainly due to the Job Support Scheme payouts. Please elaborate how many employees this relates to and the period of support. How many staff are there in the Group and of this, how many are located in Singapore:

Company's Response:

1. The Job Support Scheme payouts relate to four (4) Singaporean employees in the Company and the payouts were made in the months of April 2020 and May 2020, in accordance with the Resilience Budget and Solidarity Budget as announced by the Minister of Finance on 26 March 2020 and 6 April 2020 respectively. The Group has a total of 55 employees where four employees are located in Singapore while the remaining employees are located in Madagascar.

Query by SGX-ST:

2. Please provide details of the principal amount over which the interest of \$27,662 accrues for the 3 months ended 30 June 2020 and explain why bonds interest increased so significantly from \$4,026 in the comparative period.

Company's Response:

2. The finance costs amounting to \$27,662 for Q2 FY2020 mainly relates to the interest payable for Q2 FY2020 on the convertible redeemable bonds with a face value of S\$1,600,000 that were outstanding and yet to be converted as at 30 June 2020 whereas the finance costs amounting to S\$4,026 for Q2 FY2019 mainly relates to the interest payable for Q2 FY2019 on the convertible redeemable bonds

with a face value of S\$1,100,000 that were outstanding over a lesser period of time and yet to be converted as at 30 June 2019. Please note that the interest expense is computed based on the prevailing market interest rate of 5.5% per annum for similar debt without conversion option, in accordance with the requirements of Singapore Financial Reporting Standard (International) 1-32 *Financial Instruments: Presentation*.

Query by SGX-ST:

3. Please explain the reasons for the further impairment of \$16,629 on VAT Receivables when the Company had already impaired an amount of S\$1,662,265 of VAT Receivable in FY2019.

Company's Response:

3. The further impairment of S\$16,629 on VAT receivables relates to Q2 FY2020 and is consistent with the Group's accounting treatment of VAT receivables in FY2019. As per the Company's previous announcement on 10 March 2020 and as previously advised by the auditors of RREM, the VAT receivables amount were fully impaired as there is currently no certainty that the Madagascar subsidiary will be able to produce commercially to enable the utilisation of the VAT receivables.

Query by SGX-ST:

4. We noted that other receivables of S\$101,837 increased due to an increase in deposits held by a legal firm. This is significant when compared to the cash balance held by the Company itself of S\$40,088 as at 30 June 2020. Please provide reasons why the Company has placed such a significant amount of deposits to be held with the legal firm and provide details of the terms of the escrow arrangements. Please also disclose the identity of the partner and the legal firm with whom this amount of \$101,837 is held.

Company's Response:

4. As previously explained in the Company's response to SGX-ST's query no. 2.a. as announced on 30 June 2020 via SGXNET, the increase in other receivables of approximately S\$56,000 or 124.6% was due mainly to a deposit of USD40,000 (equivalent to S\$56,424) that was placed with a legal firm in Indonesia in March 2020 in relation to a mediation claim against the heirs of the late Mr Harun Abidin (the "**Guarantor**") in Indonesia courts to recover the amounts owed by the Guarantor. Further details can be found in the disclosures under "Debt Facility 1" on page 92 of the Company's Annual Report 2019 and the Company's response to SGX-ST's query no. 3 as announced on 25 June 2020 via SGXNET.

Query by SGX-ST:

5. Please provide a breakdown and disclose nature of other current assets of S\$58,794 (31 Dec 2019: S\$41,971).

Company's Response:

5. Other currents of S\$58,794 comprise prepayments amounting to S\$29,595 and deferred expense of S\$29,199, which relates to the portion of the annual administrative fee invoiced by the Bureau de Cadastre Miner de Madagascar (“**BCMM**”) for the period from July 2020 to December 2020.

Query by SGX-ST:

6. Please provide a breakdown of other payables amounting to S\$5,566,945 (31 Dec 2019: S\$5,027,521) including the counterparty and the ageing and nature of these other payables.

Company's Response:

6. The breakdown of other payables as at 30 June 2020 is as follows:

Description and nature	Amount S\$
Accrued operating expenses	4,519,930
Advance from Bond Subscriber*	300,000
Loan from Executive Director*	545,000
Interest payable on convertible redeemable bonds	35,150
Provision for bonus	140,082
Provision for unutilised leave	26,783
Total	5,566,945

* The advance from Bond Subscriber and the loan from Executive Director are unsecured, interest-free and repayable on demand.

The ageing of other payables is as follows:

Suppliers/ Vendors	Ageing	S\$
Creditors of the Company and its subsidiaries (excluding RHM and RREM)	0 – 30 days	70,987
	31 – 60 days	43,817
	61 – 90 days	44,057
	90 – 120 days	43,817
	> 120 days	411,733
Creditors of RHM	0 – 30 days	222,849
	31 – 60 days	-
	61 – 90 days	-
	90 – 120 days	213,771

Suppliers/ Vendors	Ageing	S\$
	> 120 days	2,451,076
Creditors of RREM	0 – 30 days	-
	31 – 60 days	84,030
	61 – 90 days	142,474
	90 – 120 days	73,791
	> 120 days	669,776
	Total	4,472,178

Query by SGX-ST:

7. It is noted that S\$13.85 million worth of convertible redeemable bonds have been drawn down as at 30 June 2020. What is remaining balance that can be drawn down.

Company's Response:

7. The shareholders of the Company have previously approved the proposed issue of 2.0% convertible redeemable bonds with an aggregate principal amount of up to S\$35,000,000 comprising seven tranches with a principal amount of S\$5,000,000 each at an Extraordinary General Meeting held on 8 September 2015. As at 30 June 2020, the bondholder has subscribed for three (3) tranches of convertible redeemable bonds, comprising Tranche 1 to Tranche 3 Bonds, with an aggregate principal amount of S\$15,000,000, issued by the Company. Each tranche has an aggregate principal amount of S\$5,000,000, comprising five (5) equal sub-tranches of S\$1,000,000 each. As at 30 June 2020, Tranche 4 to Tranche 7 Bonds with an aggregate principal amount of S\$20,000,000, have yet to be subscribed by the bondholder.

Query by SGX-ST:

8. Please disclose the terms of the advance of \$300,000 from bonds subscriber and when the advance was paid to the Company.

Company's Response:

8. As disclosed on page 4 of the Company's Q2 FY2020 and HY2020 Announcement that was announced on 14 August 2020, the advance of S\$300,000 from the bonds subscriber is unsecured, interest-free and repayable on demand. The advance of S\$300,000 was obtained from the bonds subscriber on 4 June 2020.

Query by SGX-ST:

9. Please disclose the breakdown of the consultancy fees of S\$472,022 including the counterparty and nature of the work. Please also explain why the Company is incurring consistent consultancy fees even though no work can be done on the Rare Earth Project?

Company's Response:

9. The Company wishes to clarify that the consultancy fees on page 10 of the Q2 FY2020 and HY2020 Announcement should have been stated as S\$427,022 instead of S\$472,022. The variance should have been disclosed as a decrease of S\$22,004 or 4.9%. Accordingly, the amount for "Others" should be S\$61,124 instead of S\$16,124 and the variance for "Others" should have been disclosed as a decrease of S\$38,661 or 38.7%. The breakdown of the consultancy fees of S\$427,022 recorded in "Other operating expenses" is set out in the table below:

No.	Name of Third Party Consultant	Amount S\$	Nature of work
1.	One Target	422,754	Performing the role of a project manager for the rare earth project in Madagascar, which includes providing the necessary technical and managerial services.
2.	Qualex S.A.R.L.	6,165	Provision of accounting services to Reenova Rare Earth (Malagasy) S.A.R.L.U. ("RREM")
3.	Equation S.A.R.L.	8,221	Provision of human resource and payroll services to RREM
4.	Reversal of over accruals	(10,118)	
Total:		427,022	

Please note that the Group is currently making the necessary preparations and plans for the next phase of works on its Rare Earth Project, which includes trial leaching and pilot production, environmental impact assessment, feasibility and engineering studies and the application of the full mining licence.

Query by SGX-ST:

10. Please disclose the breakdown of the professional fees of S\$172,001 including the counterparty and nature of the work.

Company's Response:

10. The breakdown of professional fees of S\$172,001 is as follows:

No.	Name of Counterparty	Amount S\$	Nature of work
1.	<ul style="list-style-type: none"> • RT LLP; • PricewaterhouseCoopers Mauritius; and • PricewaterhouseCoopers S.A.R.L., Madagascar 	70,795	Provision of external audit services to the Group.
2.	Nexia TS Risk Advisory Pte Ltd	3,500	Provision of internal audit services to the Group.
3.	Legis & Partners Ltd	4,720	Provision of legal services to Reenova Holding (Mauritius) Limited (“RHML”).
4.	Tricor (Singapore) Pte. Ltd.	7,537	Provision of corporate secretarial services to the Company and its Singapore-incorporated subsidiaries.
5.	Octave FinComm Private Limited	36,000	Provision of investor relations advisory and support services to RIHL.
6.	Ernst & Young Ltd, Mauritius	18,673	Remaining fee for services provided in relation to the Purchase Price Allocation exercise on the acquisition of the 60% shareholding in RHML for financial reporting purposes.
7.	SGS Canada Inc	6,794	Fee for services provided for updating the summary of mineral resources report for the Rare Earth project as at 31 December 2019.
8.	Anex Management Services Ltd	13,934	Provision of secretarial and taxation services to RHML and collection of domiciliation fees on behalf of the Mauritian authorities.
9.	Others	10,048	
Total:		172,001	

Query by SGX-ST:

11. Please provide the breakdown of the funds/cash used for General Working Capital purposes of S\$466,000 as well as the projections of S\$537,000.

Company's Response:

11. The breakdown of the funds/cash used for General Working Capital purposes of S\$466,000 as well as the projections of S\$537,000 is as follows:

Description	Use of funds/cash for Q2 FY2020 S\$'000	Projection on use of funds/cash for Q3 FY2020 S\$'000
Repairs and maintenance of equipment and motor vehicles	17	3
Wages, salaries, bonuses and other short-term employee benefits and employer's contributions to defined contribution plans	172	182
Consultancy fees	4	16
Office and warehouse rental	61	38
Professional fees (including legal, secretarial, investor relations)	171	22
Listing related expenses	-	15
Office expenses	11	2
Insurance premiums	3	-
Others	27	259
Total	466	537

On behalf of the Board

Reenova Investment Holding Limited

Chen Tong

Executive Chairman

26 August 2020