REENOVA INVESTMENT HOLDING LIMITED

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

Website: **www.reenovagroup.com**

SGX Stock Code: **5EC**

ENTRY INTO A FACILITY LETTER WITH JW VENTURE CAPITAL PTE LTD FOR A BUSINESS LOAN OF S$350,000 – RESPONSE TO SGX REGCO QUERIES

The Board of Directors (the "**Board**" or the "**Directors**") of Reenova Investment Holding Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 19 March 2022 in relation to its entry into the Facility Letter with JW Venture Capital Pte. Ltd. for a business loan of S$350,000 and its responses to the queries raised by SGX RegCo in relation to the same. The Board wishes to inform shareholders of the Company (the "**Shareholders**") that the SGX RegCo had on 21 March 2022 raised queries regarding the aforementioned announcements, and the Company would like to provide its responses herein.

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings ascribed to them in the Company's announcements dated 19 March 2022.

SGX RegCo Query 1

We refer to the Company's 19 March 2022 announcement (the "Announcement") of its entry into a facility letter with JW Venture Capital Pte. Ltd. (the "Lender") for a business loan of $350,000 (the "Loan"). How was the Company introduced to the Lender, and why is the Lender providing loans to the Company when this is not within their principal activity of providing management consultancy services?

Company's Response

The Company was introduced to the Lender by Ms Ong Yuen Kuan ("**Ms Ong**"), who is an Associate Director – Equity Sales with UOB Kay Hian Private Limited. Ms Ong has been acquainted with Mr Chen Tong, the Executive Chairman of the Company, since many years ago. For the avoidance of doubt, no introducer fee is payable by the Company to Ms Ong for introducing the Lender.

Notwithstanding that the provision of loans is not within the Lender's principal activity of providing management consultancy services, the Lender extended the Loan to the Company as a business-to-business loan, the commercial terms of which have been determined following arm's length negotiations. For details on the commercial terms of the Loan, please refer to the Announcement.

SGX RegCo Query 2

Provide the CV and background information of Mr Tay Zhi Cheng Frank and Mr Chiu Kim Wah and their track record in venture capital investment. To also disclose the track record of JW Venture Capital Pte. Ltd. and what other investments are in its portfolio of investment to-date. To also disclose whether it has been licensed under MAS to carry out management consultancy services and authorised to act as a money lender in Singapore.

Company's Response

JW Venture Capital Pte. Ltd., a company incorporated in August 2020, is engaged in B2B lending. Mr Tay Zhi Cheng Frank is a director of JW Venture Capital Pte. Ltd. He has been in this industry for 8 years and was previously a director of SME Global Funding Pte. Ltd., a company incorporated in November 2014. Mr Chiu Kim Wah has experience in the car hire purchase business. He was a director of Asia Carz Holding Pte. Ltd., a company incorporated in September 2017.

For the avoidance of doubt, the Lender is neither a financial adviser licensed under the Financial Advisers Act 2001 nor a Capital Market Services (CMS) licensee under the Securities and Futures Act 2001. Consequently, the scope of management consultancy services rendered by the Lender is general in nature, and excludes financial advisory services as well as fund and investment management services of any kind.

In addition, while the Lender is not authorised to act as a money lender in Singapore, it was represented by the Lender that it is not required to hold a licence since it qualifies as an "excluded moneylender" pursuant section 2 of the Moneylenders Act 2008.

SGX RegCo Query 3

In paragraph 5 of section 2 of the Announcement, it was stated that "the Company will be able to utilise the Loan to finance the expenses relating to the RTO and operating expenses of the Company and the Group". In Section 3(b) of the Announcement, it was stated that the purpose of the Loan was to "finance RTO expenses". Clarify whether the Loan can be used for operating expenses of the Company and the Group.

Company's Response

The Loan shall be used only to finance RTO expenses. The Company would like to clarify that the Loan cannot be used to finance the operating expenses of the Company and the Group.

SGX RegCo Query 4

Provide a breakdown of any drawdowns of the Loan to-date as well as any utilisation of the Loan and the purpose of such utilisations.

Company's Response

As at the date of this announcement, the Loan has been drawn down and utilised for the purposes of, amongst others, paying the fees of the following professional parties who have been appointed pursuant to the proposed RTO:

Name of professional party	**Amount (S$)**
EY Corporate Advisors Pte. Ltd.	250,000
Crowe Horwath First Trust Risk Advisory Pte. Ltd.	30,000
Mazars LLP	28,000

SGX RegCo Query 5

Provide a breakdown of the monthly repayment schedule of the loan, including the 12% upfront interest amounts. To substantiate with data and disclose how the Company will be able to "adhere to the payment schedule strictly" and repay these monthly instalments together with the interest when it is due. The Loan is a 12% interest upfront loan and therefore the interest is deducted upfront before disbursement.

Company's Response

Although the Facility Letter states that there is to be twelve monthly repayments from the date of the first drawdown of the Loan, these monthly repayments refer to the payment of interest with the principal to be repaid one year from the drawdown date. The Facility Letter also states that the interest payments are to be paid upfront and deducted from the principal sum. According, the only payment that the Company has to make is the repayment of the principal amount one year from the drawdown date. The Company intends to use the funds to be raised from the proposed S$1.2 million convertible loans and/or the proposed disposal of Reenova Global Pte Ltd and its subsidiaries, RHM and RREM, to repay the Loan as it falls due. As stated in the Company's responses to the SGX queries announced on 19 March 2022, only a non-binding term sheet has been executed in relation to the proposed S$1.2 million convertible loans and the Company is still working towards definitive documentation on the same. Simultaneously, the Company is still looking for potential buyers to acquire Reenova Global Pte Ltd and its subsidiaries.

SGX RegCo Query 6

We note the interest rate of late payment is 36% per annum. To disclose how such an exorbitant interest rate of 36% p.a. calculated on a daily basis is legal in Singapore and whether this is in breach of any money lending activities in Singapore under the laws of Singapore.

Company's Response

The penalty interest rate is a mutually agreed commercial term further to arm's length negotiations between the Lender and the Company. As explained in the Company's response to query 2 above, it was represented to the Company that the Lender is not required to obtain a licence and is not subject to the provisions of the Moneylenders Act 2008. Since there are no other relevant laws in Singapore governing the interest rates in relation to money lending activities, the Company is not in breach of any laws of Singapore in obtaining the Loan on these terms from the Lender.

SGX RegCo Query 7

We refer to the security provided by the Company for the Loan.

(a) What would constitute an event which would entitle the Lender to the security provided by Company and disclose the order by which the securities will be exercised.

(b) Disclose the specific terms of the Personal Guarantee and Corporate Guarantee and why it is not specified in the lending agreement but instead "shall be stipulated by the Lender". To also disclose who will be the entity extending the Corporate Guarantee.

(c) Disclose whether it has been agreed with the Lender what the determined value of the 300 million shares of the Company are worth.

(d) Justify why the security interest of 100% of Reenova Global Pte Ltd is being held as security for a mere S$350,000 business loan in addition to the Personal Guarantee, Corporate Guarantee and 300 million shares of the Company mentioned in parts (a) to (c) above. Reconcile this $350,000 with the Term Sheet entered into with GRM Group Limited on 10 November 2021 for a proposed consideration of US$6,000,000 for 100% of Reenova Global Pte Ltd.

(e) Provide the Board's robust justification how such terms of the Loan are in the best interest of the Company and its shareholders and provide specific justifications on how the Board has sought to properly secure to safeguard the interests of the Company and its shareholders and ensure that the Company's asset worth US$6 million will not be seized by the Lender as a result of the Company being unable to repay its monthly interests or repay a small loan of S$350,000. In the Board's justification, the Board must address the high interest rates, the vague terms relating to the Personal Guarantee and Corporate Guarantee, the value of the 300 million shares of the Company, as well as using 100% of Reenova Global Pte Ltd as security for a $350,000 loan despite being recently proposed to be sold for US$6 million in November 2021.

(f) As the terms of the Loan may result in the Company disposing of the whole of its assets and operation for $350,000, this is not within the ordinary course of the Company's business and falls under Listing Rule 1014 which is subject to shareholders' approval amongst others. Accordingly, the Company is required to seek shareholders' approval for the Loan amongst others. Please comply with all requirements immediately.

Company's Response

(a) The events of default specified in the Loan documentation are typical of usual loan agreements and include the failure to make payments of sums due, default in obligations by the Company (which are mainly to make payments when due), breach in representations and warranties by the Company, the Company is wound up or in financial distress leading to seizure of a material part of its business and/or assets, and the bankruptcy of the Personal Guarantor. There is no specified order in which the Lender may exercise its security.

(b) To clarify: the main commercial terms of the Loan are contained in the Facility Letter, which have been previously disclosed in the Company's previous announcement. The Lender's standard terms and conditions and certain other appendices are attached to the Facility Letter. One such appendix is a deed of guarantee which specifies that Mr Chen Tong is the Personal Guarantor and the Company is the Corporate Guarantor. The terms of the guarantees mainly provide that the Guarantors have given an irrevocable and unconditional guarantee on a joint and several basis to guarantee the due, punctual and complete performance by the Company of its obligations pursuant to the Loan.

(c) As the trading of the Company's shares is suspended, the Company is unable to conduct a valuation of the 300 million shares of the Company and have not determined a fixed valuation of such shares with the Lender.

(d) To clarify, the Loan is secured by the following: (i) a personal guarantee extended by Mr Chen Tong over 300 million shares of the Company, in favour of the Lender; and (ii) a corporate guarantee extended by Reenova Global Pte. Ltd. over its entire issued and paid-up share capital, in favour of the Lender. The security interest granted over 100% of Reenova Global Pte. Ltd. (the "**RGPL Shares**") only confers upon the Lender the priority to claim the proceeds of the sale of the said entity.

(e) For the avoidance of doubt, in the event that the security interest over the RGPL Shares is exercised by the Lender, the Lender may be able to direct the Company to sell those shares and utilise the proceeds from such sale to repay the Loan (and any accrued interest) in priority to any unsecured creditors of the Company. Any excess remaining will accrue to the Company and any other creditors (if any). As such, the Board is of the view that the Loan is in the best interests of the Company, as it is unable to secure any other form of financing at short notice to pay its expenses.

(f) For the avoidance of doubt, although the Facility Letter has specified that the Lender has a security interest over the RGPL Shares, the manner in which the Lender is to exercise such security interest is not specified. However, the Borrower has undertaken pursuant to the Facility Letter not to sell, assign or transfer any interest in the RGPL Shares without the prior written consent of the Lender. As such, it would not be accurate to categorise the Loan as a disposal of the RGPL Shares for a consideration of S$350,000. There are no clauses in the Loan documentation that may be relied upon by the Lender to compel the disposal of the RGPL Shares at this point in time. In the meantime, the Company is still actively sourcing for buyers for the RGPL Shares and other assets, which if and when completed will put the Company in more than sufficient funds to repay the Loan.

SGX RegCo Query 8

We refer to the Company's response to SGX queries announced on 19 March 2022 regarding the cessation of Mr Vincent Lee Chung Ngee ("Mr Lee") amongst other queries.

(a) We note that the Company accepted Mr Lee's resignation on 11 March 2022. Why was his cessation not announced on 11 March 2022?

(b) Disclose the identity of the potential lender for the loan agreement to settle outstanding fees owed to the accounting service providers and auditors.

(c) We note that "(t)here has been no significant progress in the proposed disposal of Reenova Global Pte Ltd as no deposit was received from GRM Group Limited to-date and the Exclusivity Period of three months that was granted under the Term Sheet with GRM Group Limited on 10 November 2021 has since expired on 10 February 2022." Why was this update not disclosed on SGXNet on a timely basis?

Company's Response

(a) As disclosed in the Company's response to SGX RegCo queries dated 19 March 2022, Mr Chen Tong, the Executive Chairman of the Company, accepted Mr Lee's resignation on 11 March 2022 (Friday) and the Board of Directors received Mr Lee's resignation letter in the evening of 11 March 2022 (Friday). The Board of Directors deliberated on the matter on 14 March 2022 (Monday) and subsequently approved the announcement on Mr Lee's resignation on 15 March 2022 (Tuesday).

(b) The Company will disclose the identity of the potential lender(s) and make an appropriate announcement once the loan agreement has been finalised and executed.

(c) The term sheet with GRM Group Limited did not provide for a long stop date. The Executive Chairman of the Company, Mr Chen Tong, has been following up with the director and sole shareholder of GRM Group Limited on the payment of the deposit, who requested for more time to make the necessary arrangements due to the strict foreign exchange controls in China. No update was announced in February 2022 as Mr Chen Tong was waiting for a response from GRM Group Limited, which remains outstanding to date.

Cautionary Statement

Notwithstanding that the trading of the Company's shares is suspended, Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. In the event of any doubt as to the action they should take, Shareholders and potential investors should consult their stock brokers, bank managers, solicitors, or other professional advisers.

By Order of the Board
REENOVA INVESTMENT HOLDING LIMITED

Chen Tong
Executive Chairman

23 March 2022