



REENOVA INVESTMENT HOLDING LIMITED

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

Website: www.reenovagroup.com

SGX Stock Code: 5EC

RESPONSE TO SGX-ST 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 23 June 2022.

Query by SGX-ST:

1. We refer to the Company's annual report for the financial year ended 31 December 2021. We note that the Group had disposed of its investment in Straits Hi-Rel Pte Ltd (“SHR”) on 28 October 2021 for a cash consideration of \$1 but did not disclose the details of this disposal as required under Listing Rule 706A.
 - (a) Disclose the identity of the buyer of SHR and the beneficial shareholders and directors of the buyer.
 - (b) Disclose what is the cost of investment in SHR to-date and if there are any outstanding loans due from SHR extended by the Company, before impairment.
 - (c) To disclose the business activities of SHR, its revenue and profits in FY2020 and FY2021 and provide details and quantify the assets held by SHR, prior to any impairments made to its assets and provide details of the assets owned and details of the liabilities owed by SHR. To also disclose the latest audited NAV of SHR as at the date of the disposal.
 - (d) Who were the directors and beneficial shareholders of Straits Hi-REL in FY2020 and in FY2021 and who maintains their accounting records and manages the business?
 - (e) Why was the Group able to dispose of SHR without the knowledge of the Audit Committee (“AC”) ? Given that this was the case, how did the AC conclude that the Group's risk management systems and internal controls were effective and adequate or that all material information had been disclosed as required under Listing Rule 703?

Company's Response:

The disposal of SHR was disclosed on page 13 of the Company's unaudited condensed interim financial statements for the third quarter and nine months financial period ended 30 September 2021, which was announced on 14 November 2021.

- (a) The buyer of SHR is an individual by the name of Mr Liu Shanming, who is a Singaporean.
- (b) As previously disclosed in the Company's response to the queries from SGX-ST on 14 March 2021, the Group's total cost of investment in SHR for a 14.29% equity stake to-date amounted to S\$1,340,000. There were no loans and/or advances made to SHR to-date.
- (c) SHR was initially set up to provide high reliability (“**Hi-Rel**”) engineering services and had set up a Hi-Rel Technology Centre in Singapore, where the focus would be on speciality testing and back-end manufacturing for Hi-Rel integrated chips and electronic modules targeted for end applications in the automotive, energy (oil and gas) and industrial sectors.

As at 31 December 2020, the Group's investment in SHR had been fully impaired. The operations of SHR had been significantly impacted by the Coronavirus Disease ("COVID-19") as projects had not been forthcoming, thereby reducing its revenue pipeline and adversely affecting its ability to generate future cash inflows. Accordingly, the Group was of the view that the recoverability of its investment in the joint venture had been significantly impacted by the market or environment condition and therefore, full impairment on its investment in SHR had been made in the financial year ended 31 December 2020. SHR's last employee left at the end of December 2020 and it was mainly inactive during the FY2021.

Please refer to SHR's summarised financial information for FY2020 as disclosed in Note 15 on page 95 of the Company's Annual Report for FY2021.

As disclosed on page 42 of the Company's Annual Report for FY2021, the Group has disposed its entire shareholding of 14.29% in SHR, the investment in which has been fully impaired by the Group as at 31 December 2020, to an unrelated third party for a total cash consideration of S\$1.00 (One Singapore Dollar). The consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, inter alia, the negative equity position of SHR of approximately S\$65,000 (total assets S\$23,000 less total liabilities S\$88,000) as at 30 September 2021. The disposal was completed on 28 October 2021. The Company's auditor, RT LLP, was of the view that the Company is required under SFRS(I) 1(7) to disclose financial information pertaining to the Group's investment in SHR, which was previously accounted for as an investment in a joint venture, as at the date of disposal (i.e., 28 October 2021). However, as the Group was no longer a shareholder of SHR, it has not been provided with the financial statements of SHR following completion of the disposal on 28 October 2021. Moreover, the sole accounting personnel in-charge of SHR has been hospitalised recently and is therefore not in a position to furnish the information that has been requested for.

- (d) The directors of SHR in FY2020 and as at the date of disposal on 28 October 2021 were as follows:
- i. Mr John Dean Ritchie;
 - ii. Mr Yeo Soon Lye;
 - iii. Mr Vincent Lee (resigned on 28 October 2021 as part of the condition for completion of the disposal of SHR);
 - iv. The late Mr Chen Tong (resigned on 28 October 2021 as part of the condition for completion of the disposal of SHR).

The beneficial shareholders of SHR in FY2020 and as at the date of disposal on 28 October 2021 were as follows:

- i. Mr John Dean Ritchie;
- ii. Mr Yeo Soon Lye;
- iii. Infiniti Advantage Pte. Ltd. (a wholly-owned subsidiary of Reenova Investment Holding Limited)

Mr John Dean Ritchie was the executive director and chief executive officer of SHR who was responsible for managing the business and operations of SHR. Xigma Solutions Pte Ltd. was the service provider which provided book-keeping services to SHR.

- (e) The Group did not dispose SHR without the knowledge of the Audit Committee. The Company had informed and sought approval from the board of directors (which included all the Audit Committee members) on the proposed disposal of SHR on 21 October 2021. The board and AC members provided their approval to the Company to proceed with the proposed disposal of SHR on 21 October 2021. As such, the AC is of the view that the Group's risk management systems and internal controls then were effective and adequate or that all material information had been disclosed as required under Listing Rule 703.

On behalf of the Board
Reenova Investment Holding Limited

Eddy Lim Seok Boon
Independent Non-Executive Director

27 June 2022