OLIVE TREE
ESTATES

(Incorporated in the Republic of Singapore)
(Company Registration No. 200713878D)

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

The Board of Directors (the "**Board**") of Olive Tree Estates Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the questions from SIAS in relation to the circular dated 22 January 2025 for the proposed sale of the Company's interest in the five (5) joint-venture real estate development projects in Vietnam as a major transaction under Chapter 10 of the Catalist Rules (the "**Circular**"). *Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the Circular.*

The Board wishes to inform that the Company has not received any questions from the shareholders in relation to the Circular.

The Company wishes to provide its response to the questions from SIAS below:

Question 1

At the extraordinary general meeting scheduled to be held on 11 February 2025, the company is seeking shareholder approval for the proposed divestment of its interests in five joint-venture real estate development projects in Vietnam.

According to paragraph 4 of the shareholder circular, the rationale for the divestment is to strengthen the company's liquidity position and refocus on assets and services that generate stable recurring income and cash flow. Further details on the transaction can be found in the circular: https://links.sgx.com/FileOpen/OTEL%20-%20Circular%20-%20Disposal%20of%20VN%20Assets.ashx?App=Announcement&FileID=831066

In May 2023, the company achieved B Corporation certification, reflecting its mission to deliver quality affordable housing to underserved markets in emerging economies.

(i) Were there challenges in securing bank financing that necessitated the divestment of the joint-venture stakes, or was this purely a strategic decision to reallocate capital?

Response

Since our listing by way of a reverse takeover exercise in December 2017, the Company has found it challenging to secure both meaningful debt financing and institutional capital to grow our business and impact footprint. The lack of liquidity and interest in our stock coupled with the fact that listed property development companies currently trade at very significant discounts to their revalued net asset value have not helped our situation. Under more ideal conditions, we would have wanted to remain fully invested in our 5 joint-venture real estate development projects in Vietnam (the “5 Vietnam Projects”). However, the urgent need to improve our liquidity headroom (recognizing that the debt and capital markets are to all intents and purposes closed to us) and our belief that shareholder value might be better created through generating a predictable and recurrent revenue stream catalysed our decision to divest our 5 Vietnam Projects.

(ii) Have the joint-venture investments in affordable housing met the company’s financial and strategic expectations? What have been the key learnings from these projects?

<u>Response</u>

The Company embarked on a journey to be a force for good and change in its operating environment. As a B-Corp, the Company has been very committed to its ESG goals. Since our public listing, we partnered with a reputable and like-minded real estate developer in Vietnam, we invested in the 5 Vietnam Projects (meant to provide thousands of affordable homes) and have steadily rolled out our holistic and integrated community development platforms and programs in various estates throughout the country. Had conditions been better, we would have wanted to significantly and aggressively scale our investments in the development of more affordable housing projects throughout Vietnam and in other regional countries. But we are confronted with the reality that without meaningful capital and liquidity, it would be almost impossible to advance the Company’s strategic goals, including generating sustainable returns over a long passage of time. The pressure to improve our liquidity situation was exacerbated by project delays in Vietnam caused by COVID-19, national elections, permitting challenges and the well-publicized political issues and ongoing anti-graft programs. We have studied other listed property developers on the local exchange and have noted the emphasis on active decoupling of development and mature assets through divestments and capital recycling exercises to potentially unlock value. We will be critically assessing this model as a means of enhancing shareholder value.

(iii) What are the company’s specific plans following the completion of the disposal? How will the proceeds be reinvested to enhance long-term shareholder value?

<u>Response</u>

The Company’s immediate objective following the completion of the disposal is to generate net positive cashflows at the operating level. To this end, we have made further reductions in our cost base and will continue to do so to the extent possible. Through our existing network of real estate and social impact associates, partners and stakeholders, we may (as part of a strategic and critical review of our strategy as mentioned earlier) also seek opportunities to grow a fee-based and recurrent revenue stream through the provision of relevant services to social and affordable housing development asset owners in Vietnam and other parts of the region. Pending the deployment of the net proceeds arising from the disposal, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets, marketable securities and/or debt instruments, as the Board may deem appropriate in the interests of the Group.

<u>Question 2</u>

The company appointed AVA Associates Limited as the business valuer to conduct an independent valuation on the Vietnamese assets while VAS Valuation Co, Ltd. (in association with CBRE Vietnam) was appointed as the property valuer to conduct an independent valuation on the company's pro rata share of the value of the land and development projects held by the Vietnamese companies and Singapore company.

It is noted that AVA Associates Limited, which has offices in Hong Kong and Singapore, does not appear to have substantial experience or expertise in the Vietnamese market.

(i) How did the company select AVA Associates Limited as the business valuer and VAS Valuation Co. as the property valuer? What criteria were used to assess their suitability, particularly for valuing assets in Vietnam?

<u>Response</u>

To better understand the roles of AVA Associates Limited ("AVA") and VAS Valuation Co, Ltd. ("VAS") (which to our knowledge is owned and managed by CBRE Vietnam), it is important to have an appreciation of the investment structure of our 5 Vietnam Projects. In simple terms, each joint-venture investment was effected via a special/single-purpose vehicle ("SPV") (in essence the Vietnamese Companies and Singapore Company). These SPVs have no other business other than to essentially hold our land/real estate development projects. VAS was appointed as an independent property valuer to value the Company's pro-rata share of the value of the land and real estate development projects in Vietnam held directly/indirectly by our SPVs and AVA was appointed as an independent business valuer. AVA had considered the unaudited financial statements of the Vietnamese Companies and the Singapore Company for the period ended 30 September 2024 and relied on VAS' valuation certificates to determine the value of the Vietnamese Assets.

CBRE Vietnam (i.e. VAS) is a real estate services company with a strong reputation in Vietnam and we were confident of their ability to professionally and independently assist the Company with the requisite property valuation work. For further information on CBRE Vietnam and VAS, please refer to: https://www.cbrevietnam.com/services/invest-finance-and-value/valuation-and-advisory-services. AVA was recommended by a Catalist sponsor who had worked with the AVA team on a previous occasion. AVA's credentials are also positive and they had been commissioned by a number of publicly listed enterprises. Overall, they have relevant credentials and provided the best price to value proposition for the Company. For more information on AVA, please refer to: https://avahkg.com.

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2A So Dau New Urban Area, Hong Bang Street, So Dau Ward,
Hong Bang District, Hai Phong City, Vietnam
Olive Tree Estates Limited

CBRE Valuation Services
IN ASSOCIATION WITH CBRE VIETNAM

APPENDIX 1: ADDITIONAL REQUEST - FORCED SALE VALUE

As of the valuation date, there is limited of actual market evidence whereby the seller was in a "forced sale" property or actually mortgage in possession sales. However, based upon our experience and considering the state of property such as its location, scale, land tenure/remaining years, etc. as well as industrial property market, we would anticipate a discount of 20%-30% of the property value would be required to reflect a "forced sale". Hence, the derived value is:

Forced Sale Value	**VND679,400,000,000**
In words	Six Hundred Seventy-Nine Billion Four Hundred Fifty Million Vietnam Dong Only
Equivalent to	**US$27,460,000**
In words	Twenty-Seven Million and Four Hundred Sixty Thousand United States Dollars Only

(Source: Appendix B – Property valuation reports)

(ii) What was the rationale for requesting "forced sale" valuations from CBRE and how do these valuations influence the final transaction price?

<u>Response</u>

The Company only holds a minority interest in, and shareholder's loans to the Vietnamese Companies and the Singapore Company and we appreciate that illiquid private assets which need to be divested quickly and discreetly are often priced at a discount to their realisable value under normal circumstances. As a reference and data point, we felt that it would be helpful to know the 'forced sale' value of the land and deployment properties under our SPVs. Ultimately, the consideration from the Proposed Divestment was higher than AVA's assessed value for the assets by approximately 23.2% and considerably higher than the forced sale value. It should be mentioned that the forced sale value was not relied by AVA in determining the value of the Vietnamese Companies and Singapore Company.

<u>Question 3</u>

In the revalued net asset value ("RNAV") calculations, the inventories of each project company were written off, amounting to:

- **$863,312 for JME Investment Pte Ltd (Paramount)**
- **$16,940,543 for Bai Chay National Housing Organization (NHO) Joint Stock Company (JSC) (Dragon Castle)**
- **$16,205,362 for NHO Phu My 2 JSC (Dao Tri)**
- **$12,875,851 for Thuan Ann 2 NHO JSC (Starview)**
- **$56,789,713 for Hong Bang 2 NHO JSC (Gem Park)**

RNAV Calculation – NHO HB2 – Gem Park

HONG BANG 2NATIONAL HOUSING ORGANIZATION JOINT STOCK COMPANY (8.14%-OWNED BY OTEL)				
Unaudited Balance Sheet as at 30th September 2024				
(figures in S$)	Book Value	Adjustment	Fair Value	Notes - AVA
CURRENT ASSETS				
Cash in hand (including checks)	2,413		2,413	Assumes book value approximates fair value.
Cash at bank	200,861		200,861	Assumes book value approximates fair value.
Investment held to maturity	847,717		847,717	Assumes book value approximates fair value. See notes below.
Trade accounts receivables	242,554		242,554	Assumes book value approximates fair value.
Advances to supplies	3,346,981		3,346,981	Assumes book value approximates fair value.
Receivables short-term loans	31,389		31,389	Assumes book value approximates fair value. See notes below.
Other receivables	138,185		138,185	Assumes book value approximates fair value. See notes below.
Provisions for bad debts (*)	(176,511)		(176,511)	Assumes book value approximates fair value.
Inventory	56,789,713	(56,789,713)	0	See notes below.
Short-term prepaid expenses	15,718		15,718	Assumes book value approximates fair value.
Receivable from deducted VAT	2,308,975		2,308,975	Assumes book value approximates fair value.

(Source: Circular to shareholder dated 22 January 2025; RNAV calculation for Gem Park showing the adjustment of inventory to $0)

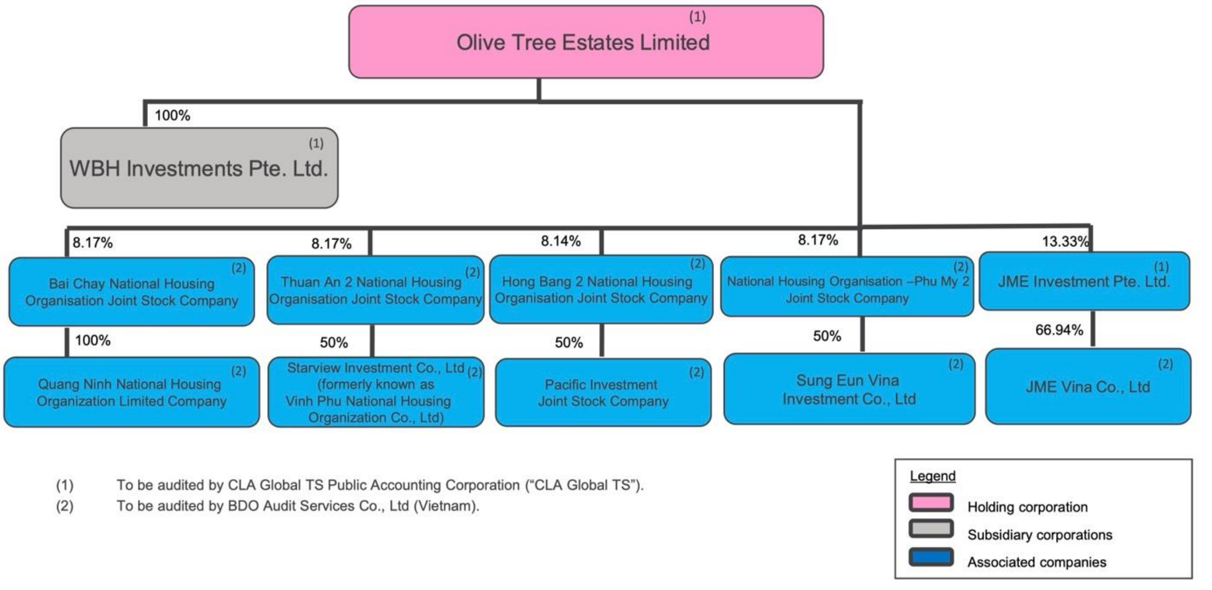
The total write-off amounts to $103.7 million.

(i) Can the board, particularly the independent directors, clarify the commercial and accounting rationale for the full write-off of inventories? What underlying assumptions led to this decision, and how does it align with industry norms for real estate asset valuation?

<u>Response</u>

As disclosed in the Circular, on page 2 of the AVA's valuation report, the Group structure as shown below:

Group Structure



VAS performed a valuation of the underlying property development companies (i.e. Quanh Ninh National Housing Organisation Limited Company, Starview Investment Co., Ltd (formerly known as Vinh Phu National Housing Organisation Co., Ltd), Pacific Investment Joint Stock Company, Sung Eun Vina Investment Co., Ltd and JME Vina Co., Ltd). VAS' valuation certificates with respect to these property development projects were relied upon by AVA in their valuation of the 4 Vietnamese Companies and Singapore Company, namely Bai Chay National Housing Organisation Joint Stock Company, Thuan An 2 National Housing Organisation Joint Stock Company, Hong Bang 2 National Housing Organisation Joint Stock Company, National Housing Organisation - Phu My2 Joint Stock Company and JME investment Pte. Ltd..

The inventory value (such as land use rights fees/value, design fees, construction cost, etc) of these companies have to be excluded from the overall valuation to avoid a double count with the inclusion of the valuation of the property development projects. This is a conventional practice in real estate valuation to derive realisable net asset value ("RNAV") valuation of both the holding companies and the property development subsidiaries. **With all due respect, it is misleading to state that the inventory amount was written off without taking reference to the value which the property valuer has assessed for the land and properties under development in the respective underlying property development companies, which had been relied by the business valuer in performing the valuation exercise.**

In addition, the inclusion of NHO HB2 – Gem Park reduced the market value by S$324,000.

Conclusion of Value

Based on the information provided and the analysis conducted, and subject to the attached Statement of General Assumptions and Limiting Conditions, our opinion of the Market Value of OTE's share of the equity interest and shareholder's loans in each of the Target Companies as at Valuation Date is reasonably stated in the table below.

Name of Company	Shares Held (%)	Market Value (S$)	Market Value (USD) (rounded)
JMEI / Paramount	13.33	1,204,749	941,000
NHO BC – Dragon Castle	8.17	2,697,208	2,106,000
NHO PM2 – Dao Tri	8.17	1,306,774	1,021,000
NHO TA2 - Starview	8.17	1,319,151	1,030,000
NHO HB2 – Gem Park	8.14	(323,958)	(253,000)
	TOTAL	**6,203,925**	**4,845,000**

Note: Exchange rate of USD0.780971 per S$ (taken from XE Currency as at Valuation Date)

(Source: Circular to shareholder dated 22 January 2025)

(ii) Given that including NHO HB2 – Gem Park lowered the aggregate market value by S$324,000, what was the strategic reasoning behind its inclusion? Did management consider excluding it from the transaction to optimise value for shareholders?

Response

As disclosed in the Circular, on page 12 of AVA's valuation report, the inclusion of negative value of S$324,000 for GEM Park was on the basis that our interest in the Vietnamese Companies and Singapore Company is being sold as a group and there was no consideration for any of the assets to be sold individually. As a standalone valuation, RNAV of NHO HB2 - GEM park would have been given a NIL equity value. Furthermore, as stated in paragraph 6.3 of the Circular, the consideration from the Proposed Divestment had been fixed with the buyer and will not be subject to any downward adjustment based on the assessed market value of these assets as determined by the business and property valuers.

(iii) How was the US$5.97 million (S$8.0 million) aggregate cash consideration determined? Who led the negotiations, and what role did the independent directors play in reviewing and approving the proposed sale?

Response

The cash consideration was negotiated on a willing-buyer, willing-seller basis taking into account all the factors detailed above (the urgent need to increase liquidity headroom, the illiquid nature of Vietnamese Assets, potential shareholder value creation through the generation of recurrent revenues, etc). The consideration was higher than the original and historical investment cost by approximately 4.7% and was higher than the valuation attributed to these assets by AVA by approximately 23.2%. The arm's length negotiations between the Company and the Purchaser were led by our CEO who provided the Board with regular updates concerning the progress of the negotiations. Our interest in the Vietnamese Assets was also discreetly offered to counter-parties but there was no interest in acquiring these assets from third parties beside the Purchaser. As mentioned, the independent directors were apprised of the sale process for the Vietnamese Assets, our negotiations with the Purchaser and are acutely aware of the Company's situation and challenges. As a matter of good diligence, members of our board also participated in calls with VAS and fielded questions to test VAS' working assumptions and valuation methodology.

BY ORDER OF THE BOARD

Long Chee Tim, Daniel

Chief Executive Officer and Executive Director

6 February 2025

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*This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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