

OLIVE TREE ESTATES LIMITED
(Company Registration No. 200713878D)
(Incorporated in Singapore)

**RESPONSES TO QUERIES RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE)**

The Board of Directors (the “**Board**” or “**Directors**”) of Olive Tree Estates Limited (“**OTE**” or the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the queries raised by Securities Investors Association (Singapore) (“**SIAS**”) in relation to the annual report of the Group for the financial year ended 31 December 2022. The Company wishes to provide its responses to the queries below:

Question 1

In December 2022, the company raised around \$7.05 million through a new share placement exercise, which was successfully done with the participation of Mr Tham Keng Chuen and Mr Kim Kyoo Chul, the chairman and executive director of National Housing Organization Joint Stock Company (“NHO”) respectively.

The investors each hold 20.29% of the company’s enlarged share capital following the placement. NHO has been a partner of the group and is an established residential housing developer in Vietnam with a track record of developing thousands of social and affordable housing units across multiple locations in Vietnam.

- i **Would the board help shareholders better understand the roles of the new investors, if any, in the management of the group? Has the board engaged with the new investors regarding the group's strategic plans?**
- ii **Has there been any request from the investors for board representation?**
- iii **Can the board confirm that the subscription monies have been fully received by the company, and if so, are the proceeds held by the group in its bank account(s) in Singapore?**
- iv It is noted that approximately \$4.8 million of the net proceeds has been set aside for debt servicing requirements. The group's financial position was strengthened in 2022, with a net debt of \$5.53 million and a ratio of 0.33 times. Currently, the group has bank borrowings of \$2.04 million and non-current borrowings of \$9.03 million. **Are there any obstacles in securing additional financing or renewing existing loans?**

Response

Question 1(i):

OTE welcomes Messrs Tham Keng Chuen (“Mr Tham”) and Kim Kyoo Chul (“Mr Kim”) as our new controlling shareholders. As mentioned already, Mr Tham and Mr Kim are the chairman and executive director of National Housing Organization Joint Stock Company (“NHO”) respectively. NHO is an established social and affordable housing developer in Vietnam. Both OTE and NHO share a common purpose and an unwavering commitment to social impact. Our value proposition is not to simply build and sell houses, as a traditional developer would, but to also offer a specially curated suite of community development services and amenities (such as family centres, early childhood education, after-school care, healthcare, social services, etc) in our affordable housing estates for the purposes of nurturing healthy and sustainable families and communities. OTE and NHO currently have an understanding that whilst NHO focuses on designing and developing our joint-venture affordable housing estates, the amenities and services in said estates would be provided by OTE and our eco-system of specialist domain partners. OTE has and will continue to leverage on our network of financiers and impact investors to assist NHO in funding the acquisition of suitable plots of land for the purposes of deepening

our pipeline of social and affordable housing projects in Vietnam. At this point in time, Messrs Tham and Kim have not requested management representation on OTE. OTE hopes to further strengthen our partnership with NHO and to this end, OTE's board plans to have formal discussions with Messrs Tham, Kim and NHO with regards the Group's strategic plans going forward and potentially, inviting at least one senior member of NHO's management team to serve on OTE to enhance the understanding and co-operation between the 2 organizations and their various business units.

Question 1(ii):

There has been no request from Messrs Tham and Kim for board representation on OTE.

Question 1(iii):

The Board confirmed that the subscription monies have been fully received and are reflected as cash and bank balances of S\$7.1 million (refer to Page 73 of the audited financial statements in OTE's FY2022 Annual Report).

Question 1(iv):

OTE continuously evaluates additional funding sources to support the growth of our business. At an appropriate time, when these plans have been concretized and finalized, we will share the same with shareholders through the necessary announcements. The Group's bank loans are not due for renewal in the near term and we remain confident that our principal bank will support interest rate repricing on the bank loan for our investment property at One Commonwealth in FY2024.

Question 2

For FY2022, the group's net loss after tax in FY2022 was \$1.65 million as compared to net loss of \$1.17 million in FY2021.

In Singapore, the group achieved full tenancy at its 13 units in One Commonwealth in both FY 2022 and FY 2021.

The group's activities in Vietnam are carried out via associated companies. In addition, the development properties in Vietnam are still under construction.

- i. The company has four projects in Ho Chi Minh City, Binh Duong, Ha Long, and Hai Phong referred to as the "Initial Development Plan," and a fifth project, the 1.3ha Binh Duong Project 1.3, which will create approximately 1,100 affordable housing units. **Can management provide information on the projects' completion dates?**
- ii. **Considering the inflationary pressures experienced in the past two years, are the projects progressing on budget? Can the management share any measures they are taking to manage costs and ensure that the projects remain on budget?**
- iii. **Are there any outstanding permits and licenses required for the projects that have not yet been secured? If so, what are the reasons for the delays, and how is the group managing them?**
- iv. **Can management provide additional information on the business model and the economic benefits of the projects? How does the group maintain a sustainable balance between profitability and social impact?**
- v. **What is the strategic importance of the Family Resource Centers in the group's overall growth plans? Are they operating on a for-profit basis, and if so, is this approach considered appropriate?**

Response

Question 2(i):

Information relating to the completion dates with respect to our projects in Vietnam are detailed on page 20 of our FY2022 Annual Report. Readers should appreciate that the completion dates of our projects are estimates and subject to the relevant regulatory and permitting approvals.

Question 2(ii):

As highlighted earlier, our joint-venture affordable housing developments in Vietnam are designed and developed by NHO. Whilst inflationary pressures have impacted input prices of construction material such as steel, concrete, etc, construction material is but a component and fraction of the overall gross development cost (“GDC”). What is pertinent to note is that the strength and resilience of the Vietnamese economy, the growing affluence of the working class and healthy demand for affordable housing means that the percentage increase in the projected Gross Development Value (“GDV”) of our various projects outstrips the percentage increase in GDC (as a direct result of inflationary pressures). The resultant effect of this is that there is no materially adverse deviation in the expected returns profile of our projects versus what has been modelled in our initial feasibility studies and budgets.

Question 2(iii):

Very much like the real estate development lifecycle in Singapore and other countries, an array of permits and licenses are required by developers before and during the development process. However, the permitting process in Vietnam for real estate projects has in recent years been complicated by the effects of COVID-19, legislative elections in 2021 to elect members of the National Assembly, the subsequent appointments of the President, Prime Minister and Party Secretary, post-elections administrative gridlock and on-going anti-corruption campaign targeting bad actors in, inter alia, the real estate industry as well as public sector. For OTE’s and NHO’s joint-venture investments in land which have been ear-marked for affordable housing development, the maintenance cost for ‘greenfield’ sites is not material during the pre-development permitting cycle. Risks and costs are also managed because it is not OTE’s policy to rely on prohibitively expensive debt financing to fund our equity contributions into the various joint-venture companies.

Question 2(iv):

OTE is a for-profit enterprise committed to optimize shareholder value for our stakeholders by adopting a “be good, do good and do well” model. As a company which is on the final leg of our Benefit Corporation certification journey¹, we believe that profits cannot be prioritized over people and planet. At OTE, the board and management strive to find a harmonious balance that best represents our ESG aspirations. OTE regards our investments in affordable housing as being defensive in nature (seeing as demand for this product class is historically resilient) and able to generate fair economic returns over the long-term. OTE is committed to reinvest some of these returns in acquiring more land for future affordable housing developments as well as supporting our various community development efforts in our affordable housing estates. We view this business model positively because it is our belief that demand for, the marketability of and future value of our residential developments are enhanced when buyers and residents know that quality services and amenities will be made available in the estates for the benefit of their families and the community as a whole. In fact, NHO has observed that the secondary market pricing for one of its more recent developments has escalated significantly because the market has come to appreciate the broadly unparalleled quality of the hardware (finished product) and software (community amenities) for that class of residential housing development.

Question 2(v):

Together with our like-minded and strategic partners, we continue to open Family Resource Centres (“Family Centres”) in a number of existing NHO estates. We are committed to establish Family Centres in future OTE and NHO affordable housing estates. These Family Centres host many of our community amenities and services and as such, are the heart-beat of our social impact ‘software’ solution (as

¹ <https://www.bcorporation.net/en-us/certification>

mentioned above). Coupled with other services meeting early childhood education, child care, elder engagement, health and social services needs, the Family Centres largely complete our effort to nurture sustainable communities in our residential housing estates. Our business model allows for us to deploy a portion of our returns from affordable housing development to establish Family Centres and provide community amenities. However, it is also our strategy to partner with like-minded organizations to help fund the operations of these centres. We have also come to realize that the demographic of residents in NHO's present and our future affordable housing estates has the financial capacity to pay for some of the services which we provide to families and the community, thus increasing the sustainability of our Family Centres and the array of services which are provided through these centres.

Question 3

As noted in the corporate governance report, the company does not have a fixed dividend policy. Specifically, it stated that the form, frequency, and/or amount of dividends will depend on the company's cash, earnings, gearing, financial performance and position, project capital expenditure, future investment plans, funding requirements, and any other factors that the directors consider relevant.

For the financial year ended 31 December 2022, the directors have not recommended the declaration and payment of dividends to shareholders, considering the losses incurred by the group in the financial year ended 31 December 2022, as well as the preceding years, and in light of the group's future investment plans.

The company has accumulated losses of \$(51.58) million as at 31 December 2022.

- i. **Would the board consider undertaking a capital reduction exercise to reduce the share capital of the company that has been lost or is unrepresented by available assets, i.e. to write off the accumulated losses?**
- ii. **In addition, how do the board and management strike a balance between investing in the group's operations for growth and generating returns for shareholders in the form of dividends? What were the deliberations by the board on the company's dividend policy?**

Response

Question 3(i):

OTE's accumulated losses principally relate to losses incurred by the business of Changjiang Fertilizer Holdings Limited prior to the reverse takeover event which birthed OTE. The Board has sought advice from our external auditors and evaluated combining the share capital with the accumulated losses via a capital reduction exercise. Said exercise would require shareholders' approval and the Board may approach shareholders at the appropriate time for the requisite approval and as part of supporting the Group's overall strategic plans.

Question 3(ii):

Since OTE's successful reverse takeover in December 2017, the focus has been on building our capacity and growing our affordable housing-centric social impact footprint with our eco-system of like-minded stakeholder partners in Vietnam. As the development projects have yet to be completed, OTE is not in a position to declare dividends to our shareholders. As part of the future strategic plan of the Group, the Board will review OTE's dividend policy from time to time, balancing the imperative of funding further direct and indirect investments in land to support future growth and providing sustainable shareholder returns, including the declaration of dividends.

BY ORDER OF THE BOARD

Long Chee Tim, Daniel
Executive Director and Chief Executive Officer
13 April 2023

This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Bao Qing, Registered Professional, RHT Capital Pte. Ltd. at 36 Robinson Road, #10-06 City House, Singapore 068877, sponsor@rhtgoc.com