

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 the Company (together with its subsidiaries, the “**Group**” or “**OTE**”) refers to the queries raised by Securities Investors Association (Singapore) (“**SIAS**”) in relation to annual report of the Group for the financial year ended 31 December 2020. The Company wishes to provide its responses to the queries below:

Question 1

As noted in the joint message to shareholders, the chairman and CEO stated that the group is focused on being a ‘be good, do good and for good’ enterprise with the provision of quality affordable housing in Vietnam.

The company, National Housing Organization Joint Stock Company (“**NHO**”) and Emerging Markets Affordable Housing Fund Pte Ltd (“**EMAHF**”) entered into a Covenant Partnership Agreement on 18 March 2019 which expressed the parties’ mutual understanding of the four proposed co-development projects in Ho Chi Minh City, Binh Duong, Ha Long and Hai Phong, Vietnam.

As stated in the annual report, NHO is already an established affordable and social housing developer in Vietnam and has a track record of developing thousands of social and affordable housing units across multiple sites in Vietnam and, together with EMAHF, they will be contributing the vast majority of capital required to fund the developments.

(i) For the benefit of new shareholders, can the board clarify the group’s role in the set-up? What are the mission-critical contributions by the group in this collaboration with NHO and EMAHF?

Response

NHO is an established social and affordable housing developer in Vietnam whilst EMAHF is a Singapore-based closed-end private equity fund focussed on financing affordable housing real estate developments in Vietnam. NHO and EMAHF are OTE’s principal joint venture partners with regards our maiden investments in Vietnam’s affordable housing market. With our 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 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. It is our intention that these amenities and services would be provided by OTE and our eco-system of specialist domain partners. OTE has and will continue to leverage on its 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.

(ii) How does the group capture value for shareholders in this tie-up?

Response

It is our belief that the interests of our stakeholders and shareholders can be served by a company that is underpinned by strong values, devoted to sustainable business practices and driven by a desire to do as much good as it can for the under-served and those in need. OTE’s strategic partnership with our trusted partners in NHO and EMAHF allows for us to not just participate in the development of mass-market affordable housing units in one of Asia’s fastest growing economies but also to bring to bear our unique value proposition to families and communities in our various housing estates. We feel that an

integrated social impact solution, comprising quality houses/apartments coupled with a relevant package of amenities and services presents a compelling proposition to buyers and sets us apart from other conventional developers. We are optimistic that our business model will generate value for our loyal shareholders over the passage of time.

For the 1.3ha Binh Duong project, the company contributed an investment of approximately US\$1 million (via Thuan An 2 National Housing Organization Joint Stock Company). The company had also contributed approximately US\$1 million to the new Hai Phong Project via a 8.17% equity stake in Hong Bang 2 National Housing Organization Joint Stock Company. These acquisitions were first announced on 6 Feb 2020 and 2 June 2020 respectively.

The group structure can be seen on page 5 of the annual report. Details of the investments in the associated companies can be found in Note 17 (pages 95 to 98 – Investment in associated companies).

(iii) Can management provide shareholders with a better understanding of the total land cost and the development cost of all the projects, including the recently announced 1.3ha Binh Duong project?

Response

Based on our project feasibility studies and the working assumptions therein, the gross development value of the 5 projects is approximately US\$0.5 billion and this compares to a gross development cost of approximately US\$0.4 billion. The afore-mentioned projects are expected to be funded from the initial equity and quasi-equity investments from all the joint-venture shareholders as well as external project financing and initial customer deposits.

Please note that whilst the initial project feasibility studies have been prepared with care and diligence, the basis of the working assumptions may be adversely and materially affected by the impact of operational, socio-political and other macro-related events.

(iv) Please also show the development timeline for each of the projects.

Response

1. D7 “Dao Tri”
 - a. Investment date : 8 May 2019
 - b. Expected completion date : first half of 2026
2. Ha Long “Dragon Hill”
 - a. Investment date : 6 May 2019
 - b. Expected completion date : second half of 2023
3. Binh Duong “Paramount”
 - a. Investment date : 18 March 2019
 - b. Expected completion date : first half of 2026
4. Binh Duong “Starview”
 - a. Investment date : 6 February 2020
 - b. Expected completion date : first half of 2026
5. Hai Phong “Hera”
 - a. Investment date : 2 June 2020
 - b. Expected completion date : second half of 2024

Please note that the expected completion dates as detailed above are based on our current project plans and subject to change from time to time due to regulatory and procedural issues, operational requirements and unforeseen circumstances.

(v) In addition, what is the size and price of a typical unit in the affordable and social housing projects?

Response

In today's market, a typical 60 square meter 2-bedroom affordable housing unit will cost a buyer approximately US\$80,000^{1,2} depending on factors which include location and amenities available. In OTE's experience, a social housing unit of the same size is likely to cost a buyer approximately US\$45,000.

(vi) Can the company help shareholders reconcile the “US\$1 million” investment as noted in the announcement dated 12 August 2020 and the S\$677,000 carrying amount on acquisition date in Thuan An 2 National Housing Organization Joint Stock Company as shown in Note 17 (page 97)?

Response

The equity investment of S\$677,000 and the convertible loan of S\$656,000 make up total of the US\$1m investment in Thuan An 2 National Housing Organization Joint Stock Company.

(vii) With regard to the COVID-19 pandemic, can management help shareholders better understand the situation on the ground in Vietnam, especially in the cities where the group is planning to launch projects?

Response

The occasional lock downs and safe distancing measures as well the recently held legislative elections have slowed down the requisite approval process for residential housing developments. However, we are optimistic that the permitting process for real estate developments throughout Vietnam will gain momentum and this will bode well for the progression of OTE's joint venture investments.

All things considered, the Vietnam government has handled the COVID-19 pandemic remarkably well. Supported by Vietnam's positive macroeconomic environment, the economy was able to generate positive growth of 2.91%² and 4.48%³ in 2020 and 1Q2021 respectively and foreign direct investment flows into the country remain robust (growing 18.5%⁴ in 1Q2021 over the same period in 2020).

The global situation with regards COVID-19 remains fluid and uncertain and OTE remains cautious and vigilant. In the event community infections unexpectedly rise in Hai Phong and Ha Long where we are readying our Hera and Dragon City projects for the next phase of sales, and the Vietnamese government is compelled by circumstances to enforce stringent lock down measures, project sales will be impacted and could be delayed further.

Question 2

The group has cash and bank balances amounting to \$1.78 million as at 31 December 2020. Net cash provided by operating activities was \$2.49 million, mainly due to the sale of the two units of development properties at Tagore 8 (\$2.5 million).

The group still holds 13 factory units at One Commonwealth as investment properties valued at \$10.36 million and development properties at 8 Tagore valued at \$1.22 million as at 31 December 2020.

(i) Rental income in 2020 dropped to \$714,000 from \$1.128 million a year ago.

¹ Vu Le, “City house prices well beyond reach for fresh graduates” *VNExpress International*, December 13, 2019. <https://e.vnexpress.net/news/business/industries/city-house-prices-well-beyond-reach-for-fresh-graduates-4026325.html>

² Ministry of Planning and Investment of the Socialist Republic of Vietnam, “Socio-economic target for 2020”, December 27, 2020. <http://www.mpi.gov.vn/Pages/tinbai.aspx?idTin=45768&idcm=136>

³ Ministry of Planning and Investment of the Socialist Republic of Vietnam, “Socio-economic performance in the first quarter of 2021”, March 31, 2021. <http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=49805&idcm=146>

⁴ Ministry of Planning and Investment of the Socialist Republic of Vietnam, “Report on foreign direct investment in the first quarter of 2021”, March 31, 2021. <http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=49806&idcm=122>

What was the reason for the drop, other than rental rebate?

[Response](#)

As a result of the pandemic, a number of our tenants at One Commonwealth ended their leases. Coupled with the rental rebates offered by OTE in support of our tenants, the rental income from our 13 industrial B1 units was adversely impacted. OTE is pleased to report that as of the date of our 2020 Annual Report, we have fully leased out all of our One Commonwealth units on broadly fresh 3-year tenures.

(ii) Can management also confirm that all the units at Tagore 8 have been sold (after the reporting period)?

[Response](#)

OTE can confirm that all of our industrial B1 units at Tagore 8 have been sold as of end March 2021.

The group received \$750,000 as a loan from a director and another \$750,000 as a loan from a shareholder in FY2020.

(iii) What were the reasons for the loans?

[Response](#)

These short-term unsecured loans were offered to provide additional liquidity and security to OTE amidst the grave uncertainty of the pandemic. Having secured a \$5m temporary bridging line from a local bank in February 2021, these loans were repaid back by way of mutual agreement between the lenders and OTE.

(iv) What is the group's optimal capital structure? Can the board help shareholders understand if the group has the working capital to support its operations and the capital to fund its strategic growth plans?

[Response](#)

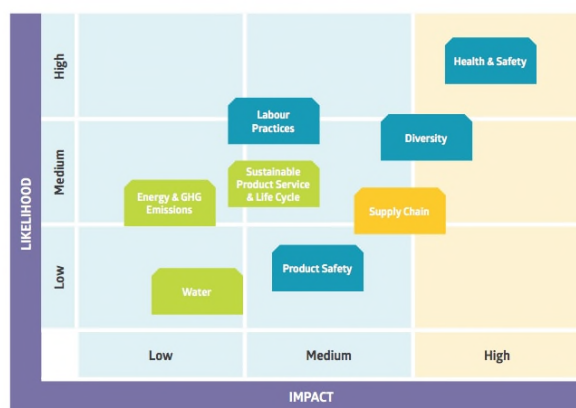
With these positive developments relating to our properties at One Commonwealth and at Tagore 8 coupled with a recently secured temporary bridging line, OTE has the working capital to support our day-to-day operations. In terms of our strategic growth and transformation plans, with a view towards securing significant capital to support our desired growth trajectory, OTE is currently in discussions with various parties which may or may not lead to a successful transaction.

Question 3

The group's sustainability report can be found on pages 13 to 29 of the annual report. Specifically, the 10 material topics can be found on pages 20 to 27.

(i) Has the board further analysed the material topics and prioritised them according to the importance to external stakeholders and to internal stakeholders in a materiality matrix? An example based on SGX's resources on sustainability reporting is shown below:

Template 3: Material factors matrix



Source: KPMG

(Source: Sustainability Reporting Guide dated 22 Feb 2018)

Response

OTE performed an assessment to determine the material topics pertaining to our business and operations as part of the preparations for sustainability report. This exercise considered Global Reporting Initiative (“GRI”) standard guidelines on materiality including OTE’s potential impact on the topics to stakeholders. Based on said exercise, the material environmental, social and governance issues were identified and discussed and more colour and context concerning the same have been provided in each iteration of OTE’s sustainability report. As part of improving the quality of our future sustainability reports, the Board will consider whether a materiality matrix might be useful.

In particular, one of the material topics that has been identified is anti-corruption (UN Sustainable Development Goals (“SDG”) 16). The company has stated that corruption has been identified as a perceived risk in the business and across the geographies where the group plans to operate. Lapses can result in significant reputational damage and financial liabilities.

(ii) Can management elaborate further on how it enforces the group’s “rigid anti-corruption policies”?

(iii) What is the level of board oversight and ownership of the group’s anti- corruption policies and efforts?

(iv) What training on anti-corruption has been provided to the employees? Has the board reviewed the effectiveness of the training?

Response

OTE’s management team has conducted and continues to conduct regular and rigorous assessments on its business partners to ensure that as far as can be practically determined under the circumstances, said partners abide by OTE’s code of conduct and business practices. As a company which is deeply committed to being a force for good, the OTE team and our eco-system of close and trusted partners are committed to not just do good, but to be good as well. All staff have been briefed internally on controls relating to anti-corruption practices and have to abide by OTE’s code of conduct in the employee handbook which states there is zero tolerance for any corruption activities.

OTE also has regular internal corporate communications and group discussions relating to enterprise-wide risk, which includes anti-corruption issues as well. To highlight the seriousness of OTE’s commitment in regard to these matters, the OTE team and our partners have almost weekly discussions in small and large format groups to reflect on our corporate mission with a view to further strengthen our corporate culture and DNA.

In terms of Board oversight, OTE has a whistle blowing policy where all incidents are highlighted to the Audit Committee for investigation and closure. In addition, there is regular internal audit cycles on procurement and sales processes (performed by BDO Singapore). OTE is pleased to report that since its inception, no incidents have been reported to the Board pursuant to OTE's whistle blowing policy. Furthermore, OTE's internal auditors have not highlighted any irregularities relating to the implementation and/or enforcement of OTE's anti-corruption policies. The Board is regularly briefed concerning the execution of OTE's corporate mission and there is strong accountability between the management team and the Board relating to the development of OTE's corporate culture and business practices.

BY ORDER OF THE BOARD

Long Chee Tim, Daniel
Executive Director and Chief Executive Officer
27 April 2021

This announcement has been prepared by the Company and its contents have 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**"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. 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.

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