RENAISSANCE UNITED LIMITED

(Company Registration No. 199202747M)
Incorporated in Singapore

RESPONSE TO SGX-ST QUERIES

The Board of Directors of Renaissance United Limited (the "**Company**") would like to announce its responses to the queries raised by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 3 September 2020 ("**SGX-ST Queries**") in relation to the Company's financial results for the year ended 30 April 2020, which was announced on 30 July 2020.

Query (i)
It is noted on page 1 that there is an impairment loss of trade and other receivables and convertible loan of approximately S$54,000 for the 12 months to 30/04/20.

(a) Please clarify the reason(s) for this impairment loss of trade and other receivables and convertible loan; and

The slow collectability of debts of more than 1 year, were assessed as potential bad debt. This is the basis for providing impairment loss of trade and other receivables and convertible loan.

This impairment loss of trade and other receivables largely relates to a convertible loan given by a wholly owned subsidiary, Nueviz Investment Private Limited ("Nueviz") to Hudson Minerals Holdings Pte. Ltd. ("Hudson") on 25th June 2011. Despite Hudson being in breach of the loan repayment schedule, the loan was renewed on 30 May 2016 by the then Board of Directors.

Nueviz through its lawyers had sent a legal letter to Hudson demanding payment of loan and interest and has yet to receive a response. Nueviz is in discussion with its lawyers on further recovery actions available.

(b) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment loss of trade and other receivables and convertible loan of S$54,000 and the bases for the Board's view

The Board's opinion is congruent with the methodology used in (a) and it will further ensure recovery actions are undertaken when appropriate

Query (ii)
Please provide a breakdown of the "Employee benefits expenses" financial statement line item.

The breakdown is as follows as at 30 April 2020:

	S$000
Employee benefits expenses	
Wages, salaries and benefits	5,976
Defined contributions plan	425
	6,401

Query (iii)
Please clarify the reason for the decrease in the "Lease expenses" financial statement line item.

This is mainly due to the implementation of Accounting Standard SFRS(I)16 which replaces the straight-line operating lease expense with the depreciation charge of right of use asset and interest expense on lease liability.

Query (iv)
Please provide a breakdown of the "Other expenses" financial statement line item and the reason for its increase.

The breakdown is as follows:

	Group		
	12 Months to 30/04/20	**12 Months to 30/04/19**	**%**
	S$'000	**S$'000**	**Increase/ (decrease)**
Audit Fees provided	(271)	(247)	9.7
Accountancy and tax fees	(39)	(9)	nm
Provision for Directors' Fees	(83)	(132)	(37.1)
General repair and maintenance	(297)	(351)	(15.4)
Professional and Consultancy Fees	(1,135)	(1,082)	4.9
Travelling Expenses	(314)	(301)	4.3
Utilities	(309)	(457)	(32.4)
Fixed Assets written off	(401)	-	nm
Safety Production Expenses	(226)	(9)	nm
Other Receivables written off	(140)	-	nm
Other Admin Expenses	(830)	(649)	27.9
Total	**(4,045)**	**(3,237)**	**25.0**

Other expenses increased by 25% from S$3.2 million to S$4.0 million, mainly due S$0.4 million fixed assets written off (two gas tank trucks) from a China subsidiary, increase of S$0.2 million safety production expenses of China subsidiaries, increase of S$0.1 million professional and consultancy fees and travelling expenses relating to Capri's Falling Water project and S$0.1 million deposits written from an earlier development phase of Falling Water.

Query (v)
Please clarify the reasons for the increase in the "Finance Costs" financial statement line item from approximately S$(829,000) in FY2019 to S$(1,326,000) in FY2020.

This is largely due to increase in bank loan interests arising from additional bank borrowings by the Group's China subsidiaries.

Query (vi)
Please provide further details on what "Government job support scheme" of S$492,000 relates to, including the circumstances leading to the Group's receipt of S$492,000 through the said scheme.

In view of the COVID19 effect on business operations, the Singapore Government initiated the Job Support Scheme (JSS) that provides wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty. The amount of S$492,000 relates to the funds received and receivable under this scheme pertaining to the financial year ending 30/04/20.

Query (vii)
Please provide a breakdown of the "Trade and other receivables" financial statement line item. Please also provide (a) an aging analysis of the trade receivables; and (b) the Board's assessment of the recoverability of the trade receivables and the bases of the Board's view.

The breakdown is as follows as at 30 April 2020:

	Group as at 30/04/20 S$000	**Current**	**1 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**
Trade Receivables						
- third parties	3,307	1,084	1,168	328	220	507
Less:						
Allowance for impairment	(355)					
Non - Trade Receivables						
- third parties	21,032					
- KMP	2,733					
Less:						
Allowance for impairment	(18,911)					
Good and Services tax recoverable, net	10					
Prepayments	2,155					
Rental, utilities and other deposits	161					
Staff advances	77					
	10,209					

Please see Query(i)(a) and (b) for the Board's basis and assessment of recoverability.

Query (viii)
Please provide a breakdown of the "Trade and other payables" financial statement line item.

The breakdown is as follows as at 30 April 2020:

	S$000
Trade and Other Payables	**18,472**
Breakdown as follows:	
Trade Payables	1,400
Non trade payables	
- third parties	6,424
- KMP	56
- payable for property, plant and equipment	7,952
- accrued operating expenses	2,640
	18,472

Query (ix)
It is noted in the third quarter financial results released via SGXNet on 15 May 2020 that the non-current "intangible assets" financial statement line item amounted to approximately S$416,000 as at 31/01/2020. At the same time, in this full year results by the Company, it seems that there is no "intangible assets" financial statement line item mentioned in the statement of financial position on page 3. Please clarify.

The S$416,000 additional intangible assets disclosed at 31/01/20 was derived from the management accounts of the China subsidiaries which was subsequently adjusted, following the statutory audit by the China auditors, BDO Shanghai. The reversal was due to the amount already taken up last financial year. This audit was carried out after the release of the third quarter financial results announced on 15/1/2020.

Query (x)
It is noted that the "Development property" financial statement line item increased from approximately S$10,543,000 as at 30/04/2019 to S$11,880,000 as at 30/04/2020. It is also noted on pg 6 of the unaudited financial results for FY2020:

"4. Development Properties

Management is continuing to collate the required documents and information required to substantiate the carrying amount of the development properties."

(a) Please clarify what these "Development Properties" relate to.

These relate to Land and the Development costs of the land located in United States which is owned by the Group's subsidiary, Capri Investments L.L.C.

(b) What is the reason for its increase?

The increase is mainly due to additional engineering, legal and consultancy costs incurred in developing the land during the year.

(c) Please elaborate as to what these documents and information which management is collating to substantiate the carrying amount of the development properties are.

The on-going development costs of the land are substantiated by invoices issued by the lawyers, engineering companies and contractors involved in developing the land. Additional invoices have been obtained as a result of the discovery process as part of the US legal proceedings.

Query (xi)
It is noted on page 4 that: - "*The current year's secured short-term borrowings of S$10.679 million and previous year's borrowings of S$13.026 million comprise :……(c) a loan of S$2.002 million in current year compared to S$2.016 million in previous year from a Key Management Personnel of a China subsidiary, secured by 100% shareholding in Dawu Jiaxu Natural Gas Company Limited. Interest is charged at 15% per annum.*"

Please clarify whether the aforementioned loan of S$2.002 million from a Key Management Personnel of a China subsidiary is considered as an interested person transaction and the bases for your views.

The loan is not considered an Interested Person Transaction as defined by SGX Rule 904. The Key Management Personnel is of the China subsidiary and not the issuer.

Query (xii)
It is noted that the Group has secured and unsecured borrowings of approximately S$10,679,000 and S$570,000 respectively as at 30/04/20, which are repayable in one year or less, or on demand. To facilitate understanding of the issuer's borrowings, please clarify:-

(a) Please clarify how does the Group intend to repay the aggregate sum of S$11,249,000?

Gas infrastructure is Capex intensive and the Group's China operations borrowed funds to finance its gas receiving stations, grid etc. Principal payments are made over-time. The S$11,249,000 largely represents the maturing principal due within 12 months, part of which would be paid from cash and the balance to be re-negotiated as part of the roll-over process.

The Group's China operations have been doing this in the past and the bank loans have always been repaid and rolled-over. The repayment of loans were mainly from the revenues of the gas business with annual turnover of approximately S$40 million for the previous and current year.

(b) How much of the aggregate amount of S$11,249,000 is attributable to borrowings and debt securities which are repayable on demand? Further, what are the conditions or circumstances which would trigger repayment to be made on demand?

The S$11,249,000 borrowings comprise S$6,608,000 bank borrowings secured by property, plant and equipment, S$1,740,000 bank overdraft facility, secured by cash and used by the Company's electronics subsidiary, S$2,002,000 as in Query (xi) above and S$329,000 lease liabilities secured by leased assets which will revert to the lessors in event of default.

If interests and principal repayments are not made, it is possible this could trigger repayment to be made on demand.

c) Please provide the Board's assessment and its basis on the ability of the Company and the Group in meeting its short term debt obligations as and when they fall due.

Where applicable, please elaborate on the matters set out in our Regulator's Column "What SGX expects of issuer's disclosures during COVID-19" dated 22 April 2020.

The Company does not expect cash flow or liquidity issues on the S$11,249,000 repayment in the light of COVID - 19 as explained in the Query (xii) (a) and (b). Its gas distribution business is an essential utility with recurring cashflow and a stable customer/subscriber base.

Current operations are able to service its debt borrowings via its gas sales and installation fees. Due to the global macro environment, lower gas sales to the Company's commercial and industrial customers is expected to continue.

Since the Group's natural gas business is an essential utility, it is thus able to service its debt borrowings via its gas sales and installation fees.

By Order of the Board
Allan Tan
Company Secretary
7 September 2020