

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 17 November 2022 (“**SGX-ST Queries**”) in relation to the Company’s announcement dated 8 November 2022 on, *inter alia*, the material uncertainty related to going concern raised by its independent auditors in relation to its financial statements for the financial year ended 30 April 2022.

Query

(a) Please provide the Board’s assessment on the Company’s ability to continue as a going concern and the basis for its assessment;

The Board refers to pages 38-40 of the Company’s Annual Report for the financial year ended 30 April 2022 released on SGXNet 8 Nov 2022. For ease of reference the relevant section is copied below:

During the financial year ended 30 April 2022, the Group and the Company incurred a net loss of \$12,284,000 (2021: \$4,839,000) and \$5,759,000 respectively. As at 30 April 2022, the Group’s and the Company’s current liabilities exceeded the current assets by \$14,341,000 (2021: \$12,286,000) and \$5,059,000 (2021: \$4,977,000) respectively.

Whilst, during the financial year a significant loss was incurred, it is mainly due to the impairment loss on intangible assets which is a non-cash item and is subject to annual assessment. As elaborated further below, the major contributing factor to the net current liabilities position is due to Hubei Zonglianhuan Energy Investment Management Inc. (“HZLH”). HZLH has for many years, been able to leverage short-term financing terms from its suppliers.

The nature of the Group is that it operates as three main independent businesses. HZLH and ESA Electronics Pte. Ltd. (“ESA”) have separate management structures with expertise in managing these mature businesses. There are no corporate guarantees provided by inter-companies within the Group and they are able to operate as standalone business with access to funding. Funding for the Company is supported by management fees, dividends and loan repayments from subsidiaries.

The Board of Directors of the Company are of the view that the going concern assumption is appropriate for the preparation of these financial statements based on the following assessment on the Group’s major segments. Meanwhile, the Company is seeking to resolve its legacy issues with the SGX-ST to be in a position to enable fund raisings when required in the future.

(i) Capri Investments L.L.C. (“Capri”)

Capri closed on a partial sale of the Falling Water Plat/Planned Development District (“PDD”) to KBHPNW LLC (“KB”), a subsidiary of USA national home builder KB Home. The aggregate purchase price for that certain tract of real property known as “Tract C, Falling Water/PDD – Tracts” (“Tract C”) within the Falling Water Plat/PDD is US\$8,030,000, with the initial payment of US\$4,000,000. From the funds received, Capri paid fees due to its consultants, title company as well as real estate excise tax. The net amount received in Capri’s bank account was US\$3,619,000.

On 3 November 2021, Capri received payment of US\$1,250,000 (approximately \$1,687,000) due under the Sale and Purchase Agreement. The remainder of US\$2,780,000 (approximately \$3,833,000) is due upon KB sales to third parties over the next 6 to 18 months from 30 April 2022.

(ii) Hubei Zonglianhuang Energy Investment Management Inc. (“HZLH”)

Due to the up-front capital required for gas network infrastructure, HZLH does have significant borrowings from local financial institutions and this is the major contributor to the Group’s current net liabilities position. HZLH is working with Bank of Kunlun Co., Ltd. (“KLB”) which is under the umbrella of PetroChina Company Limited, a Chinese oil and gas company that is Asia’s largest oil and gas producer, to re-negotiate some of its bank facilities as well as to provide additional facilities. KLB’s mandate and expertise is to support oil and gas owners’ development. On 16 September 2022, HZLH obtained a working capital loan amounting to RMB28,000,000 from KLB for a period of 36 months.

HZLH has good rapport with the local governments and its banks which is expected for a mature business of approximately 18 years. Its banks are unlikely to “call in” loans without a long notice period as this may cause disruption to civic services.

Banks in the PRC do recognise such arrangements as it is an increasing popular way for local governments to fund infrastructure projects. As such, the maturing principals due within 12 months can be successfully negotiated for further repayment terms with a longer tenure. The majority of short-term debt obligations are secured in nature either by cash or by collaterals of infrastructure under the service concession arrangements, and HZLH will be able to obtain additional fundings, if necessary, from the banks or financial institutions.

The infrastructure under the service concession arrangements for Dawu city in Hubei Province, PRC has not been pledged and could be pledged in the future as security to obtain additional fundings if necessary. The Board believes the operational cash flow is sufficient to meet payments as and when they fall due as supported by cash flow from HZLH’s customers who pay for gas in advance.

(iii) ESA Electronics Pte. Ltd. (“ESA”)

ESA is an operating subsidiary company without borrowings other than bank overdrafts which is fully backed by its cash collaterals. It did not require additional facilities as it has long-standing credit arrangements with its suppliers which is expected of a well-established business of approximately 30 years. ESA also

maintains a payment terms and receivables policy to ensure that there is no unacceptable customer credit risk. After the relative normalisation of operations following the COVID-19 pandemic, ESA has declared and made dividend payment in addition to its monthly management fees.

In addition, the Company has implemented various cost containment measures to generate immediate savings and conserve financial resources, including off shoring back office functions and amalgamating the office space in Singapore with ESA. The Company has significant cash resources at its disposal from its subsidiaries. It is also entitled to receive management fees and dividends.

For the reasons above, the Board has assessed that the Group and the Company will be able to continue as going concerns.

(b) Please provide the Board's opinion and its basis as to whether trading in the shares of the Company should be suspended pursuant to Listing Rule 1303(3); and

The Directors of the Company are of the view that since the Company and the Group can continue to operate as going concerns with its basis of assessment as laid out in query (a) above, there is no requirement for the Company's shares to be suspended pursuant to Listing Rule 1303(3).

(c) Please provide the Board's confirmation that the Company has made all material disclosures to ensure that its shares can continue to be traded in an orderly manner, and the basis for its assessment.

The Directors of the Company confirm they have made all material disclosures to ensure that its shares can continue to be traded in an orderly manner. The Company had on 8 November 2022 released its Annual Report for the financial year ended 30 April 2022 including all relevant notes, disclosures and subsequent events.

The Company reminds its shareholders that it bases its outlook on reasonable assumptions made, using available information concerning the Company's present and future operational and financial outlook. The outlook necessarily involves factoring in certain risks, uncertainty and assumptions. Actual performance can differ materially from the Company's outlook. Shareholders are advised to trade with caution if they intend to acquire or dispose of their shares.

For the avoidance of doubt the Company's announcements can be found on its website www.ren-united.com and SGX-Net.

By Order of the Board

James Blythman
Executive Director and Chief Financial Officer
21 November 2022