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 10 April 2023 ("**SGX-ST Queries**") in relation to the Company's financial results for the third Quarter ("**3QFY23**") and nine months ended 31 January 2023. ("**9MFY23**") which was announced on 17 March 2023.

SGX-ST Query 1

At pg 16, the Group reported that it has cash and cash equivalents of S$10,309,000 as at 31 January 2023, as compared to S$16,649,000 as at 30 April 2022.

It was also disclosed that:

"Cash and bank balances of the Group amounting to $2,350,000 (30 April 2022: $2,600,000) were pledged to banks to secure credit facilities granted to the subsidiaries.

Significant restriction

Cash and bank balances of approximately $2,320,000 (30 April 2022: $7,204,000), equivalent to RMB11,998,000 (30 April 2022: RMB34,371,000) held with the subsidiaries in the PRC are subject to local exchange control regulations. These regulations place ***restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group****." (emphasis added)*

a. Please explain the decrease in the Group's cash and cash equivalents from S$16,649,000 as at 30 April 2022 to S$10,309,000 as at 31 January 2023.

   Please refer to page 26 of the 3QFY23 announcement which is reproduced below for easy reference :

   "2b. a decrease of S$6.3 million in Cash and Bank Balances, mainly due S$1.0 million net repayments and proceeds of bank borrowings and leases, S$1.8 million payment of taxes and interest, S$1.3 million purchase of property, plant and equipment mainly from China subsidiaries and S$2.2 million net payments and receipts of the Payables and Receivables of the Group's subsidiaries;"

   S$1.3 million purchase of property, plant and equipment mainly relates to Dawu Jiaxu Natural Gas Company Limited ("Dawu") Operations Centre. The Operations Centre has now been completed.

Please explain the decrease in the cash and bank balances of these PRC subsidiaries from S$7,204,000 as at 30 April 2022 to S$2,320,000 as at 31 January 2023. Please also name the PRC subsidiaries in question.

The decrease of S$4.9 million in cash and bank balances of PRC subsidiaries are from Anlu Jiaxu Natural Gas Company Limited ("Anlu"), Xiaochang Jiaxu Natural Gas Company Limited ("Xiaochang"), Guangshui Zhong Huan Gas Development Co., Ltd ("Guangshui") and Hubei Zonglianhuan Energy Investment Management Inc, ("HZLH") collectively, the "PRC subsidiaries" and is mainly due to payments of S$1.3 million towards property, plant and equipment, S$0.8 million net repayments towards bank borrowings, staff salaries of S$2.3 million and net S$0.5 million operating expenses of the PRC subsidiaries.

c. Please provide details on the "credit facilities granted to subsidiaries", including the terms and interest, when these facilities were obtained and approved by the Board (including the Audit Committee), and the use of proceeds from these credit facilities. Please also name the subsidiaries in question.

The credit facilities granted to the Group's PRC subsidiaries, namely Anlu, Dawu, Xiaochang and Guangshui, are in the form of bank loans. In addition, Dawu also has financial leases to fund its capital expenditure. These loans are secured by infrastructure owned by the PRC subsidiaries under the service concession arrangements. Interest is presently charged at 4.15% to 6.2% per annum. The loans have a term of between 6 months to 9 years.

The loan proceeds are mainly used for a.) capital expenditure purposes, such as funding infrastructure construction for the Gas distribution business and b.) general working capital of these operating companies.

The operational loans were approved by China Environmental Energy Protection Investment Limited ("CEEPIL") which holds 65% equity of HZLH which in turn owns the PRC companies. CEEPIL is 100% owned by Excellent Empire Limited ("EEL") which in turn is 100% owned by the Company.

In addition, the other shareholders of HZLH also approved these loans and have been recorded as required by the PRC's banking regulations.

ESA Electronics Pte. Ltd. ("ESA") has the use of an overdraft facility provided to it by a bank in Singapore for working capital purposes, and is secured by cash pledged to the bank. Interest is charged at 5% per annum. The overdraft facility with a limit of S$2.1 million remains in force until further notice is given by the bank for any change in limits.

d. Please elaborate further on the PRC regulations which “place restrictions on exporting capital out of the country other than through dividends” and its impact on the “Group’s ability to access or use assets, and settle liabilities, of the Group”.

The State Administration of Foreign Exchange (“SAFE”) in China operates a system of capital control, which restricts the export or repatriation of capital out of China. These controls are intended to prevent excessive capital outflows, maintain currency stability and prevent speculative activities. In order to manage capital outflows, SAFE has a quota system that limits the amount of money individuals and companies can transfer out of China. These control regulations were issued in 1996 and updated in 2008. They provide the framework and regulations for China’s foreign exchange control system. In particular, article 9 states that individuals and companies must obtain approval from SAFE before they can engage in cross-border transactions involving the remittance of cash out of China.

This has, however, not impacted the Group’s ability to access or use the assets and settle liabilities as the PRC subsidiaries operate in the local environment.

For comprehensiveness, dividends declared by the PRC subsidiaries (if any) to foreign corporate recipients are taxed at source at the current rate of 20%, unless under any tax treaty with China, a lower rate is available.

e. Taking into account that the cash and bank balances of the PRC subsidiaries of S$2,320,000 amounts to **22.50%** of the Group’s total cash and cash equivalents of S$10,309,000 as at 31 January 2023, please also provide details on whether and how the Company has addressed the said restrictions and the professional advice (including legal advice) it has sought on this matter.

The cash and bank balances of the PRC subsidiaries are utilized by the subsidiaries for their working capital requirements, augmented by the operational loans as disclosed.

As the cash and bank balances are the cash and bank balances of the PRC subsidiaries, which are separate legal entities, the Company does not in law have an entitlement to the said cash and bank balances. The only entitlement the Company has whilst the PRC subsidiaries are in operation is where dividends are declared. Further, the Company does not require funding from the PRC subsidiaries, and, therefore, the occasion has not arisen where the Company and the PRC subsidiaries have had to apply to SAFE for approval of any export or repatriation of capital under any cross-border transaction.

The purpose of disclosing these restrictions in the Financial Statements is to remind and inform shareholders and investors that China operates a strict system of capital controls.

SGX-ST Query 2

The Group reported trade and other receivables under its current assets of S$13,798,000 as at 31 January 2023, amounting to approximately **24.82%** of the Group's total revenue of S$55,587,000 for the 9-month period ended 31 January 2023.

The Group also reported an increase in the *"Impairment loss on trade and other receivables"* from S$47,000 in the 9-month period ended 31 January 2022 to S$142,000 in 3Q2023.

In this regard:

a. Please provide more details on the nature and breakdown of these trade and other receivables, the Group's plans to recover them as well as the Board's assessment on their recoverability.

The breakdown is as follows as at 31 January 2023:

	Group as at 31/01/23 S$000	Current	1 to 90 days	91 to 180 days	181 to 365 days	Over 365 days
Non-Current						
Non - Trade Receivables						
- advances to sub-contractors	14					
	14					
Current						
Trade Receivables						
- third parties	5,735	4,236	1,042	165	170	122
Less:						
Allowance for impairment	(147)					
Non - Trade Receivables						
- third parties	18,253					
- KMP	2,630					
Less:						
Allowance for impairment	(18,347)					
Good and Services tax recoverable, net	12					
Prepayments	5,419					
Rental, utilities and other deposits	145					
Staff advances	98					
Total current receivables	**13,798**					
Total trade and other receivables	**13,812**					

Trade Receivables due from customers are assessed by Management and where appropriate, provisions are made for slow debt settlement. Legal Action may be pursued if necessary. From the table shown above, the bulk of trade receivables are current or up to 90 days in arrears. Non-Trade Other receivables “Third Parties” and “KMP” , arises from consideration receivable from the disposal of HZLH shares by China Environmental Energy Protection Investment Limited (“CEEP”) in 2015 which remains payable.

b. Please explain the increase in the Group’s impairment losses on trade and other receivables in 3Q2023.

   The Group’s impairment losses on trade and other receivables in 3Q2023 are mainly from ESA. The debts are collectible but the Company’s internal policy requires impairment losses to be made based on the length of time these debts have remained outstanding.

SGX-ST Query 3

The Group reported a significant increase in the *“Amortisation of intangible assets”* in its gas distribution business from S$999,000 during the 9 months ended 31 January 2022 to S$2,436,000 during 3Q2023.

Please provide details on the nature of these *“intangible assets”* and what they relate to, and explain the increase in their amortisation.

Refer to Note 11 Page 49 of 2022 Annual Report on the nature of Intangible Assets.

The increase in amortisation is due to the adoption of SFRS(I) INT 12 Service Concession Arrangements. 3QFY22 and 9MFY22 figures as shown in the unaudited condensed interim consolidated financial statements are for illustrative purposes only.

As disclosed in Note 35 Page 94 – 95 of the Annual Report 2022, certain line items have been adjusted and restated for the full year basis. The quarterly and nine months results comparative figures will not reflect these restatements done on a full year basis.

SGX-ST Query 4

At pg 21, the Group disclosed the following:

> *“**Contingent Liabilities***
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> *As announced on 27 November 2022, on 22 November 2022 US Pacific Time, Division II of the Washington State Court of Appeals issued their opinion and affirmed the Superior Court’s grant of summary judgment in favour of Capri against Renovatio LLC, affirmed the Superior Court’s attorney fee award, and in addition, granted attorney fees to Capri for this appeal.*
>
> *As announced on 11 December 2022, on 7 December 2022, the Washington Supreme Court denied Capri’s petition for review.*
>
> *The claims relating to the Promissory Note dated 22 July 2002 will be returned to the Superior Court to be litigated based on the merits. As announced on 16 June 2022 the Court of Appeals Division II affirmed that Renaissance United Limited, f/k/a IPCO International Limited is not the alter ego of Capri Investments, L.L.C.”*

a. With regard to *“the Washington Supreme Court denied Capri’s petition for review”*, what is the Board’s assessment as to whether any provision is required to be made and the basis for such an assessment?

An amount of US$404,000 is recorded as a liability on Capri's Balance Sheet but is contested and subject to legal proceedings in the US Courts.

The interest and other damages claimed by Sawyers Falls are also contested.

Moreover, as announced on 27 December 2022, the Washington State Court of Appeals, Division II Court Commissioner granted Capri's motion for discretionary review. The Commissioner's findings included that the trial court abused its discretion by failing to apply judicial estoppel on Sawyer Falls' claimed interest rate. This, if affirmed by the Court of Appeals, would prevent Sawyer Falls from arguing that the interest rate on the promissory note was 8% per month. Until this is resolved, potential interest, if any, is not subject to reasonable calculation.

Furthermore, the Board still believes that the instigator of the suit lacks standing to pursue these claims. For further details please see the announcement mentioned above. Should further developments in the legal proceedings address the appropriate recognition criteria and measurement bases for a provision, the Board will further assess its position. The Board will update shareholders as and when there are further material developments in this litigation.

b. With regard to *"The claims relating to Promissory Note dated 22 July 2022 will be returned to the Superior Court to be litigated based on the merits"*, what is the financial impact (if any) on the Group arising from this development?

   The financial impact that confronts the Group is significant legal expenses have been incurred and will continue to be incurred in defending the claim which is currently scheduled for trial in December 2023.

By Order of the Board
James Moffatt Blythman
Executive Director and Chief Financial Officer
14 April 2023