# RENAISSANCE UNITED LIMITED

(Company Registration No. 199202747M)
Incorporated in Singapore

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## RESPONSE TO SGX-ST QUERIES

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The Board of Directors of Renaissance United Limited (the "**Company**") would like to announce its responses to queries raised by Singapore Exchange Regulation Pte. Ltd. (the "**SGX Regulation**") on 15 September 2023 (the "**SGX Queries**") in relation to the Company's announcement dated 14 September 2023 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 2023.

**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 39-41 of the Company's Annual Report for the financial year ended 30 April 2023 released on SGXNet 14 September 2023. For ease of reference, the relevant sections are repeated below and expanded on to provide further context:

During the financial year ended 30 April 2023, the Group and the Company incurred a net loss of $7,945,000 (2022: $12,284,000) and $3,106,000 (2022: $5,759,000) respectively. As at 30 April 2023, the Group's and the Company's current liabilities exceeded the current assets by $10,038,000 (2022: $14,341,000) and $5,443,000 (2022: $5,059,000) respectively.

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 obtain short-term financing terms from its financiers.

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. The Company does not provide any corporate guarantees for any undertakings of the Group. The Group subsidiaries operate as standalone businesses with their own funding arrangements.

**(i) Capri Investments L.L.C. ("Capri")**

During the financial year ended 30 April 2021, 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/-DD - 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. Capri has subsequently received payments due under the Sale and Purchase Agreement during the financial years ended 30 April 2023 and 30 April 2022. As at 30 April 2023, the remainder of US$2,119,000 (approximately $2,833,000) (2022: US$2,780,000 (approximately $3,833,000) is due at the earlier of the fifth anniversary of the closing or upon the customer's individual home sales to third parties, whichever is earlier. Management anticipates the balance amount to be paid over the next 12 months.

***(ii) Hubei Zonglianhuan Energy Investment Management Inc. ("HZLH")***

Due to the up-front capital required for gas network infrastructure, HZLH has significant borrowings from local financial institutions and this is the major contributor to the Group's net current liabilities position. HZLH works with local financial institutions such as Bank of Construction, Bank of Communication, International Far Eastern Leasing Co., Ltd ("IFEL") as well as Bank of Kunlun Co., Ltd. ("KLB") which is under the umbrella of PetroChina Company Limited. On 16 September 2022, HZLH obtained a working capital loan amounting to RMB28,000,000 from KLB for a period of 36 months. On 19 January 2023 and 22 March 2023, HZLH obtained facilities amounting to RMB8,100,000 and RMB16,863,000 respectively from IFEL for a period of 12 to 36 months. Recent facilities negotiated by HZLH have lower interest rates.

HZLH has good rapport with the local governments and its banks which is expected for a mature business of approximately 19 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 negotiated for further repayment terms with a longer tenure and the Group has been able to successfully renegotiate with the banks historically. 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. In addition, HZLH's ownership interest in Guangshui city in Hubei Province, has not been pledged and could be pledged in the future as security to obtain additional fundings if necessary. Local financial institutions accept this as security for loans.

In summary, HZLH is a major contributor to the net current liabilities position of the Group due to its operations having historically (over a trading period of 19 years) relied on and its continued reliance on short-term borrowings. In FY2023, these short-term borrowings amounted in total to approximately RMB 44.4 million (or approximately S$8.6 million). This is contrasted against a revenue contribution of some RMB 303.1 million (or approximately S$60.3 million) to the Group. For FY2023, at the HZLH level, while the gas distribution business reported a loss after tax of approximately RMB 26.6 million (or approximately S$5.3 million), based on the operational cashflow of HZLH (whose customers pay in advance), the Board is of the view that HZLH will be able to pay its current liabilities as and when they fall due in the next 12 months. Further, as of the date hereof, HZLH has not received any demands for the immediate repayment of any of the short-term borrowings it has received which might render it incapable of making payments of its current liabilities as and when they fall due, barring unforeseen circumstances.

**(iii) ESA Electronics Pte. Ltd. ("ESA")**

ESA is an operating subsidiary without borrowings other than bank overdrafts which are fully backed by its cash collaterals. It does 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.

For FY2023, ESA contributed approximately S$13.7 million in revenue to the Group and loss after tax of S$233,000. While there is loss after tax in FY2023 as compared to profit after tax in FY2022, ESA does not need to employ any borrowings. The Board has similarly assessed that ESA will be able to pay its current liabilities as they fall due.

As explained above, as ESA does not have any borrowings at all, it is not expected that it would be in a position where its planned cash-flow forecast might be disrupted by a sudden demand for immediate payment of any current liabilities, barring unforeseen circumstances.

With regards to Company itself, it is able to access significant cash resources from its subsidiaries. In addition, now that the legal proceedings commenced against the Company by a former key management personnel are all but concluded, the Company's cash resources will no longer be diverted to defending these legal proceedings which have so far all been ruled in its favour or settled under commercially acceptable terms. As stated above, the Company has not provided any corporate guarantees to its subsidiaries.

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

**(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 and trade as going concerns, based on the assessments set out above in response to query (a) above, the Directors are of the view that Listing Rule 1303(3) is inapplicable to it at the current time, and the Company also does not fall within any of the circumstances set out in 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 released its Annual Report for the financial year ended 30 April 2023 which included all relevant notes, disclosures and subsequent events on 14 September 2023.

The Company would like to remind shareholders that it bases its outlook on reasonable assumptions, 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, all 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
19 September 2023