

## **RENAISSANCE UNITED LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 199202747M)

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### **ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL – DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS**

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Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the Board of Directors of Renaissance United Limited (“the Company”) and together with its subsidiaries, (the “**Group**”) wishes to announce that the Company’s Independent Auditor Messrs Baker Tilly TFW LLP have issued a disclaimer of opinion in their report dated 13 August 2019 on the audited financial statements of the Group for the year ended 30 April 2019 (FY19).

An extract of the Independent Auditor’s Report is attached to this announcement for Shareholders’ reference.

Shareholders of the Company are advised to read the Independent Auditor’s Report and the FY19 Financial Statements in the Company’s Annual Report.

#### **By Order of the Board**

Allan Tan  
Company Secretary  
13 August 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RENAISSANCE UNITED LIMITED

## Report on the Audit of the Financial Statements

### **Disclaimer of Opinion**

We were engaged to audit the financial statements of Renaissance United Limited (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 15 to 108, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 April 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

1. Impairment assessment of the Group's intangible assets and property, plant and equipment and the Company's investment in Excellent Empire Ltd ("EEL") and quasi-equity loan to EEL

As disclosed in Note 11 and Note 12 to the financial statements, the net carrying amount of the Group's intangible assets and property, plant and equipment as at 30 April 2019 amounted to \$Nil and \$74,807,000 respectively. An impairment loss amounted to \$23,458,000 was recognised in the current financial year to write down intangible assets to its recoverable amount of \$Nil.

As further disclosed in Note 13 to the financial statements, the net carrying amount of the Company's investment in EEL and quasi-equity loan to EEL as at 30 April 2019 amounted to \$12,497,000 and \$Nil respectively which represent investment in EEL group, after recognising impairment loss of \$50,928,000 and \$555,000 respectively during the current financial year.

During the financial year, the Group performed an impairment assessment to determine the recoverable amounts of the Group's intangible assets and property, plant and equipment. The recoverable amounts were adopted in the impairment assessment of the Company's investment in EEL and quasi-equity loan to EEL as well.

Based on management's impairment assessment of the recoverable amounts as disclosed in Note 11, Note 12, and Note 13 to the financial statements, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves with respect to the recoverable amounts determined by management. Consequently, we are unable to determine whether any adjustments might be necessary in respect of the carrying amounts of the Group's intangible assets and property, plant and equipment and the Company's investment in EEL and quasi-equity loan to EEL as at 30 April 2019 and the impairment losses as recognised in profit or loss during the current financial year.

2. Financial information of Hubei Zonglianhuan Energy Investment Management Inc. and its subsidiaries ("HZLH group")

The financial information of a subsidiary, HZLH group were consolidated into the consolidated financial statements of the Group for the financial year ended 30 April 2019. The total assets and total liabilities of HZLH group included in the consolidated statement of financial position of the Group as at 30 April 2019 are \$85,489,000 (2018: \$82,148,000) and \$46,536,000 (2018: \$41,943,000) respectively. The revenue and net profit of HZLH group amounted to \$40,072,000 (2018: \$35,201,000) and \$225,000 (2018: \$3,684,000) respectively, are included in the consolidated statement of profit or loss and other comprehensive income of the Group for the financial year ended 30 April 2019.

We are unable to satisfy ourselves that the financial information of HZLH group are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements of the Group for the financial year ended 30 April 2019.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RENAISSANCE UNITED LIMITED (CONTINUED)

## Report on the Audit of the Financial Statements (cont'd)

### Basis for Disclaimer of Opinion (cont'd)

#### 3. Transaction relating to Employee Share Scheme

During the previous financial year ended 30 April 2018, the Board of Directors had based on legal advice adjusted for the transaction between China Environmental Energy Protection Investment Limited ("CEEP") and Xiaogan He Shun Investment Management Centre LLP ("He Shun") as a disposal of shares in HZLH instead of a share-based payment transaction as reflected in previous years' financial statements. Accordingly, the Group's interest in HZLH was restated to 65% as at 30 April 2018 from 85% as previously disclosed in the previous years' financial statements.

We are unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the accounting treatment for the above-mentioned share transactions and on the adjustments made in prior financial year's financial statements arising from the accounting for the share transactions.

We are also unable to satisfy ourselves as to whether there should be any charge of the share-based payment to the profit or loss in the current financial year and whether the Equity - NCI balance of \$4,521,000 (2018: \$7,285,000) at 30 April 2019 is fairly stated.

During the financial year ended 30 April 2019, the Group recognised an impairment loss of \$2,741,000 on the balance receivable from a key management personnel as disclosed in Note 17(a)(ii) to the financial statements. During the financial year ended 30 April 2018, we were unable to obtain sufficient appropriate audit evidence on the existence and recoverability of the balance receivable as at 30 April 2018. Consequently, we are unable to satisfy ourselves as to whether the impairment loss should be recognised in the current financial year or previous financial year ended 30 April 2018.

#### 4. Development properties

As disclosed in Note 16 to the financial statements, the net carrying amount of the Group's development property as at 30 April 2019 amounted to \$10,543,000 (2018: \$10,131,000).

We are unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the net carrying amount of the land held for sale as at 1 May 2017 contained misstatements as the management was unable to provide supporting documents for the accumulated brought forward costs of development properties. Accordingly, we are unable to satisfy ourselves that the development costs stated at cost are fairly stated as at 30 April 2019.

#### 5. Investment in subsidiary

As disclosed in Note 13 to the financial statements, the net carrying amount of the Company's investment in ESA Electronics Pte. Ltd. ("ESA") as at 30 April 2019 amounted to \$5,310,000 (2018: \$5,310,000), after deducting impairment loss of \$16,725,000 (2018: \$16,725,000). Management determined that no further impairment loss is required on the Company's investment in ESA for the current financial year.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amount of the Company's investment in ESA as at 30 April 2019. Consequently, we are unable to determine whether any adjustment in respect of the net carrying amount of the Company's investment in ESA as at 30 April 2019 is necessary.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RENAISSANCE UNITED LIMITED (CONTINUED)

## Report on the Audit of the Financial Statements (cont'd)

### Basis for Disclaimer of Opinion (cont'd)

#### 6. Contingent liabilities

As disclosed in Note 20 and Note 35 to the financial statements,

- (a) On 17 July 2018, the Company and its subsidiary, Capri Investments L.L.C. ("Capri") received writ of summons from a Washington Company, Westridge Development LLC and G. Patrick Healy. The claim relates to claim of ownership of approximately 15 acres of real property in Pierce County, Washington.

The Company has discussed with its lawyers and believes the claims have no merit. Accordingly, these claim amounts have not been recognised in the financial statements as at 30 April 2019.

- (b) Subsequent to the end of the reporting period on 13 May 2019, the Company and its subsidiary, Capri been served with a complaint filed in the Pierce County Superior Court in the State of Washington by attorneys for Renovatio LLC. The complaint relates to claim of monies owing arising from (i) a breach of payment for services rendered by one G. Patrick Healy ("Healy"), (ii) stipend and expense reimbursement claims of Healy, (iii) 20% ownership interest in Brentwood Overseas Ltd/Asia Plan Ltd allegedly owed to Healy, and (iv) loans made by Healy for the Falling Water project owned by the subsidiary. The Company and Capri believe that the claims are erroneously made and without merit.
- (c) A former key management personnel informed the auditor that as at 30 April 2019, there is an outstanding amount owing to him of \$1,025,000 under the terms of his employment contract. The Company, as of date of this report, has not been served a writ of summons for this claim. The Company has sought preliminary legal advice from its lawyers. No provision has been recorded in the financial statements as at 30 April 2019.

Based on currently available information, we are unable to obtain sufficient appropriate audit evidence to determine whether any provision for additional liabilities is necessary for the all above claims in respect of the financial year ended 30 April 2019.

#### 7. Appropriateness of going concern assumption

As disclosed in Note 3.1 to the financial statements, the Group incurred a net loss of \$33,532,000 (2018: \$27,558,000) and the Company incurred a net loss of \$51,605,000 (2018: \$65,792,000). As at 30 April 2019, the Group's and the Company's current liabilities exceeded the current assets by \$13,846,000 (2018: \$5,455,000) and \$5,591,000 (2018: \$5,473,000) respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, the Board of Directors believes that the use of going concern assumption is appropriate after taking into consideration of the factors as disclosed in Note 3.1 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RENAISSANCE UNITED LIMITED (CONTINUED)

## Report on the Audit of the Financial Statements (cont'd)

### *Basis for Disclaimer of Opinion (cont'd)*

#### 7. Appropriateness of going concern assumption (cont'd)

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

The validity of the going concern basis on which the financial statements are prepared is dependent on certain assumptions and the successful outcome of the Group's and the Company's various efforts as disclosed in Note 3.1 to the financial statements, the outcome of which are uncertain at the date of this report.

In light of the material uncertainties described above, we are unable to obtain sufficient appropriate audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Group's and the Company's financial statements for the financial year ended 30 April 2019 are necessary.

#### 8. Comparative figures

Our independent auditor's report dated 3 October 2018 expressed a disclaimer of opinion on the financial statements for the financial year ended 30 April 2018 as we were unable to obtain all information, explanations and supporting documents that we consider necessary for the purpose of our audit. The basis for disclaimer of opinion on the financial statements for the financial year ended 30 April 2018 are disclosed in Note 36 to the financial statements.

Since opening balances as at 1 May 2018 entered into the determination of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 30 April 2019, as well as affect how the balances presented in the Group's and Company's statements of financial position as at 30 April 2019 are derived, we are unable to determine whether adjustments might have been found necessary in respect of the Group's and the Company's financial statements for the financial year ended 30 April 2019.

Our opinion on the current financial year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

#### 9. Matters with Commercial Affairs Department ("CAD")

We draw your attention to Note 34 to the financial statements, which describes the investigations by the CAD. As investigations against persons who may have facilitated the offences are still ongoing, there exists an uncertainty, the outcome of which is unknown, may have an impact on the Group's ongoing business operations.

# INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF RENAISSANCE UNITED LIMITED (CONTINUED)

## **Report on the Audit of the Financial Statements (cont'd)**

### ***Responsibilities of Management and Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Guat Peng.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

13 August 2019