

LORENZO INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200508277C)

RESPONSE TO SGX-ST'S QUERIES

The Board of Directors of Lorenzo International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) to the Company in relation to the Company’s results announcement for the full year ended 31 March 2023 (“**FY2023**”) (the “**FY2023 Results**”):

SGX-ST’s Query 1

Please provide a breakdown of other operating expenses for both FY2022 and FY2023, and explain the movement for each item.

Company’s response

The breakdown of other operating expenses for both FY2022 and FY2023 are provided below:

	FY2023 S\$’000	FY2022 S\$,000	Movement S\$’000
Depreciation of property, plant and equipment	168	212	(44)
Amortisation of right-of –use assets	1,355	1,878	(523)
Amortisation of land use rights	-	6	(6)
Contingent consideration	-	292	(292)
Inventories written off	3	-	3
Allowance for stock obsolescence	24	-	24
Loss on foreign exchange difference	147	146	1
Operating receivables written off	4	10	(6)
Allowance for impairment of operating receivables	83	340	(257)
Miscellaneous	-	292	(292)
	<u>1,784</u>	<u>3,176</u>	(1,392)

- i. The reduction in depreciation of property, plant and equipment (“PPE”) was mainly attributable to PPE reaching its estimated useful lives during the financial year;
- ii. The reduction of amortisation of right-of –use assets was due to the expiration of the leases during the financial year;
- iii. There was no amortisation of land use rights in FY2023 as the foreign subsidiary in China was disposed in FY2022;
- iv. The contingent consideration was an audit adjustment made in the Malaysia business unit in FY2022. There was no such adjustment made in FY2023;
- v. There was no inventories written off and allowance for stock obsolescence in FY2022;
- vi. The movement in operating receivables was due to lesser receivables written off in FY2023;
- vii. Likewise, there was a lower allowance required for impairment of operating receivables in FY2023;
- viii. The miscellaneous amount in FY 2022 comprised of other operating expenses that could not be classified into the respective categories. There were no such expenses in FY2023.

SGX-ST's Query 2

We note that there are discrepancies between the numbers reported on pages 1 and 3 with respect to the following items. Please reconcile the differences and explain the reason(s) for such discrepancies:

- a. depreciation of property, plant & equipment;
- b. depreciation of right of use assets;
- c. gain on disposal of property, plant & equipment;
- d. gain on disposal of investment property;
- e. trade receivables written off;
- f. impairment loss on trade receivables; and
- g. gain on disposal of subsidiary company.

Company's response

The Company regretfully apologises for the discrepancies between pages 1 and 3 which was due to typographical and allocation errors during the preparation of the cash flow statement for the full year ended 31 March 2023 and the revision of the FY2022 cash flow statement. The revised cash flow statements for both FY2023 and 2022 are stipulated below:-

	<i>Revised</i>		<i>As announced on 30 May 2023</i>	
	<i>31.03.23 S\$'000</i>	<i>31.03.22 S\$'000</i>	<i>31.03.23 S\$'000</i>	<i>31.03.22 S\$'000</i>
<u>Cash flows from operating activities</u>				
Profit before taxation	108	10,685	108	10,685
Adjustments for:-				
Depreciation of PPE	167	212	151	168
Depreciation of right-of-use assets	1,355	1,878	1,373	1,928
Amortisation of land use rights	-	6	-	-
Depreciation of investment properties	-	-	-	121
PPE written off	-	-	-	-
Impairment loss on trade and other receivables	83	340	232	219
(Gain) on disposal of subsidiary company	-	(7,232)	-	(7,224)
(Gain) on disposal of PPE	(67)	(544)	-	(523)
Inventories written off	3	-	3	-
Allowance for stock obsolescence	24	-	24	-
Other payables written back	-	(1,679)	-	(1,679)
Trade receivables written off	4	10	-	10
Recovery of impaired trade receivables	-	(207)	-	-
Interest expense	412	436	412	436
Interest income	(41)	(39)	(41)	(39)
<i>Operating profit before working capital</i>	2,048	3,866	2,262	4,102
Changes in inventories	(777)	(16)	(777)	(16)
Changes in operating receivables	(372)	(7,590)	(518)	(7,677)
Changes in operating payables	(1,191)	428	(1,191)	428
Changes in contract liabilities	330	(45)	330	(45)
<i>Net cash generated from/(used in) operations</i>	38	(3,357)	106	(3,208)
Interest expense	(267)	(436)	(267)	(336)
Income tax received	22	17	22	17
Income tax paid	(533)	(336)	(533)	(436)
<i>Net cash (used in) operating activities</i>	(740)	(4,112)	(672)	(3,963)
<u>Cash Flows generated from/(used in) investing activities</u>				

Acquisition of PPE	(253)	(78)	(253)	(78)
Acquisition of right-of use assets	-	(436)	-	(436)
Proceeds from disposal of PPE	-	-	-	-
Proceeds from disposal of investment property	67	964	-	964
Interest received	41	39	41	39
Net cash generated from/(used in) investing activities	(145)	489	(212)	489
<u>Cash Flows generated from/(used in) financing activities</u>				
Proceeds from sale of subsidiary company	-	6,587	-	6,587
Repayment of bank loans	(63)	(198)	(63)	(198)
(Repayment of)/proceeds from trust receipts and bills payable	(228)	(539)	(228)	(539)
Loan from directors	250	38	250	38
Repayment of finance lease liabilities	(1,250)	(1,306)	(1,250)	(1,306)
Net cash generated from/(used in) financing activities	(1,291)	4,582	(1,291)	4,582
Net increase/(decrease) in cash & cash equivalents	(2,176)	959	(2,175)	1,108
Cash & cash equivalents at beginning of period	(1,717)	(2,839)	(1,717)	(2,839)
Net effect of exchange rate changes on balance of cash and cash equivalents at beginning of year	(123)	163	(124)	14
Cash and cash equivalents at end of year/period	(4,016)	(1,717)	(4,016)	(1,717)

SGX-ST's Query 3

We note that other receivables amounted to S\$8.4 million, comprising approximately 35% of the total assets. Please disclose:

- a breakdown and aging of the Group's other receivables of S\$8.4 million in bands of 3 months (with upper limit disclosed);
- the Company's plan to recover such receivables, including the recovery actions taken to-date; and
- the Board's assessment of the recoverability of such receivables and when will the other receivables be repaid.

Company's response

The Company would like to inform that the breakdown of other receivables can be found on page 7 of the FY2023 Results released on 30 May 2023. The breakdown is reproduced below:-

	S\$'000
Other debtors	7,189
Deposits	925
Advance to suppliers	35
Prepayments	192
Tax recoverable	92
	<u>8,433</u>

- (i) The ageing of other debtors are stipulated below:-

	S\$'000
0 to 3 months	50
3 to 6 months	21
6 to 9 months	21
9 to 12 months	27
Above 12 months	<u>7,070</u>
	<u>7,189</u>

Other debtors comprise of receivables that are non-trade in nature. The Company would like to inform that of the amount of S\$7.19 million, S\$6.69 million relates to the amount due from the purchaser of the disposed foreign subsidiary. This amount remains outstanding as at 31 March 2023.

- (ii) The Company has instructed its legal counsel to commence legal proceedings against the purchaser of the disposed foreign subsidiary for the outstanding balance due by the purchaser. The Company will update shareholders if there is further development to the matter.
- (iii) Receivables are reviewed yearly for recoverability and allowance for impairment on receivables would be provided for irrecoverable receivables. Allowance for impairment on receivables would be provided for those receivables that are not recoverable.

By Order of the Board

Lim Pang Hern
Executive Director
14 June 2023