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

RESPONSE TO SGX-ST'S QUERIES

The Board of Directors ("Board") of Lorenzo International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the additional queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to the Company in relation to the Company's unaudited results announcement for the full year ended 31 March 2024 ("**FY2024**") (the "**FY2024 Results**"):

SGX-ST's Query 1

We refer to the Company's response to Query 1 in the announcement of 5 June 2024. The Company disclosed that the delay in the exit offer is due to, inter alia, cash constraints and pending release of funds to the Offeror. Please disclose the reasons for the delay for the funder to release the funds to the offeror.

Company's response

The Company regrets to inform the shareholders that it is not in a position to disclose the reason for the delay by the funder in releasing the funds to the offeror as it is not a party to the funding arrangements and discussions.

The offeror has reiterated his commitment to complete the exit offer and is following up with his funder.

The Company will update shareholders if there is further development in this issue.

SGX-ST's Query 2

We note that the Company has not, in its announcement of 5 June 2024, tabulated nor explained the differences between the revised FY2023 and the unaudited FY2023 financial statements as requested. In particular, the Company did not disclose these differences with respect to its income statement, cash flow statement and statement of changes in equity. Please disclose the information accordingly and ensure that the reasons for the differences and the bases for the revisions are clearly explained.

Company's response

The unaudited financial statements except for the Statement of Financial Position is tabulated below as requested: -

Statement of Profit and Loss

	FY2023 Unaudited S$'000	***FY2023 Revised S$'000***	***Variance S$'000***	***Note***
Revenue	22,490	27,077	(4,587)	a
Cost of sale	(11,236)	(16,031)	(4,795)	b
Gross Profit	**11,254**	**11,046**	208	

Other operating income	723	934	(211)	c
Distribution and marketing costs	(2,005)	(2,002)	3	d
Administrative expenses	(7,654)	(7,650)	4	e
Other operating expenses	(1,784)	(1,980)	(196)	f
Finance costs	(425)	(426)	(1)	g
Profit/(Loss) before taxation	**109**	**(78)**	187	
Taxation	(281)	(383)	(102)	h
Profit/(Loss) after tax	**172**	**(461)**	633	
Foreign currency translation difference	(337)	(334)	(3)	i
Total comprehensive income/(loss) for the year attributable to owners of the Company	**(509)**	**(795)**	286	

Profit/(Loss) for the year was arrived after charging/(crediting) the following items:

Interest income	(41)	(41)	-	
Interest expenses	412	412	-	
Depreciation of property, plant & equipment	167	167	-	
Depreciation of right-of-use assets	1,355	1,535	(180)	f
Foreign exchange (gain)/loss - net	147	231	(84)	f
(Gain)/Loss on disposal of property, plant & equipment	(67)	(67)	-	
Trade receivables written off	4	8	(4)	f
Impairment loss on trade receivables	83	34	49	f
Inventories written off	3	3	-	
Allowance for stock obsolescence	24	31	(7)	f

<u>Statement of Cash Flow</u>

	FY2023 Unaudited S$'000	*FY2023 Revised S$'000*	*Variance S$'000*	*Note*
<u>Cash Flows from operating activities</u>				
Profit/(Loss) before taxation	108	(78)	186	
Adjustments for:-				
Depreciation of property, plant & equipment	151	141	10	f
Depreciation of right-of-use assets	1,373	1,556	(183)	f
Impairment loss/(reversal of impairment) on trade and other receivables	232	34	198	f
(Gain)/Loss on disposal of property, plant & equipment	-	(67)	(67)	
Inventories written off	3	3	-	
(Reversal of)/Allowance for inventory obsolescence	24	31	(7)	f
Trade receivables written off	-	8	(8)	f
Interest expense	412	426	(14)	j
Interest income	(41)	(41)	-	
Operating profit/(loss) before working capital	**2,262**	**2,013**	249	
Change in inventories	(777)	(418)	(359)	k
Changes in operating receivables	(518)	571	(1,089)	l
Changes in operating payables	(1,191)	(889)	(302)	m
Changes in contract liabilities	330	(1,070)	1,400	n
Net cash generated from/(used in) operations	**106**	**207**	(101)	
Interest expense	(267)	(282)	15	g & j
Income tax received	22	22	-	
Income tax paid	(533)	(461)	72	o
Net cash generated from/(used in) operating activities	**(672)**	**(514)**	(157)	

<u>Cash Flows generated from/(used in) investing activities</u>

Acquisition of property, plant & equipment	(253)	(234)	(19)	f
Acquisition of right of use assets	-	15	(15)	f
Proceeds from disposal of property, plant & equipment	-	67	(67)	c
Interest received	41	41	-	
Net cash generated from/(used in) investing activities	**(212)**	**(111)**	(101)	
Cash Flows generated from/(used in) financing activities				
Proceeds from/(repayment of) bank loans	(63)	(63)	-	
Net proceeds/(repayment) of bills payable	(228)	(227)	1	
Loan from/(repayment to) directors	250	200	50	p
Repayment of finance lease liabilities	(1,250)	(1,430)	180	q
Net cash generated from/(used in) financing activities	**(1,291)**	**(1,520)**	229	
Net increase/(decrease) in cash & cash equivalents	**(2,175)**	**(2,145)**	(30)	
Cash & cash equivalents at beginning of year	(1,717)	(1,717)	-	
Net effect of exchange rate changes on balance of cash and cash equivalents at beginning of the year	(124)	(160)	36	r
Cash and cash equivalents at end of year	**(4,016)**	**(4,022)**	6	

The reasons for the revision of the financial statements are as follows:

a. The increase in revenue of S$4.59 million was mainly due to the sales undertaken by its Malaysian business unit during the preparation of the unaudited financial statements for the year ended 31 March 2023.
b. The increase in the cost of sales is related to the sales mentioned in a above.
c. The increase in other operating income was attributable to the audit adjustment for the disposal of property, plant and equipment of S$0.07 million and undertaken of miscellaneous income of S$0.14 million.
d. The decrease in distribution and marketing costs were due to the audit adjustments made by the auditors of its Malaysian business unit to reduce distribution cost that was over recorded in the unaudited financial statements.
e. Likewise for Administrative expenses, it was also due to audit adjustments to reduce administrative expenses that was over recorded in the books of its Malaysian business unit.
f. The movement in other operating expenses were mainly due to the audit adjustments made by its Malaysian business unit to depreciation for right of use assets and property, plant and equipment, foreign exchanges differences, impairment loss of trade receivables and allowance for stock obsolescence.
g. The slight increase was due to audit adjustment to recognised additional lease interest in its Malaysia unit.
h. The increase in tax expenses was attributable to the audit adjustment to recognise the tax payable for FY2023 in its Taiwan business unit.
i. The difference arose due to movement in components of the balance sheet of its Malaysia and Taiwan business units from both reclassification and audit adjustments.
j. The increase was due to audit adjustments to include new leasing liabilities from lease extension in Malaysia.
k. The decrease was due to audit adjustments to reduce the cost of inventories and allowance of stock obsolescence.
l. The movement was the result of reclassification and audit adjustments to both trade and other receivables.
m. The movement was mainly due to the reclassification and audit adjustment to both trade and other payables.
n. The movement was due to the audit adjustment make to contract liabilities in Malaysia.
o. The increase was due to tax paid in Taiwan.
p. The movement was due to audit adjustment made in its Malaysia business unit.
q. The increase in repayment was due to the audit adjustments to include new lease liabilities that arose from lease extensions in Malaysia.
r. The difference arose from the reclassification and audit adjustments from both its Malaysia and Taiwan units.

Statement of Changes in Equity

Group	Balance at 1 April 2023	Profit/(loss) for the year	Other comprehensive income/(loss)	Balance at 31 March 2023
FY2023 - revised	S$'000	S$'000	S$'000	S$'000
Exchange translation reserves	(4,918)	-	(334)	(5,252)
Capital reserve	838	-	-	838
Merger reserve	(3,282)	-	-	(3,282)
Retained earnings	(29,508)	(461)	-	(29,969)
Share capital	39,949	-	-	39,949
Total equity	**3,079**	**(461)**	**(334)**	**2,284**

	Balance at 1 April 2023	Profit/(loss) for the year	Other comprehensive income/(loss)	Balance at 31 March 2023
FY2023	S$'000	S$'000	S$'000	S$'000
Exchange translation reserves	(4,918)	-	(337)	(5,255)
Capital reserve	838	-	-	838
Merger reserve	(3,282)	-	-	(3,282)
Retained earnings	(29,508)	(172)	-	(29,680)
Share capital	39,949	-	-	39,949
Total equity	**3,079**	**(172)**	**(337)**	**2,570**

Please see the explanation under Statement of Profit and Loss and Cash Flow for the movement in retained earnings and exchange difference reserves. There is no variance in the Statement of Changes in Equity at the Company level.

SGX-ST's Query 3

We note that the Company explained that revisions in its FY2023 results were made arising from the "incorporation of the audited numbers of its Malaysia and Taiwan subsidiaries". Please explain when the Malaysia and Taiwan subsidiaries were consolidated and why they were not consolidated in the unaudited FY2023 financial statements announced by the Company on 30 May 2023? Please provide details of these 2 subsidiaries, quantify the financial performance of these subsidiaries and elaborate on their business operations and performance.

Company's response

The Company would like to inform that the financial statements of its Malaysia and Taiwan subsidiaries has always been consolidated in the Group's financial statements since listing. The unaudited management financial statements were used for the consolidation of the Group's financial statements that was announced on 30 May 2023.

The Company had already elaborated on the business operations and performance of both subsidiaries under the "Review commentary on income statement" for FY2023. For ease of information, the financial performance of the two subsidiaries is tabulated below:

FY2023	Malaysia unit S$'000	Taiwan unit S$'000
Revenue	15,505	8,825
Cost of sale	(10,287)	(3,950)
Gross profit	**5,218**	**4,875**
Other operating income	525	161
Distribution and marketing costs	(1,141)	(650)
Administrative expenses	(2,826)	(2,808)
Other operating expenses	(1,165)	(655)
Finance cost	(254)	(22)
Net profit/(loss) before taxaton	**357**	**901**
Taxation	(1)	(102)
Net profit/(loss) after taxation	**356**	**799**

SGX-ST's Query 4

We note from the Company's response to Query 3 in the announcement of 5 June 2024 that it has provided an allowance for doubtful debts of $2.516 million, which represents approximately 14% of the total revenue for the financial year ended 31 March 2024. Please disclose:

(a) the reasons for the allowance on trade receivables, including the reasons the non-payment.
(b) what is the general credit term extended to customers, how long have the debts been outstanding and in which period the sales were reported.
(c) the profile of the debtors and whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates. If yes, please provide details; and
(d) ***what were the actions taken to recover the outstanding amounts.***

Company's response

The tabulation of allowance for doubtful debts for FY2017 to FY2024 is as follows:

	Balance at 1 April S$'000	Allowance made/(reversed) S$'000	Allowance written off S$'000	Balance at 31 March S$'000
FY2017 – audited	2,691	201	-	2,892
FY2018 – audited	2,892	1,760	-	4,652
FY2019 – audited	4,652	1,919	(4,444)	2,127
FY2020 – audited	2,127	269	(465)	1,931
FY2021	1,931	551	-	2,482
FY2022	2,482	(237)	-	2,245
FY2023	2,245	40	-	2,485
FY2024 -	2,485	31	-	2,516

From the table above, a significant portion of the allowance for doubtful debts of S$2.516 million relates to allowance made in prior years. The allowance for doubtful debts for FY 2023 and FY2024 were S$40k and S$31K respectively.

(a) The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for doubtful debts is made for slow paying debtors, debtors that are in receivership or liquidated, and those with cash constraints. The allowance relating to prior years was due to dispute on the quality of the goods supplied.

(b) The Company would like to advise that the general credit term extended to customers is between 30 to 60 days. The current year allowance was made for debts that were above twelve months of age for sales that were related to the previous year. For allowance made in prior years, it was related to the sales that were reported on in either the financial year of incurrence or the previous year.

(c) The allowance for doubtful debts was for third party customers.

(d) The actions taken by the Group to recover outstanding debts include issuing letters of demand and initiation of legal suits.

By Order of the Board

Lim Pang Hern
Executive Director
12 June 2024