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 (i) the Company's results announcement for the full year ended 31 March 2018 ("**FY2018**") (the "**Full Year Results**"), (ii) the Company's announcement dated 26 July 2018 and (iii) the Company's announcement dated 31 March 2017:

SGX-ST's Query 1

On page 6 of the Full Year Results, the Company disclosed that "Other operating expenses increased by S$5.5 million from S$6.9 million in FY2017 to S$12.4 million in FY 2018. This was mainly attributable to the provision for doubtful debts of S$1.3 million, provision for slow-moving inventories of S$3.3 million and impairment loss on an amount due from disposed subsidiary of S$3.6 million offset by a reduction in depreciation charges of S$1.4 million. There was no provision for impairment loss on property, plant and equipment in FY2018 compared to S$1.3 million provided in FY2017".

In relation to provision of doubtful debts of S$ 1.3million, please:

i. Disclose who the provision is made for;
ii. Explain why the amount is so material;
iii. Provide the reason for the provision; and
iv. Provide the aging schedule (in bands of 3 months) for these debts.

Company's response

i. The provision was made for a single trade debtor, Lip Chee Engineering Pte Ltd ("**LCE**").
ii. The sales to LCE on 16 March 2017 amounted to S$2 million (excluding GST) and S$2.14 million (including GST) respectively. The Group had collected S$0.81 million during FY2018. The outstanding amount as at 31 March 2018 was S$1.33 million.
iii. As the outstanding amount was more than 12 months old as at 31 March 2018, the Group took the prudence approach to fully provide for such amount whilst actively chasing LCE for full recovery of the amount.
iv. The debt is 12 months old.

SGX-ST's Query 2

In relation to the provision for slow-moving inventories of S$3.3 million, please:

i. Provide a breakdown of the slow-moving inventories;
ii. Provide aging schedule (in bands of 3 months);
iii. Disclose how the value of the provision was determined; and
iv. Provide the reason that such significant amount has to be impaired when compared to inventory of $7.8 million.

Company's response

i. The slow-moving inventories were finished goods for furniture and building materials amounting to S$1.3 million and S$2 million respectively.
ii. The aging of the building materials provided for was 48 months. The aging of the furniture are as follows:

18 months to 24 months	S$0.1 million
24 months to 36 months	S$0.2 million
Above 36 months	S$1.0 million

iii. The value of the provision was determined by assessing the age and saleability of the products. The cost price is used to determine the total amount to be provided for and this was offset against provisions that were made in prior years to derive at the amount to be provided for FY2018.
iv. The main reason for such a significant amount was that the inventory was not saleable and had not been provided for in prior years hence the requirement to impair such inventory in FY2018.

SGX-ST's Query 3

In relation to the impairment loss on an amount due from disposed subsidiary of S$3.6 million, please:

i. Explain why the amount was not collected upon disposal;
ii. Disclose whom was it disposed to;
iii. Disclose when the loan of S$3.6 million was extended and for what purpose; and
iv. Explain why it could not be repaid by the vendor previously.

Company's response

i. The amount due from disposed subsidiary of S$3.6 million was an advance from the Group's indirect wholly-owned subsidiary, Supreme Furnishing Centre Pte Ltd ("**Supreme Furnishing**") to its subsidiary company in China, Supreme Furniture (Kunshan) Co., Ltd ("**Supreme Kunshan**") before the completion of the sale of Supreme Kunshan in order to pay off suppliers and the retrenchment costs of Supreme Kunshan. This was in line with the terms of the agreement with the purchaser.
ii. The purchaser of Supreme Kunshan was Kunshan Gao Er Garment Co., Ltd. Please refer to the Company's announcement dated 13 June 2017 relating to the disposal of Supreme Kunshan for further details.
iii. The loan of S$3.6 million was extended to Supreme Kunshan during the period from June 2017 to November 2017. As mentioned in point i above, the purpose of such loan was to pay off suppliers and the retrenchment costs of Supreme Kunshan.
iv. The Company wishes to clarify that the amount was not due from the vendor. It was due from Supreme Kunshan.

SGX-ST's Query 4

On page 8 of the Full Year Results, the Company disclosed "Rental expense paid and payable to a firm of which a director of the Company is a member" amounting to S$1.233 million and "Rental expenses in relation to prior years paid and payable to a firm of which a director of the Company is a member" amounting to S$ 655,000. The aggregate of these transaction amount to more than 5% of the Company's latest audited NTA. As required under listing rule 906, did the Company seek independent shareholders' approval for these IPTs? If not, please disclose specifically why and explain how the Company had complied with Listing Rule requirements.

Company's response

As previously disclosed by the Company, the abovementioned rental expenses are pursuant to certain tenancy agreements entered into by the Group and Manufacture Element Prefabricate Pte Ltd, an associate of Mr Lim Pang Hern (the "**Tenancy Agreements**"). As each of the Tenancy Agreements is for a term of three (3) years and the terms therein are supported by independent valuation, the entry into the Tenancy Agreements fall within the exception under Rule 916 of the Listing Manual.

Please refer to the Company's announcements dated 21 November 2017, 15 December 2017 and 26 December 2017 for further details relating to the Tenancy Agreements.

SGX-ST's Query 5

On 26 July 2018, the Company announced that "the Company will not be able to convene its AGM by 31 July 2018. The Company will use its best endeavours to convene its AGM as soon as possible". Please provide an update when the Company will release its audit report for FY2018 and when the Company will convene its AGM.

Company's response

The Company would like to inform the shareholders that the audit is still in progress. The routine audit works are significantly completed. However, as there had been an acquisition and a disposal of subsidiary companies in FY2018, further detailed audit works are required to be carried out in connection with the audit. Some of such detailed audit works, such as audit work for the valuation of assets and purchase price allocation are required to be performed by third party experts engaged by the Company and more time would be required for such audit works to be completed.

Accordingly, after discussion between the Company and its auditors, the Company notes that a workable time line in order for the Company to hold the AGM might be end October 2018.

SGX-ST's Query 6

On 31 March 2017, the Company announced that "the Company has been involved in preliminary negotiations with the Medical Vendor with a view to participate in the equity of the Medical Vendor". Please provide a status update on the negotiation, the outcome of these negotiations with the Medical Vendor, the specific details of the agreement and if negotiation has not been completed, please explain why and provide a timeline on when such negotiations will be completed.

Company's response

The Company wishes to update the shareholders that, after taking into consideration the Group's relatively weak financial position, the Company decided that it would not be in the position to acquire the equity in the Medical Vendor. Instead, the Company has since February 2018 been in discussions with the Medical Vendor pursuant to which it was agreed that the Company would instead introduce and procure a potential buyer ("**Potential Buyer**") to acquire the equity of the Medical Vendor. In so doing, the Company had hoped to be able to recover part of the Refundable Deposit.

However, as at the date of this announcement, the Company understands that negotiations between the Potential Buyer and the Medical Vendor have not been concluded and have reached a standstill. In view of this, and in the event that the Potential Buyer and Medical Vendor do not conclude the transaction, the Company will continue exploring other options to try to recover the Refundable Deposit.

By Order of the Board

Lim Pang Hern
Executive Director / Deputy Chairman
14 August 2018