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 various queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to the Company in relation to the Company's announcement entitled "Disposal of Subsidiary" dated 13 June 2017 (the "**Announcement**"):

Unless otherwise defined, all capitalised terms used herein shall bear the meanings ascribed to them in the Announcement.

SGX-ST's Query 1

Please disclose the nature of the businesses that Supreme Furnishing and Supreme Kunshan is engaged in. Please further disclose what the land and factory that Supreme Kunshan owns are currently used for.

Company's response

The Company notes that Supreme Furnishing's principal business is the retail of furniture while Supreme Kunshan's principal business is the manufacture and sale of sofa sets. The land and factory (i.e. the Property) that Supreme Kunshan owns is currently leased out to a tenant at a rental of RMB130,617 per month. The Company understands that such tenant currently carries out product manufacturing at the factory.

SGX-ST's Query 2

The Company disclosed the rationale that the disposal is "Transaction marks an opportunity for the Company to realise its investments". Please elaborate why the business of Supreme Furnishing and Supreme Kunshan is deemed to be an investment and not part of the core business of the Company.

Company's response

The Company wishes to clarify that the businesses of Supreme Furnishing and Supreme Kunshan form a part of the core business of the Company. The Company's investment in Supreme Kunshan takes the form of capital injections. The Group had proceeded with the Transaction as Supreme Kunshan has been loss-making and has not contributed positively to the Group's core business in the last few years. On review of the Group's financial position and structure, the Company had been of the view that the Transaction would allow the Group to rationalise its financial and capital resources since Supreme Kunshan is loss-making, and further investment or continued investment in Supreme Kunshan is unlikely to provide positive returns in the foreseeable future. In addition, as the Property was not being used by the Group for its manufacturing activities, the Transaction would also allow the Group to unlock the value of the Property and free up resources and capital for, *inter alia*, allocation to other operations within the Group.

SGX-ST's Query 3

Please disclose the book value, net tangible asset value and the latest available open market value of Supreme Kunshan. Please further disclose the excess or deficit of the proceeds over the book value, and the amount of gain or loss on disposal.

Company's response

Assuming that the Transaction had taken place on 31 December 2015, based on the audited consolidated financial statements of the Group as at 31 December 2015, the book value of Supreme Kunshan was S$532,101. Accordingly, the gain on the disposal of Supreme Kunshan would be S$3,334,399 (being the Consideration less such book value).

Based on the unaudited management accounts of Supreme Kunshan as at 31 March 2017:

(a) the net tangible liabilities of Supreme Kunshan was RMB3,793,525 (equivalent to S$768,947); and

(b) the open market value of Supreme Kunshan was RMB16,106,536 (equivalent to S$3,277,680).

SGX-ST's Query 4

In respect of the Property being valued at RMB19,000,000, please disclose the party who commissioned the valuation, the identity of the valuer, and the basis and date of such valuation.

Company's response

The Group had commissioned Suzhou Huaren Real Estate Appraisal Co. Ltd ("**SZHR**"), a real estate property valuation firm in Kunshan, China, to conduct a valuation on the Property. A valuation report on the Property was prepared and issued by SZHR on 27 February 2017 (the "**Valuation Report**"). SZHR relied on the market comparison method where similar properties in the vicinity were used as a guide to value the Property with certain relevant valuation adjustments being made thereafter for differences in, *inter alia*, location, land area, floor area, building condition, tenure, market conditions and recent renovations. Based on the Valuation Report, SZHR had arrived at a value of RMB17,035,200 in respect of the Property. Following negotiations with the Purchaser, the Group and the Purchaser had then agreed on the value of RMB19,000,000 in respect of the Property.

By Order of the Board

Teoh Jin Thean
Executive Director / Chief Executive Officer
16 June 2017