

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 first quarter ended 30 June 2022 (“**Q1FY2023**”) (the “**Q1 Results**”):

SGX-ST’s Query 1

We note that "administrative expenses" fell by approximately 35% or \$752,000 from \$2.154m as at 30 June 2021 to \$1.402m as at 30 June 2022. The Company explained that this is due to reclassification of rental expenses to right-of-use assets.

- a. Please provide details of the asset that was reclassified to right-of-use assets;**
- b. Please quantify the amount that was reclassified from the Income Statement; and**
- c. Please disclose where the reclassified amount was reported.**

Company’s response

- a. A right-of-use asset, or ROU asset, represent a lessee’s authority to utilise a leased item, typically property or equipment, over the duration of an agreed-upon lease term. The Company would like to inform that the right-of-use assets of the Group comprise mainly of leased properties for its operations. There was no asset reclassified to right-of-use assets.
- b. The amount that was reclassified from the Income Statement to Lease Liability relating to the right-of-use assets was S\$0.85 million. This reclassification was required to comply with the new Singapore Financial Reporting Standard 116 on Leases.
- c. As mentioned in part (b) above, the reclassified amount was reported as repayment of the Lease Liability relating to the right-of-use assets. The Lease Liability is included in bank borrowings.

SGX-ST’s Query 2

We note that there is a one-off gain on disposal of a foreign subsidiary in Q1 ended 30 June 2021. Please disclose:

- a. Whether shareholders' approval was obtained for such disposal; and**
- b. How the Company has complied with Listing Rules 1010 and 1014 (where applicable) with regard to the disposal.**

Company’s response

- a. The Company would like to highlight that it had disclosed the reason for the disposal of the foreign subsidiary in Q1 ended 30 June 2021 in its announcement dated 30 June 2021 (Ref. SG2106300THRQ8DZ).

The one-off gain on disposal was recognised when the Company lost control of the foreign subsidiary when Shanghai Kunhao Wood Industry Co., Ltd (the “**Purchaser**”) successfully obtained the Court

order to transfer the shareholding of the foreign subsidiary to it on 18 June 2021.

As the disposal was the result of the enforcement of a China Court order, the Company was unable to obtain its shareholders approval in accordance to Rule 1014 of the Listing Rule. The Company will seek legal advice on how shareholders' approval could be obtained regarding the disposal of the foreign subsidiary given the circumstances of the issue.

- b. The Company would like to refer to its announcement (Ref.SG190813OTHRNING) on 13 August 2019 in relation to the proposed disposal of the foreign subsidiary. The information relating to proposed disposal in accordance to Rule 1010 were disclosed in the said announcement. Accordingly, the Company is of the opinion that it has complied with Rule 1010.

The Company had reminded the Purchaser numerous times that both SGX and shareholders' approval must be obtained before the disposal can be completed. However, the Purchaser, after winning its legal suit against the Company, ignored the Company's reminders and went ahead to effect the share transfer unilaterally.

The Purchaser's action has resulted in the Company not being able to comply with Rule 1014 despite its numerous reminders to the Purchaser.

SGX-ST's Query 3

We note that the Company reported "other receivables" of \$8.355m as at 30 June 2022. Please disclose:

- a. **The nature of "other receivables";**
b. **Details of such receivables, including a breakdown of the amount of \$8.355m; and**
c. **When the amount will be repaid to the Company.**

Company's response

- a. The Company would like to inform that the nature of other receivables is provided in the reply to part (b) below.
- b. The Company noted that a similar query was raised for its announcement on its full year results for the year ended 31 March 2022. It would like to highlight that the breakdown of the amount of S\$8.355m has been provided on page 7 of its Q1 results announcement. The table is re-produced below:-

	S\$'000
Other debtors	7,057
Deposits	962
Advance to suppliers	82
Prepayments	167
Tax recoverable	87
	<u>8,355</u>

Other debtors comprise of receivables that are non-trade in nature. The Company would like to inform that of the amount of S\$7.06 million, S\$6.69 million relates to the amount due from the purchaser of the disposed foreign subsidiary. This amount remains outstanding as at 30 June 2022.

- c. The Company will commence legal proceedings to recover the amount due from the purchaser of the disposed foreign subsidiary after it has exhausted other avenues to recover the sum.

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
29 August 2022