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 further queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to the Company on the Company's response to SGX Queries announcement released on 16 October 2017, in relation to the announcement of the Company entitled "Financial Statements and Related Announcement: Auditor's Comments of Accounts" released on 9 October 2017:

SGX-ST's Query 1

It was disclosed in Response 2 that the letter of financial undertaking from Mr Lim Pang Hern was to "cover the period from 1 April 2017 to 31 March 2018". Please disclose if the Company will be able to operate as a going concern upon the termination of the financial undertaking on 31 March 2018. Please provide the basis for the Board's views.

Company's response

The Board is of the opinion that the Company will be able to operate as a going concern upon the termination of the financial undertaking on 31 March 2018 after taking into consideration the following factors:

a. the Company is reviewing its business model and cost structures with a view to turn its performance around; and
b. there are no material adverse events or condition that have come to the Board's attention that may hinder the ability of the Company to continue as a going concern.

Notwithstanding the above, the Company also notes that a fresh letter of financial undertaking may be sought for future financial periods, if required.

SGX-ST's Query 2

It was disclosed in Response 4 that there was "frequent turnover of finance staff during the 15-month financial period".

a. Please provide details of and the reasons for the frequent turnover.
b. Please disclose if the Audit Committee had interviewed departing finance staff, and whether there were any concerns raised.

Company's response

a. As previously announced, the Company's previous finance director resigned on 12 August 2016. This was followed by the resignation of the Company's previous group finance manager who resigned on 2 September. A chief financial officer appointed following the resignation of the previous finance director also resigned on 31 January 2017. The Company notes that it is not aware of the specific reasons for the resignations of all of the finance staff although some of them had noted that the change in the Company's place of business from the Kaki Bukit industrial area to the Pioneer industrial area had contributed to their decision to leave the Company. In addition, as the Group's performance and financial position has been relatively weaker in the last couple of years, the Company notes that it would not be unreasonable for staff to move on should there be other career opportunities available to them.
b. The departing finance staff were not interviewed by the Audit Committee. However, the Audit Committee is not aware of any concerns raised.

SGX-ST's Query 3

It was disclosed in Response 5 that the sales of S$2 million was to "Lip Chee Engineering Pte Ltd" ("**Lip Chee**").

a. Please disclose if Lip Chee is related to the Company, its directors, management or substantial shareholders, or their respective associates.
b. Please disclose if Lip Chee has other business dealings with the Company's directors, management or substantial shareholders, or their respective associates.
c. Please disclose if Lip Chee is a tenant in the Company's premises, and if so, whether any rent is paid for the use of premises.
d. Please disclose the business operations and size of Lip Chee.
e. Please disclose how long is the "grace period to collect cash for such sales on cash term".

Company's response

a. Lip Chee is not related to the Company, its directors, management or substantial shareholders, or their respective associates.
b. Lip Chee does not have any other business dealings with the Company's directors, management or substantial shareholders, or their respective associates.
c. Lip Chee is not a tenant in the Company's premises.
d. Lip Chee is in the business of steel fabrication, metal machine and engineering works and general merchant in all kinds of industrial hardware and is a small and medium-sized enterprise ("**SME**").
e. The grace period given is normally between 15 to 30 days for sales on cash terms.

SGX-ST's Query 4

It was disclosed in Response 5 that "the customer is a small company".

a. If the company is small, please explain why it acquired goods in the amount of S$2 million, and why the Company was willing to transact with Lip Chee.
b. Please disclose in which month the sales were made.
c. Please disclose what steps were taken by the Company to collect the money and from when these steps were taken.
d. Please explain why the Company did not make provisions for these sales when it was unable to collect the debt.

Company's response

a. The Company notes that Lip Chee is SME and the Company is of the view that a contract sum of S$2 million is not overly large for SMEs of a similar size to Lip Chee. As Lip Chee needed the goods for their business, the Company deemed it reasonable to transact with Lip Chee as it would bring in positive cash flow to the Company.
b. The Company notes that the sales were made in March 2017.
c. The Company has been in constant and regular communication with Lip Chee in relation to the payments due from Lip Chee. The Company has spoken to the management of Lip Chee on collection of the money on a fortnightly basis after the expiry of the grace period.
d. No provision for these sales was made as there is a repayment plan with Lip Chee and the Company is confident that the whole amount is recoverable.

SGX-ST's Query 5

It was disclosed in Response 5 that "The Company has agreed on a repayment schedule".

a. Please disclose the repayment schedule for the entire S$2 million.
b. Please disclose if interest will be paid on the outstanding amount, and if not, why the Company has not charged interest.

Company's response

a. Lip Chee will pay the Company S$200,000 per month over 11 months commencing from the month of August 2017.
b. No interest is charged as the Company does not charge late interest for all of its customers.

By Order of the Board

Lim Pang Hern
Executive Director / Deputy Chairman
3 November 2017