LORENZO INTERNATIONAL LIMITED

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

FURTHER INFORMATION REGARDING TENANCY AGREEMENTS WITH MANUFACTURE ELEMENT PREFABRICATE PTE. LTD.

The Board of Directors of Lorenzo International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's response to SGX queries announcement dated 21 November 2017 (the "**Previous Announcement**") relating to, *inter alia*, the tenancy agreements entered into between the Group and Manufacture Element Prefabricate Pte. Ltd. ("**MEPL**").

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

The Company wishes to provide further background information to the shareholders regarding the entry by the Group into the Tenancy Agreements as follows:

(a) Prior to the entry into the Tenancy Agreements, the various Group entities had been operating from three (3) separate locations. Save for the premises at 27 Kaki Bukit Place, such locations utilised by the Group for its operations were rented by the Group. The aggregate total area of all these separate premises utilised by the Group was approximately 90,085 square feet, of which, approximately 76,304 square feet was rented. Accordingly, the annual rent paid by the Group prior to the entry into the Tenancy Agreements amounted to approximately S$1.004 million.

(b) Since 2015, there had been an intention for the Group to consolidate all operations within a single location. This was part of a space utilisation consolidation plan which had been discussed amongst the management and the Board since 2015. In relation to this, it is noted that the Company had been of the view that it would be more efficient to consolidate all operations within a single location at the 23 Neythal Road premises.

(c) As the Group has consolidated its operations at the 23 Neythal Road premises, it currently rents out the premises situated at 27 Kaki Bukit Place to a third party tenant for S$25,000 per month (amounting to S$0.3 million annually).

(d) Pursuant to the entry into the Tenancy Agreements, the aggregate total area of the premises currently utilised by the Group is approximately 113,000 square feet, including office and warehouse space.

(e) As disclosed in the Previous Announcement, the Company had decided to shut down its two (2) production plants held by Supreme Kunshan and Lorenzo Kunshan, respectively, in order to stem out the Group's losses. As disclosed by the Company previously, the Group is also in the process of disposing of Supreme Kunshan. It is noted that the premises of these two (2) production plants included warehouse space which the Group utilised for storage of inventory. Accordingly, a decision had been taken to rent more space at the 23 Neythal Road premises in order to store the inventory which had to be shipped back from China to Singapore.

(f) Notwithstanding that the Group now utilises more space following the entry into the Tenancy Agreements, the net annual rent paid by the Group (after taking into consideration rental income) amounted to approximately S$0.637 million, resulting in savings in rental expenses of S$0.367 million per annum.

(g) In deciding to enter into the Tenancy Agreements, the Group had also taken into consideration the preferential unit rental rate offered by MEPL as well as the flexibility in payment terms. It is noted that as MEPL is an associate (as defined under the Listing Manual) of Mr Lim Pang Hern, the Group would, if deemed necessary, be able to negotiate for longer payment periods and/or deferred payments of rent to MEPL.

In view of the above, the Audit Committee is of the view that the Tenancy Agreements were not entered into on normal commercial terms but were not prejudicial to the interest of the Group and the minority shareholders of the Company.

By Order of the Board

Lim Pang Hern
Executive Director / Deputy Chairman
15 December 2017