

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 Annual Report for the full year ended 31 March 2020 (“**FY2020**”) (the “**FY2023 AR**”):

SGX’s Query 1

Listing Rule 720(5) requires that an issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years. We note that the last AGM of the Company was held more than 3 years ago on 3 March 2020. Please explain why the Company did not put up all its directors for re-election at the AGM held on 14 June 2023.

Company’s Response

The Company would like to inform that under Article 90 of its Constitution, at least one-third of the Directors (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) is required to retire from the office of Director and stand for re-election at the Company’s Annual General Meeting. Generally, the retiring Directors are Directors **who have been the longest in office** since their last election (unless otherwise nominated by the NC).

The Company did not put up all its directors for re-election at the AGM held at 14 June 2023 in pursuant to Article 90 and 96 of its Constitution as it interpreted the “once every three years” as financial years instead of calendar years.

Please also note that the Company has not been able to engage a Company Secretary to advise on such matters despite multiple attempts to engage one since March 2020. The joint Company Secretaries appointed in September 2022 resigned in February 2023.

SGX’s Query 2

Please disclose whether the Group has any employees who are immediate family members of a substantial shareholder of the Company. If so, please disclose their names, relationship with the substantial shareholder and remuneration in bands no wider than S\$100,000.

Company’s Response

The Company would like to state that the Group does not have any employees who are immediate family members of a substantial shareholder of the Company.

SGX's Query 3

In the Executive Summary of the Independent Investigation Report (as announced by the Company on 10 February 2023), KPMG pointed out that the management did not have information on, inter alia, the proposed disposal of Lorenzo Kunshan, a wholly owned subsidiary of the Company, and the Company was unable to furnish key documents in relation to the proposed disposal. The Company appears to have failed to maintain an adequate and effective internal control over its financial and operational systems.

In relation the above findings, please provide the basis for the Board's and the Audit Committee's view that the Group's risk management systems and internal controls were adequate and effective, and that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Company's Response

The Company noticed a similar question from the Securities Investors Association (Singapore). The response to the question is reproduced below for your information:

- (i) The current Board is of the view that the potential breaches may have been avoided if proper documentation control was practiced during the relevant period. During the relevant period of time, staff turnover was significant. The lapses mainly happened due to poor handover of outstanding matters from outgoing employees to incoming employees. Please note that two out of the members of the Board were appointed only in January 2019 and the Chairman only in 2023. The Board has since instructed management to rectify any shortcomings in their documents control and tighten all other areas of internal controls to prevent future occurrences.
- (ii) The Independent Directors have full access to management, external and internal auditors and other professionals to understand the weakness identified by the auditors during their audits on the internal controls, reporting and compliance. They have free access to the Group's financial and operating records if requested. All announcements and financial statements must be approved by the Board of Directors before they are released via SGXNet.

SGX's Query 4

We note that the Company has not complied with Listing Rule 1207(18B) which provides that the Company must provide an explanation of how it has complied with the following in its annual report:

- (a) the issuer has designated an independent function to investigate whistleblowing reports made in good faith;*
- (b) the issuer ensures that the identity of the whistle-blower is kept confidential;*
- (c) the issuer discloses its commitment to ensure protection of the whistle-blower against detrimental or unfair treatment; and*
- (d) the Audit Committee is responsible for oversight and monitoring of whistleblowing.*

Please comply accordingly.

Company's Response

The Company would like to advise that on Page 32 of the Annual Report 2020, it stated that a copy of the Company's whistle-blowing policy and procedure may be found on the Company's corporate website (<http://www.lorenzo-international.com/Lorenzo%20Policies.pdf>).

The whistle-blowing policy is extracted below for your information:-

WHISTLEBLOWING POLICY

1. This whistleblowing policy (“Policy”) deals with the receipt, retention and treatment of complaints received regarding Lorenzo International Limited (“Lorenzo” or “Company”) matters, and the protection of the confidential or anonymous reporting by employees of legitimate concerns regarding these matters.
2. Complaints which should be reported pursuant to this Policy, include without limitation, the following:
 - (a) fraud or deliberate error in the recording and maintaining of the financial records of the Company and/or its subsidiaries (“Group”) or in the preparation, review or audit of the Group’s financial statements;
 - (b) significant deficiencies in or deliberate non-compliance with the Group’s internal accounting controls;
 - (c) use of the Group’s funds, assets or property for any illegal, improper or unethical purpose, for example, fraud, theft of corporate property, embezzlement or misappropriation of corporate funds, assets or confidential information, and any acts of corruption or bribery;
 - (d) fraud against investors, or the making of fraudulent statements to the Singapore Exchange Securities Trading Limited, members of the investing public and government or state authorities;
 - (e) violation of existing legislation, rules and regulations applicable to the Group relating to its accounting, financial reporting, internal controls and auditing matters;
 - (f) distinct effort to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external accountant or auditor in connection with the preparation, examination, audit or review of any financial statements or records of the Group;
 - (g) improper actions or omissions which are likely to endanger colleagues, customers and suppliers of the Group and/or members of the public;
 - (h) improper or abuse of Company position / appointment for personal gain; and
 - (i) Information relating to any of the above is being deliberately concealed or attempts are being made to conceal the same.
3. Questions, concerns and complaints relating to the enforcement or application of human resources policies and regulations of the Group, aspects of the workplace environment of the Group and the behavioural aspects of employees (including matters relating to discrimination and harassment of any nature), are not considered complaints and should not be reported under this Policy but should be reported directly to the employee’s supervisors or to the Group’s Human Resource Manager.
4. The Group is committed to maintaining procedures for the confidential and anonymous reporting of complaints by employees of the Group and all reports of complaints will be treated on a confidential basis and if so requested by the employee reporting the complaint, will also be treated on an anonymous basis to the fullest extent possible, and the report of a complaint will only be disclosed to such persons who have a need to know in order to properly carry out the investigations of such complaint in accordance with the procedures set out in this Policy.

REPORTING OF COMPLAINTS

1. An employee may refer a complaint to the officer designated by the Audit Committee to receive and investigate such complaints (“Designated Officer”). The Designated Officer will treat all disclosures in confidence and will involve only those individuals who need to be involved in order to investigate such complaint.
2. If an employee wishes to remain anonymous, he or she may submit an anonymous complaint in writing (without providing his or her name or other personal information) to the Designated Officer by leaving a sealed envelope marked “Confidential – Only to be Opened by the Head,
Compliance and Corporate Governance” at the address of the Designated Officer as indicated in
- 3.

below:

Designation : Head, Compliance and Corporate Governance
Current Incumbent : Independent Director
Tel : (65) 6861 1949
Email : ac.wb@lorenzo-international.com
Address : 106 International Road, #03-00, Singapore 629175

4. An employee may also refer a complaint (which may also be on an anonymous basis) to the Audit Committee of the Company, if the said complaint has not been effectively addressed after being raised internally with the Designated Officer or where the complaint relates to the conduct of the Designated Officer. An employee who wishes to refer a complaint to the Audit Committee shall do so in writing, setting out the details of the complaint in a letter to be delivered to the Chairman of the Audit Committee at 106 International Road, #03-00, Singapore 629175 in a sealed envelope marked "Confidential – Only to be Opened by the Chairman of the Audit Committee of Lorenzo International Limited". Alternatively, the employee may email the Chairman of the Audit Committee at ac@lorenzo-international.com, which is an email that only the Chairman of the Audit Committee has access to.
5. Any complaints submitted on an anonymous basis should specify the full details of the facts surrounding the complaint to reasonably enable an effective investigation to be conducted by the Designated Officer and/or the Audit Committee.

INVESTIGATION OF COMPLAINTS

1. The Designated Officer will first determine based on the disclosures made by the complaint whether the complaint is within the scope of the Policy before proceeding promptly to review and assess the seriousness of the complaint and determine, in consultation with others, if necessary, the manner in which the complaint should be investigated, using internal and/or external resources.
2. The Designated Officer may investigate the complaint himself or herself or may direct such other persons (including another employee or an external third party) who need to be involved in order to investigate or assist in the investigation of the complaint. Such other persons shall report directly to the Designated Officer. If upon initial assessment, the Designated Officer is of the view that the substance of the complaint could materially and adversely affect the financial statements of the Group or the integrity of the company's system of internal controls, the Designated Officer shall immediately advise the Audit Committee first and with the Audit Committee's approval, also notify the Managing Director and Group Chief Financial Officer (except to the extent that any such persons are allegedly implicated in the complaint) of the complaint and the status of investigations.
3. The Chairman of the Audit Committee will separately notify the Chairman of the Board on the same.
4. Investigations of the complaints shall be treated on a confidential basis, maintaining the anonymity of the employee concerned (if so desired by the employee making the complaint), involve only persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.
5. The Designated Officer shall report to the Audit Committee at least once every half-yearly to provide the Audit Committee with, inter alia, the following information:
 - (a) the number of complaints received during that quarter;
 - (b) the details of each complaint;
 - (c) the status of the investigation of each complaint; and
 - (d) the findings and recommendations of the Designated Officer.

RECORD RETENTION POLICY

1. Each complaint (including the record of the investigation, reports, communications and resolution, if any, of the complaint) will be fully documented in writing by the Designated Officer or person(s) assigned to assist in the investigation.
2. The records and reports of the complaints shall be marked as "Privileged and Confidential", and

access to the same will be restricted only to the members of the Audit Committee, the Designated Officer(s) and such other persons who have a need to know and are specifically designated and authorized to investigate or assist in the investigation of the complaints. Disclosure of these records and reports to any other persons will require the prior approval of the Audit Committee.

3. The records and reports of the complaints shall be retained for a period of at least seven (7) years from the date of the respective complaint, unless the information therein is relevant to any pending or potential litigation, inquiry or investigation in which case, the said records and reports shall not be destroyed until the conclusion of the litigation, inquiry or investigation and for such period thereafter as may be necessary.

LEGITIMATE COMPLAINTS MADE IN GOOD FAITH

1. The Company will not take any disciplinary actions against an employee who in good faith reports a complaint, nor demote or terminate the employment of such an employee or threaten to do so with the deliberate intent to discourage an employee from reporting a complaint or with the deliberate intent to engage in retaliatory conduct against the employee for reporting a complaint.
2. Any false or malicious allegations could however lead to disciplinary action if, following investigation, it is determined that such allegations constitute misconduct warranting disciplinary action.

POLICY REVIEW AND PUBLICATION

1. The Audit Committee will review this Policy and its effectiveness from time to time, with recommendations regarding any amendments thereto to be made to the Board of Directors of the Company for approval.
2. This Policy, including any amendments thereto, shall be incorporated into the Company's Staff Handbook and made known to all employees of the Group.

As seen in the above extract, the Company has stated the following in its annual report:

- a. the issuer has designated an independent function to investigate whistleblowing reports made in good faith;
- b. the issuer ensures that the identity of the whistle-blower is kept confidential;
- c. the issuer discloses its commitment to ensure protection of the whistle-blower against detrimental or unfair treatment; and
- d. the Audit Committee is responsible for oversight and monitoring of whistleblowing.

The Company will include its whistle-blowing policy into its Corporate Governance Statement in future Annual Report.

SGX's Query 5

Listing Rule 719(3) provides that an issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.

Additionally, Listing Rule 1207(10C) provides that an annual report must contain audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.

We note from page 33 of the Annual Report that the Company outsourced its internal audit function to Nexia TS Risk Advisory Pte Ltd. However, the internal audit of the Group was last conducted for the financial period ended 31 March 2019 and no internal audit was performed for the financial year ended 31 March 2020. Please explain how the Company has complied with the requirements under Listing Rules 719(3) and 1207(10C).

Company's Response

The Company would like to inform that its internal audit function is outsourced to Nexia TS Risk Advisory Pte Ltd ('Nexia'). Nexia is an established firm that is adequately resourced and independent of the Company. As the Company had experienced, and to a certain extent is still experiencing, cashflow issues, it was unable to continue engaging Nexia to carry out its internal audit function for FY2020 due to outstanding professional fees and had only recently finished paying off such fees to Nexia. Nexia was also unable to carry out internal audit work for FY2021 as borders were shut during the lockdown experienced by many countries at the height of the COVID pandemic. However, in compliance with Rule 719(3), the Company has engaged Nexia to carry out internal audit for FY2022.

The comments required under Listing Rule 1207(10C) can be found on page 33 of the Company's Annual Report 2020. It is reproduced below:

"The AC ensures that the Internal Auditors are adequately resourced and have appropriate standing within the Company."

Going forward, the Company would clarify in its annual report for FY2021 that the internal audit function was not effectively carried out and explain the reasons for that.

SGX's Query 6

Listing Rule 1207(19)(c) provides that a listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the company financial statements for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial statements (if the issuer announces its quarterly financial statements, whether required by the Exchange or otherwise).

We note from page 39 of the Annual Report that the Company's policy currently prohibits directors and employees of the Group from dealing in the Company's shares during the periods commencing "one month prior to the announcement of the Group's financial results". Please explain how the Company's policy and practices have complied with Listing Rule 1207(19)(c).

Company's Response

The Company would like to emphasize that it prohibits directors and employees of the Group from dealing in the Company's shares during the period one month (four weeks) prior to the announcement of the Group's financial results which is more than the two weeks period required under Listing Rule 1207 (19)(c).

SGX's Query 7

Listing Rule 704(6) provides that if an issuer has previously announced its preliminary full-year results, it must immediately announce any material adjustments to its preliminary full-year results made subsequently by auditors.

We note that there are material discrepancies between the financial statements in the FY2020 Annual Report and the unaudited full year results announced by the Company on 28 July 2020. Please provide a detailed reconciliation of the 2 sets of accounts and explain any material movements and discrepancies.

Company's Response

The Company would like to clarify that it has already announced the material discrepancies between the financial statements in the FY2020 annual Report and the unaudited full year results on 30 May 2023 (Ref. SG2305300THRKGRO). A copy of the detailed reconciliation is attached to this announcement for your easy reference.

SGX's Query 8

On page 131 of the Annual Report, the Company reported purchases from, sales to and expenses charged to a firm of which a director of the Company is a member. Please disclose:

- (a) the identity of the counterparties;*
- (b) why these transactions were not disclosed as interested person transactions on page 40 of the Annual Report; and*
- (c) whether the Company has complied with Listing Rules 905 and/or 906 in relation to these transactions. Please substantiate with data.*

Company's Response

The Company would like to inform that the related party transactions are with the following parties:-

- i. BD Corporation Pte Ltd;
- ii. BD Krane Pte Ltd; and
- iii. BD Crantech Pte Ltd.

Page 40 of the Annual Report reflect transactions with Aggregate value of all interested person transactions during the period under review (**excluding transactions less than S\$100,000** and transactions under shareholders' mandate pursuant to Rule 920 of the Listing Manual).

As the purchases from, sales to and expenses charged to a firm of which a director of the Company is a member are transaction that were less than S\$100,000, they were thus not disclosed as interested person transactions.

A breakdown of the related party transactions are tabulated below. From the data provided, the Company believe it has complied with Listing Rule 905 and 906.

<u>Company</u>	<u>Sales</u>	<u>Purchase</u>	<u>Expenses charged by</u>	<u>Expenses charged to</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
BD Corporation Pte Ltd			19,881		19,881
BD Krane Pte Ltd	3,738	5,268			9,006
BD Crantech Pte Ltd	41,309		35,735	598	77,642

By Order of the Board

Lim Pang Hern
Executive Director
21 June 2023