Regulatory Announcement

10 February 2023

SGX RegCo directs Lorenzo International Limited to be delisted

Singapore Exchange Regulation ("SGX RegCo") refers to Lorenzo International Limited's ("the Company") announcements of 13 August 2019 and 11 December 2020 on the proposed disposal of its wholly-owned subsidiary, Lorenzo Furniture (Kunshan) Co., Ltd ("Lorenzo Kunshan").

Lorenzo Kunshan was incorporated in the People's Republic of China in 2006 with the principal activity of manufacturing and trading of wood-based furniture. While Lorenzo Kunshan had ceased its operations in 2017, it continued to own a property in Kunshan which accounted for more than 20% of the group's total assets during the material time. Trading in the Company's shares has been suspended since 14 December 2018 pursuant to Mainboard Rule 1303(3), following the disclaimer of opinion issued by its external auditor on the Company's ability to continue as a going concern.

Following SGX RegCo's review of the draft circular on the proposed disposal of Lorenzo Kunshan, KPMG Forensic Services Pte. Ltd. was appointed to look into the circumstances surrounding the proposed disposal, particularly on the veracity of the sale, parties involved and the basis of the sale price. The findings, announced on 10 February 2023, were reported directly to SGX RegCo and the Company's Audit Committee.

The share transfer agreement pertaining to the disposal of Lorenzo Kunshan dated 15 July 2019 was announced on 13 August 2019. Based on KPMG's findings, another four agreements were executed between 17 July 2017 and 15 July 2019 relating to the lease of the property in Kunshan and sale of the equity interest in Lorenzo Kunshan. These four agreements that were not disclosed included a supplemental share transfer agreement expressly purported to amend the terms of the share transfer agreement.

The key differences between the Company's 13 August 2019 announcement and the actual terms and conditions in the share transfer agreement and its supplemental agreement were: (1) the Company's announcement stated the proposed sale price to be RMB 88 million when the share transfer agreement stated the sale price to be RMB 88 million less the total indebtedness of Lorenzo Kunshan, and (2) the Company's announcement stated that the proposed sale would be subject to shareholders' approval but this condition was not required in the supplemental agreement.

On 17 September 2019, the buyer filed a legal proceeding against the Company to enforce its legal rights so as to compel the Company to transfer its entire interest in Lorenzo Kunshan to the buyer and seek compensation for the long delay in the completion of the shares transfer. The judgement, issued by a court in China on 30 October 2020, ordered the Company to complete the sale by 30 November 2020 and to compensate the buyer RMB 18 million in damages by 9 November 2020. The Company's draft circular on the proposed disposal had not been sent to shareholders as the court's judgement which compelled the Company to complete the sale took precedence over shareholders' approval.

Between 16 November 2020 and 29 March 2021, the Company made various announcements on the legal proceedings. In the Company's announcement of 16 November 2020, it disclosed that the buyer had commenced legal proceedings to enforce its legal rights and was seeking compensation for the delay in completion of the shares transfer.

On 7 December 2020, the Company further announced that it had engaged a Chinese law firm to represent it in the lawsuit mentioned in the announcement of 16 November 2020.

Thereafter, on 4 January 2021, the Company appealed against the court's ruling of 30 October 2020 and the appellate court dismissed the appeal on 26 February 2021. On 29 March 2021, the Company referred to its previous announcement of 16 November 2020 and updated that the court had ordered the Company to complete the sale within one month from 17 March 2021 and to compensate the buyer RMB 18 million damages.

While the Company provided periodic updates on the legal proceedings, KPMG noted that the Company did not disclose the court's judgement on 30 October 2020 in the 16 November 2020 announcement, as well as the fact that the court's judgement referred to in the 29 March 2021 announcement was the result of an appeal raised by the Company.

KPMG reported that the buyer was an independent third party who was unrelated to the group and its key management. The group's personnel who were apparently involved in the negotiations and/or the execution of the various agreements, namely Mr. Lim Pang Hern (current executive director), Mr. Jason Teoh (former CEO) and Mr. Teo Kok Meng (current CFO), were unable to provide proper explanation of the key events from the initiation of the proposed disposal, determination of the sale price to its conclusion. Further, with the absence of supporting documents, KPMG was unable to form a clear understanding of the group's governance of the proposed disposal or to demonstrate whether or not the negotiations and agreements took place appropriately and in good faith. Arising from this, KPMG highlighted potential contraventions of Section 157 and 199 of the Companies Act. SGX RegCo notes the findings and will report the alleged contraventions to the relevant authority.

As the Company has to-date not submitted any resumption proposal nor submitted any application for a further extension of time to meet the requirements under Mainboard Rule 1304, SGX RegCo will be directing the Company to delist.

-End-

About Singapore Exchange

SGX Group seeks to serve as the world's most trusted and efficient international marketplace, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. As one ecosystem with global relevance and influence, we offer multiple growth avenues to our stakeholders through listing, trading, clearing, settlement, depository, data and index services. We are committed to lead on climate action by developing a world-class transition financing and trading hub through SGX FIRST (Future in Reshaping Sustainability Together), our multi-asset sustainability platform. Headquartered in AAA-rated Singapore, we are globally recognised for our risk-management and clearing capabilities. Find out more at www.sgxgroup.com.

Media Contact

Carolyn Lim
Marketing & Communications
T: +65 6236 8139
E: Carolyn.lim@sgx.com