

Lorenzo International Limited

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

PROPOSED DISPOSAL OF THE SINGAPORE PROPERTY LOCATED AT 27 KAKI BUKIT PLACE, SINGAPORE 416205 RESPONSES TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors (the “**Board**”) of Lorenzo International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement made by the Company on 13 February 2020 (the “**Previous Announcement**”) in relation to, *inter alia*, an option to purchase (the “**OTP**”) relating to, *inter alia*, a disposal of a Singapore property located at 27 Kaki Bukit Place, Singapore 416205 (the “**Singapore Property**”) held by Uhin Holding Pte Ltd (the “**Vendor of the Singapore Property**”) to Universal AV Pte. Ltd. (the “**Purchaser of the Singapore Property**”).

The Company sets out below its responses to queries raised by the Singapore Exchange Securities Trading Limited.

Query 1: On 13 February 2020, the Company announced that “the Company’s wholly-owned subsidiary, Uhin Holding Pte Ltd (“Uhin Holding”), has on 14 January 2019 granted an option to purchase (the “Option”) to Universal AV Pte. Ltd., an independent third party, (the “Purchaser”) for a property located at 27 Kaki Bukit Place Singapore 416205 (the “Singapore Property”) (the “Proposed Disposal”).” Please disclose:

- i. the directors and shareholders of Universal AV Pte Ltd;*
- ii. the name of the person who introduced the Purchaser to the Company; and*
- iii. quantify the introducer fees/commission payable/paid to the introducer, if applicable.*

Company’s Response:

The Company wishes to clarify that the OTP was granted by the Vendor of the Singapore Property on 3 December 2019 and accepted by the Purchaser of the Singapore Property on 14 January 2020.

Information on the Purchaser of the Singapore Property

The information on the Purchaser of the Singapore Property provided below was provided to the Company by Purchaser of the Singapore Property. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The Board’s responsibility is limited to the proper extraction and reproduction herein in the context that is being disclosed in this Announcement.

The Purchaser of the Singapore Property, Universal AV Pte. Ltd. (Company Registration Number 201018436N), is a company incorporated in Singapore on 31 August 2010, and has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares as at the date of this Announcement. The Purchaser of the Singapore Property is principally in the business of organising events and concerts, providing audio and visual services, and renting and leasing of professional radio and television sets and sound reproducing and recording equipment.

The shareholders of the Purchaser of the Singapore Property are Mr Tan Cheng Hwee Vincent and Mr Arumugam s/o Aravan. Mr Tan Cheng Hwee Vincent and Mr Arumugam s/o Aravan are both Singaporeans. Mr Tan Cheng Hwee Vincent is a director of the Purchaser of the Singapore Property. Both Mr Tan Cheng Hwee Vincent and Mr Arumugam s/o Aravan have experience in the events and concerts industry.

Introducer

The Group was introduced to the Purchaser of the Singapore Property through the property agent engaged by the Group to market the Singapore Property, namely, ERA Realty Network Pte Ltd. The Vendor of the Singapore Property has agreed to pay ERA Realty Network Pte Ltd a marketing fee of S\$70,000 on completion of the proposed disposal of the Singapore Property.

Query 2: The Company also disclosed that “For the purposes of the Proposed Disposal, the Company commissioned Knight Frank Pte Ltd (“Knight Frank”), an independent valuer, to perform a desktop valuation on the Singapore Property.” Please:

- i. Explain why a desktop valuation was performed instead of a full valuation; and*
- ii. Disclose the methodology and assumptions made in the desktop valuation.*

Company’s Response:

The Group commissioned Knight Frank Pte Ltd (“**Knight Frank Singapore**”) sometime in September 2018 to conduct an independent valuation on the market value of the Singapore Property.

According to a valuation report issued by Knight Frank Singapore on 15 October 2018:

- (a) The Singapore Property had a market value of S\$5 million (excluding prevailing goods and services tax) as at a valuation date of 28 September 2018 based on the existing use and subject to the existing tenancy and the occupational arrangements.
- (b) Knight Frank Singapore valued the Singapore Property using the comparable sales method. The comparable sales method comprises a comparison made with sales of similar properties and adjustments made for differences in size, age, condition, location, etc.
- (c) Knight Frank Singapore was of the opinion that the comparable sales method would be meaningful and applicable in arriving at a credible market value for the Singapore Property as investors in Singapore do not typically rely on the income approach when purchasing an industrial property such as the Singapore Property.

For audit purposes, the Group commissioned Knight Frank Singapore sometime in May 2019 to provide a desktop update on the market value of the Singapore Property based on the valuation report issued by Knight Frank Singapore on 15 October 2018.

According to the desktop update letter issued by Knight Frank Singapore on 14 May 2019:

- (a) The Singapore Property had a market value of S\$5 million (excluding prevailing goods and services tax) as at a valuation date of 14 May 2019 taking into consideration the present property market conditions and other relevant factors, and subject to the existing tenancy.
- (b) The desktop update was carried out without the benefit of further inspection and is based on the assumption that relevant information in the valuation report issued by Knight Frank Singapore on 15 October 2018 remained unchanged.

The Company notes that pursuant to Rule 1014(5) of the Listing Manual, it must appoint a competent and independent valuer to value the Singapore Property as certain relative figures computed on the bases set out in Rule 1006 of the Listing Manual for the proposed disposal of the Singapore Property exceeds 75%.

The Company will commission Knight Frank Singapore to conduct an independent valuation on the market value of the Singapore Property and a circular containing the valuation report to be issued by Knight Frank Singapore as well as further information relating to the proposed disposal of the Singapore Property will be despatched to shareholders of the Company in due course.

Query 3: The Company disclosed that “The profit attributable to the Proposed Disposal is S\$3,158,000 as at 30 September 2019, compared with the Group’s net loss of S\$1,670,000 as at 30 September 2019.” Please disclose:

- i. the gain/loss on disposal and the profit attributable to the property; and*
- ii. the lease rental paid by the tenant of the property.*

Company’s Response:

Financial Information on the Singapore Property

Based on the unaudited consolidated financial statements of the Group for the financial period ended 30 September 2019:

- (a) the book value of the Singapore Property was approximately S\$1.60 million as at 30 September 2019; and
- (b) the net profits attributable to the Singapore Property was approximately S\$3.16 million as at 30 September 2019.

The gain on disposal after completion of the proposed disposal of the Singapore Property amounts to approximately S\$3.16 million.

The consideration for the proposed disposal of the Singapore Property of S\$4.86 million (plus prevailing goods and services tax) represents an excess of approximately S\$3.26 million over the book value of the Singapore Property as at 30 September 2019 of approximately S\$1.60 million.

Singapore Property Lease Agreement

The Vendor of the Singapore Property and the Purchaser of the Singapore Property had entered into a lease agreement dated 15 July 2018 (the “**Singapore Property Lease Agreement**”) in relation to, *inter alia*, the lease of the Singapore Property located at 27 Kaki Bukit Place, Singapore 416205 by the Vendor of the Singapore Property to the Purchaser of the Singapore Property.

According to the Singapore Property Lease Agreement:

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|-----|--|---|---|
| (a) | Premises | : | 27 Kaki Bukit Place, Singapore 416205 |
| (b) | Commencement Date | : | 15 July 2018 ¹ |
| (c) | Term of the Singapore Property Lease Agreement | : | 24 months from 15 July 2018 to 14 July 2020 with an option to renew for a further term of 24 months |
| (d) | Rent | : | S\$22,000 per month |

By Order of the Board
Lorenzo International Limited

Lim Pang Hern
Executive Director

18 February 2020

¹ Although the commencement date of the Singapore Property Lease Agreement was 15 July 2018, the Singapore Property was only handed over to the Purchaser of the Singapore Property sometime in October 2018. Accordingly, the Vendor of the Singapore Property only charged the Purchaser of the Singapore Property rent from 15 November 2018 onwards.