

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 below 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 announcement entitled "Further Information regarding Tenancy Agreements with Manufacture Element Prefabricate Pte. Ltd." released on 15 December 2017 (the "**15/12 Announcement**").

Unless otherwise defined, all capitalised terms used herein shall bear the meanings ascribed to them in the 15/12 Announcement and the Company's response to SGX queries announcement released on 21 November 2017.

SGX-ST's Query 1

Please disclose when each of the Tenancy Agreements with Manufacture Element Prefabricate Pte. Ltd. ("**MEPL**") were signed and the commencement date of each tenancy under the Tenancy Agreements.

Company's response

The Company wishes to disclose as follows:

- a. Tenancy Agreement A was entered into on 16 September 2015 for 21,800 square feet of space and the lease term was for a period of three (3) years commencing from 1 October 2015 to 30 September 2018. However, as agreed between BSPL and MEPL in writing, the period commencing from 1 October 2015 to 31 December 2015 was a rent-free period;
- b. Tenancy Agreement B was entered into on 10 December 2015 for 4,000 square feet of space and the lease term was for a period of three (3) years commencing from 1 January 2016 to 31 December 2018; and
- c. Tenancy Agreement C was entered into on 4 November 2015 for 87,200 square feet of space and the lease term was for a period of three (3) years commencing from 1 January 2016 to 31 December 2018. However, as agreed between the Company and MEPL in writing, the period commencing from 1 January 2016 to 31 March 2017 was a rent-free period.

SGX-ST's Query 2

It was disclosed in paragraph (c) that the premises situated at 27 Kaki Bukit Place are currently rented out to a third party tenant for S\$25,000 per month (amounting to S\$0.3 million annually). Please disclose:

- a. when the abovementioned premises were being rented out;
- b. the identity of the third party tenant and whether the third party tenant is related to any directors or controlling shareholders of the Company; and
- c. whether the rental is at market rate and the basis for such conclusion.

Company's response

- a. The 27 Kaki Bukit Place premises was rented out with effect from 1 April 2017 pursuant to a tenancy agreement dated 16 March 2017.

- b. The tenant is a Singapore incorporated company, SH Visuals Pte Ltd (the “Tenant”). The Company confirms that the Tenant is not related to any of the directors or controlling shareholders of the Company.
- c. The Company notes that the rental is at market rate based on the rental yield for comparable properties in the vicinity of the 27 Kaki Bukit Place premises.

SGX-ST’s Query 3

It was disclosed in paragraph (f) that 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. Please disclose detailed computation on how each net annual rent of S\$0.637 million and savings in rental expenses of S\$0.367 million per annum were being derived at.

Company’s response

Please see the computation on the savings in rental expenses as follows:

Annual rental paid by the Group prior to entry into the Tenancy Agreements	(A)	S\$ 1,003,990
Annual rental paid by the Group following entry into the Tenancy Agreements		1,384,800
Annual rental income from leasing of 27 Kaki Bukit Place		(300,000)
Annual rental income from leasing of storage space in China		(447,951)
Net annual rent payable by the Group after the consolidation and space rationalisation	(B)	636,849
Savings in rental expenses (A less B)		367,141

SGX-ST’s Query 4

It was disclosed in paragraph (g) that the Group had taken into consideration, *inter alia*, the preferential unit rental rate offered by MEPL when deciding to enter into the Tenancy Agreements. It was also disclosed in the Company’s announcement dated 21 November 2017 that the rental rates charged by MEPL to the Group are below prevailing market rates as supported by the independent valuation reports from Century 99 Pte Ltd. Please disclose the market rental rates for each property based on the independent valuation reports from Century 99 Pte Ltd.

Company’s response

The independent valuation from Century 99 Pte Ltd for the whole property at 23 Neythal Road was S\$1.25 per square feet per month.

By Order of the Board

Lim Pang Hern
Executive Director / Deputy Chairman
26 December 2017