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 further queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to the Company on the Company's response to SGX Queries announcement released on 16 October 2017, in relation to the announcement of the Company entitled "Financial Statements and Related Announcement: Discrepancies between unaudited and audited accounts" released on 9 October 2017:

SGX-ST's Query 1

It was disclosed in Response 1 that "grouping of amount due to directors of S$3.28 million into trade and other payables in the unaudited financial statements instead of under a separate line".

a. Please provide details of the nature of the transactions of S$3.28 million.
b. Please explain why the Company recorded these as "amount due to directors"
c. Please explain why the S$3.28 million is payable, and to whom it is payable.
d. If the S$3.28 million due to directors was to be disclosed "under a separate line", instead of into "trade and other payables", please explain and elaborate why was S$3.08 adjusted out of "Other payables" and another S$3.28 million adjusted out of "Amount due to directors" in the audited statements.

Company's response

a. The amount of S$3.28 million were interest-free cash advances from Mr Lim Pang Hern, a director of the Company, and Mr Teoh Jin Thean, a previous director of the Company.
b. As the cash advances are repayable to the Mr Lim Pang Hern and Mr Teoh Jin Thean, the Company had recorded the same as "amount due to directors".
c. Please refer to the Company's responses to a. and b. above.
d. In the audited report, S$3 million was reversed out of "Trade and Other Payables" along with its corresponding amount in "Cash and Cash Equivalents" as the conditions after year end did not justify these balances to be maintained as such. Another S$0.28 million was reclassified as "Amount Due to Directors".

SGX-ST's Query 2

It was disclosed in Response 1 that "reclassification of S$1.14 million from trade and other receivables to trade and other payables". Please explain why was S$1.14 million of trade and other payables recorded as receivables.

Company's response

The amount of S$1.14 million relates to advance rental payment for the Company's subsidiary in Taiwan. In Taiwan, rental is paid/payable in advance for the whole financial year. They are amortised to profit and loss account on a monthly basis. This practice is not allowed under the Financial Reporting Standards hence the advance rental was reversed in the audited report.

SGX-ST's Query 3

It was disclosed in Response 2 that "sales relates to… a construction project in Ha Long Bay". Please provide further details of this customer's, Kimson Investment Limited, project.

Company's response

The Company understands that the project was to build an amphitheatre in Ha Long Bay, Vietnam. As this is the customer's project (and not the Company's project), the Company is not

aware of, and is not in a position to, disclose any further details regarding such project.

SGX-ST's Query 4

It was disclosed in Response 2 that "such regulatory approval had not been obtained". We note that the Company had recognised revenue of S$3.83 million when regulatory approval had not been obtained.

a. Please disclose if work had been rendered by the Company to the customer.
b. Please disclose the stage of completion.
c. If regulatory approval had not been obtained, please explain how the Company was able to begin work.
d. Please disclose the internal controls that the Company has in place to address operational risks, and explain how these are adequate and effective.

Company's response

a. The Company wishes to clarify that it did not render any work to the customer. Instead, the Company had supplied building materials, namely tiles and ceramics, to the customer.
b. As Company is only a supplier of building materials and is not otherwise involved in the project, it is not aware of, and is not in a position to, disclose the stage of completion of the project.
c. Please refer to the Company's responses to a. and b. above.
d. In relation to customers of the Group, the Company will perform searches on customers to determine their background and credit worthiness and understand customers' requirements through meetings before deciding on whether to proceed with a particular sale. The Company is continuously reviewing and improving its internal controls to keep pace with the current market environment but recognises that all internal control systems contain inherent limitations and that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business or operational objections and can provide only reasonable and not absolute assurance against material misstatement or loss.

SGX-ST's Query 5

Please provide details of Myanmar Worldwide Resource Trading Co, Ltd ("**MWR**") and its business.

Company's response

The Company understands that MWR is a property developer in Myanmar.

SGX-ST's Query 6

It was disclosed in Response 3 that "the Group has since recovered a significant portion of goods from MWR".

a. Please elaborate on what these goods are.
b. Please disclose when they were sold to MWR.
c. Please disclose where the recovered goods are secured.
d. Please disclose how these goods were recovered and if this was audited by the auditors.

Company's response

a. The goods recovered comprises of tiles and ceramics.
b. The goods were sold to MWR in the financial year ended 31 December 2014 ("**FY2014**").
c. The goods are secured in Singapore as the Group had an arrangement with MWR to deliver goods to them upon request.
d. The goods were recovered from MWR's logistics agent in Singapore and the auditors had physically seen the goods during the audit for the financial year ended 31 March 2017 ("**FY2017**").

SGX-ST's Query 7

It was disclosed in Response 3 that "the Group was able to sell the goods to Kimson Investment Limited for the Vietnam Project". Please explain why the Company was able to sell to Kimson Investment Limited when regulatory approval had not been obtained for Kimson's project.

Company's response

The Group is only a supplier of tiles and ceramics to Kimson Investment Limited. The contractual arrangement between the Company and Kimson Investment Limited related solely to the sale and purchase of the tiles and ceramics and was not conditional upon the Kimson Investment Limited receiving regulatory approval for the project. In addition, as explained previously, the Company was not aware of any delay in Kimson Investment Limited obtaining regulatory approval at the time of the sale. The Group was only made aware that regulatory approval had not yet been obtained in September 2017.

SGX-ST's Query 8

In relation to Response 4, please disclose if any of the doubtful debtors are related to the Company's directors, management or substantial shareholders, or their respective associates.

Company's response

Save for BD Krane Engrg Pte Ltd and BD Cranetech Pte Ltd, both of which are companies related to Mr Lim Pang Hern, no other doubtful debtors are related to the Company's directors, management or substantial shareholders, or their respective associates.

SGX-ST's Query 9

Please provide details of and the reasons for the significant debt due from:
a. "Mastrotto Singapore Pte Ltd"; and
b. "Conceptime Sdn Bhd".

Company's response

a. Mastrotto Singapore Pte Ltd – This was an advance payment made prior to the financial year ended 31 December 2011 for the supply of leather. The Company notes that lapses in monitoring and oversight of the persons-in-charge (who have since left the Company) had led to such advance payment not having been recovered since then. The amount was fully provided for in FY2017 as the Company understands that the said debtor has been struck off the Register of Companies.
b. Conceptime Sdn Bhd – This was also an advance payment made in FY2014 for the supply of finished goods, namely sofas and mattresses, to the Group. The Company notes that lapses in active following up from the middle management led to the goods not being delivered to the Group over the last two years. The Group is in active communication with the supplier for the delivery of the finished goods even though the full amount had been provided for.

SGX-ST's Query 10

The Company had previously disclosed on 17 August 2016 that "BD Cranetech Pte Ltd" is an associate of Mr Lim Pang Hern.
a. Please explain why S$77,634 was written off as bad debt.
b. Please disclose the nature of the transaction with BD Cranetech Pte Ltd.
c. Please disclose the shareholders and directors of BD Cranetech Pte Ltd.
d. Please provide the views of the Audit Committee on the transaction and write-off.

Company's response

a. The Company wishes to clarify that the sum of S$77,634 was provided for as a doubtful debt and has not been written off. The Company reviews outstanding debts due periodically to determine their recoverability. As the amount of S$77,634 was outstanding for over a

year, the Company decided to provide the amount fully on the advice from the auditors. The Company is still actively pursuing the recovery of all debts notwithstanding that they have been fully provided for.

b. The transactions were sales of ceramics and supply of transportation to BD Cranetech Pte Ltd.
c. The shareholders of BD Cranetech Pte Ltd are Mr Lim Pang Hern, Mr Ng Kok Teck and Mdm See Mei Li. The directors of BD Cranetech Pte Ltd are Mr Lim Pang Hern and Mr Ng Kok Teck.
d. The Audit Committee notes that the transactions were conducted on an arms' length basis and on normal commercial terms. The Audit Committee is of the view that the provision for doubtful debt had been made for prudence but has the assurance from Mr Lim Pang Hern that payment would not be an issue.

SGX-ST's Query 11

It was disclosed in Response 6 that "The reversal of the cash advance from the director resulted in bank balances becoming a bank overdraft."

a. Please elaborate on when the "cash advance from the director" was recorded, and why it was recorded.
b. Please explain why the Company's bank account was credited, and whether the cash was received in the bank account of the Company.

Company's response

a. Mr Lim Pang Hern deposited S$3 million into one of the Company's subsidiary's bank account in March 2017. It was recorded as "Trade and Other Payables" in the unaudited accounts.
b. The entire sum of S$3 million was returned to Mr Lim Pang Hern through a cheque issuance in April 2017. As the funds were returned to Mr Lim Pang Hern within a short period of time after the financial period ended 31 March 2017, the auditors did not deem it appropriate to recognise it as Cash and Cash Equivalent at 31 March 2017. Therefore, it was reversed in the audited report. See also response to SGX-ST's Query 1 above.

SGX-ST's Query 12

It was disclosed that the use of the advance was "conditional upon matching cash advance from a controlling shareholder of the Company".

a. Please disclose the identity of this controlling shareholder of the Company.
b. Please explain why the advance of S$3 million from Mr Lim Pang Hern was conditional upon a "matching cash advance" from the controlling shareholder.
c. Please disclose what was the intended purpose of these advances.

Company's response

a. The controlling shareholder of the Company is Mr Ding Lei, who is also an Executive Director of the Company.
b. Both Mr Lim Pang Hern and Mr Ding Lei had mutually agreed to advance S$3 million each to the Group as funding for business expansion and working capital purposes. However, as no suitable business expansion opportunity had been identified at that point in time, Mr Ding Lei did not eventually advance a sum of S$3 million to the Group.
c. Please see the Company's response to b. above.

By Order of the Board

Lim Pang Hern
Executive Director / Deputy Chairman
3 November 2017