

## LORENZO INTERNATIONAL LIMITED

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

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### RESPONSE TO SGX-ST'S QUERIES

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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 results announcement for the full year ended 31 March 2022 (“**FY2022**”) (the “**Full Year Results**”):

#### **SGX-ST’s Query 1**

Please disclose

- (i) a breakdown of the Group’s contract liabilities of S\$4.344 million; and
- (ii) the nature of such contract liabilities.

#### **Company’s response**

- i. A breakdown of the Group’s contract liabilities of S\$4.344 million is provided below:-

	S\$
Deposits received from customers	4.333 million
Loyalty Program membership	0.011 million
	<u>4.344 million</u>

- ii. Please see table above for the nature of the contract liabilities.

#### **SGX-ST’s Query 2**

We note that the Group had net current liabilities of S\$702,000 as at 31 March 2022.

- (i) Please explain how the Company is able to meet its short term obligations as and when they fall due;
- (ii) Please assess the Company’s ability to operate as a going concern and provide basis for the Board’s view; and
- (iii) Please provide a confirmation from the Board that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis.

#### **Company’s response**

- (i) The business units of the Company in Malaysia and Taiwan are self-sufficient and they are able to meet their short term obligations as and when they fall due. The business unit in Singapore is able to meet its short term obligations through the revenue generated from its sales of sofa, royalty income and dividend income. It also meets its liabilities through instalment repayments. The Company has managed to keep itself afloat since trading of its shares was suspended in December 2018.

- (ii) The Board of Directors is of the view that the Group would be able to operate as a going concern as its business unit in Taiwan has been profit making. Results of its Malaysia business unit have also turned around in the last two years. In addition, the Group received royalty and dividend income from its Taiwan unit that enable it to meet its operating needs in Singapore. However, this would change if any winding up proceedings is taken against the Company. The Company's management has been in discussions with potential investors to raise capital and strengthen the Company's balance sheet. However, such discussions have not concluded in any binding agreement. Any future fundraising will be subject to compliance with relevant laws and the SGX-ST's listing rules, including announcements to be released on SGXNET.
- (iii) The Board of Directors confirms that all material information has been fully disclosed by the Company to enable trading to continue on an informed basis. In any event, the Board notes that trading in the Company's shares continues to be suspended.

### ***SGX-ST's Query 3***

**We note from page 6 that the increase in other operating income was "mainly attributed to the one-off net gain on disposal of the foreign subsidiary in the People's Republic of China via an order from the Chinese court on 18 June 2021".**

**Please provide further information on this foreign subsidiary, and explain why there was an order from the Chinese Court and whether this information was previously disclosed by the Company.**

**Please also disclose the book value of this subsidiary, the amount sold, how the sale price was determined and whether the Company has received the sale proceeds in full in its bank account.**

### ***Company's response***

The name of the foreign subsidiary is Lorenzo Furniture (Kunshan) Co., Ltd ("**Lorenzo Kunshan**"). The Company had previously disclosed this information via SGXNET on the following dates:-

<b>Date</b>	<b>Reference No.</b>	<b>Description</b>
16 November 2020	SG201116OTHRQBTK	Commencement of Legal Proceedings by Purchaser
7 December 2020	SG201207OTHRFQUG	Update of Legal Proceedings by Purchaser
11 December 2020	SG201211OTHRP39G	Replies to SGX Regco Queries
29 March 2021	SG210329OTHRFKEF	Update of Legal Proceedings by Purchaser
30 June 2021	SG21063OTHRQ8DZ	Update of Legal Proceedings by Purchaser

The book value of Lorenzo Kunshan at the date of disposal was negative equity of S\$1.396 million. The sales consideration agreed on a willing buyer willing seller basis was RMB 88 million. The net sales consideration will be RMB 70 million after taking into consideration the damages of RMB 18 million awarded to the Purchaser by the Chinese court.

The Company has yet to receive the sales proceeds from the Purchaser. The recoverability process of the sale proceeds was hindered by the lockdown imposed in the city of Shanghai, People's Republic of China. The Company will provide updates on this matter if there are further material developments.

#### **SGX-ST's Query 4**

Please disclose:

- (i) **aging of the Group's other receivables of S\$8.739 million in bands of 3 months;**
- (ii) **the Company's plans to recover such receivables, including any recovery actions taken to-date; and**
- (iii) **the Board's assessment of the recoverability of such receivables.**

#### **Company's response**

- (i) The Company would like to highlight that the breakdown of the Group's other receivables of S\$8.739 was provided on page 7 of its Full Year Results. The table is re-produced below:-

	<b>S\$'000</b>
Other debtors	7,359
Deposits	1,025
Advance to suppliers	65
Prepayments	178
Tax recoverable	112
	<u>8,739</u>

Except for other debtors, no ageing in bands of 3 months are kept for the other accounts. The ageing of other debtors are stipulated below:-

	<b>S\$'000</b>
0 to 3 months	65
3 to 6 months	97
6 to 9 months	6,690
9 to 12 months	135
Above 12 months	372
	<u>7,359</u>

- (ii) The Company would like to inform that of the amount of S\$7.36 million, S\$6.69 million relates to the amount due from the purchaser of the disposed foreign subsidiary. The Company will commence legal proceedings to recover this amount after it has exhausted other avenues to recover the sum. Receivables are reviewed yearly for recoverability and allowance for impairment on receivables would be provided for irrecoverable receivables.
- (iii) The Board will be discussing the recoverability of receivables with the auditors for the upcoming audit for the financial year ended 31 March 2022. Allowance for impairment on receivables would be provided for those receivables that are not recoverable.

#### **SGX-ST's Query 5**

**We note from the Balance Sheet that the bank borrowings (current and non-current) decreased by S\$6.417 million from S\$16.112 million for the year ended 31 March 2021 to S\$9.695 million for the year ended 31 March 2022. This is significantly higher than "repayment of bank loans" of \$72,000 as reported under the Cash Flow Statement on page 3. Please reconcile the movement in bank borrowings.**

### ***Company's response***

The Company would like to inform that bank borrowings (current and non-current) comprise of bank overdraft, bank loans, lease liabilities and bills payable. Repayment of bills payable and lease liabilities of S\$552,000 and S\$191,000 were reported under the Cash Flow Statement on page 3 of the Full year Results.

Please see table below for the movement in bank borrowings:

	<b>Bank overdraft</b>	<b>Bank Loans</b>	<b>Lease Liabilities</b>	<b>Bills Payable</b>	<b>Total</b>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2021	5,475	5,432	2,162	3,043	16,112
Add/(Less): Movements					
Repayment made during the year	(449)	(72)	(191)	(552)	(1,264)
Non-consolidation of bank loan upon disposal of foreign subsidiary company in China	-	(5,153)	-	-	(5,153)
<b>Balance at 31 March 2022</b>	<b>5,026</b>	<b>207</b>	<b>1,971</b>	<b>2,491</b>	<b>9,695</b>

### **By Order of the Board**

Lim Pang Hern  
Executive Director  
8 June 2022