

# **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 (the “**Board**”) of Lorenzo International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the query raised by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) to the Company in relation to the Company’s Annual Report for the financial year ended 31 March 2019 (“FY2019”):

### ***SGX-ST’s Query 1***

We refer to the Company’s Annual Report announced on 17 February 2020. Under Principle 11 of the Corporate Governance report, it was disclosed that the AC is satisfied that there are adequate internal controls in the Company to provide reasonable assurance over the reliability of financial information and to safeguard and maintain accountability of its assets. On what basis has the AC satisfied themselves on the adequacy of internal controls providing reasonable assurance when the auditors have noted insufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements?

### ***Company’s response***

There were four (4) specific areas that formed the basis for the Disclaimer of Opinion in the Independent Auditor’s Report. They are:-

1. Appropriateness of going concern assumption;
2. Recoverability of amounts due from subsidiaries;
3. Recoverable amount of non-financial assets and reversal of/and impairment losses; and
4. Amount due to contract customers.

Going concern is not related to internal control but on the economic conditions of the Group. For the other three specific areas, two relate to specific financial reporting standard requirements and the last relates to a business that has ceased.

In view of the matters disclaimed is not directly linked to lapse in internal controls, the AC is satisfied that there are adequate internal controls to provide reasonable assurance over the reliability of the financial information.

The current manpower in the finance department is adequate to ensure that internal controls for both operational and accounting transactional areas are reliable and effective.

### ***SGX-ST’s Query 2***

Under Principle 11 of the Code of Corporate Governance 2012 guideline 11.3, assurance (a) over the proper maintenance of the financial records and the financial statements giving a true and fair view of the Company’s operations and finances, and (b) regarding the effectiveness of the company’s risk management and internal control systems should be given by the CEO and CFO.

- a. Please explain why this assurance was provided by the Chairman and CFO instead.
- b. Please explain why the Company only received assurance that there were no significant deficiencies noted in the design and operation of internal controls rather assurance that the Company's risk management and internal control systems is effective. If no significant deficiencies were noted, please explain why the auditors were unable to obtain sufficient appropriate audit evidence.
- c. Please reconcile how the Chairman and CFO is able to provide assurance over the proper maintenance of the financial records and the financial statements giving a true and fair view of the Company's operations and finances when the auditors have issued a disclaimer of opinion over these financial statements.

***Company's response***

- a. The Company would like to explain that as there was no CEO appointed, the assurance was hence provided by the Executive Chairman and the CFO.
- b. The objective of internal control is to provide reasonable assurance that management's defined control objectives are being met. Management's monitoring of and attitude towards the adherence to control procedures are critical to making controls work. No internal control is fool-proof and accordingly, the assurance that there are no significant deficiencies in the design and operation of the internal controls forms one of the bases for the AC and Board's views that the Company's risk management and internal control systems is effective.  
  
Please refer to our response in 1 above.
- c. As stated in our response in 1 above, the disclaimer of opinion relates to four specific areas. The internal controls for operational and accounting transactions remain in place and are monitored by Management regularly.

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

Under Principle 13 of the Corporate Governance Report, it was disclosed that the AC believes "the system of internal controls and risk management by the Company is independent, effective, adequately resourced and adequate to safeguard the Shareholders' investment and the Company's Assets [as the internal audit function is outsourced to the Internal Auditors]"

- a. Please clarify if the sentence in the square brackets at the end of the paragraph is an error.
- b. Please disclose the findings of the internal auditors over internal controls.
- c. Please confirm whether the AC concurs with the Board's view that internal controls over financial, operational, compliance and IT risks are adequate and effective.

***Company's response***

- a. The Company would like to clarify that the square brackets at the end of the paragraph was a typographical error.
- b. The findings of the internal auditors over internal controls are as follows:-

<u>Audit Finding(s)</u>	<u>Risk Rating</u>
Cash flow forecast and monitoring to be enhanced	High
To timely update bank authorised signatories and close dormant bank account	Moderate
Excessive access rights granted to users of Microsoft Dynamics AX system	Moderate

- c. The AC concurs with the Board's view that internal controls over financial, operational, compliance and IT risks are adequate and effective.

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

It was also disclosed under Principle 13 of the Corporate Governance Report that "high risk matters are highlighted to the AC and the Management to ensure that proper follow-up actions are undertaken". Please disclose what high risk matters, if any, were highlighted, what rectifying actions were undertaken to resolve the matters, and whether the AC and Management were satisfied with the resolution.

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

The Company would like to state that there was only one high risk matter highlighted to the AC and the management under the Internal Audit Report for FY 2019. The audit findings/risks, recommendations and Management comments/action plan are found there.

The AC and Management are satisfied with the resolution and are ensuring that the plan is carried out.

By Order of the Board  
**Lorenzo International Limited**

Lim Pang Hern  
 Executive Director

2 March 2020