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 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 nine months ended 31 December 2022 ("**9MFY2023**") (the "**9MFY2023 Results**"):

SGX-ST's Query 1

We have noted material discrepancies between the Company's interim financial statements ("FS") for the 6 months ended 30 September 2022 ("1H2023") and for the 9 months ended 31 December 2022 ("9M2023"). In particular:

a. Other operating expenses: $1.73 million (1H2023) vs $1.49 million (9M2023)
b. Amortisation of right of use assets: S$1.44 million (1H2023) vs $1.08 million (9M2023)
c. Acquisition of right of use assets: S$2.08 million (1H2023) vs NIL (9M2023)
d. Book value of right of use assets: S$5.46 million (1H2023) vs S$4.68 million (9M2023)

Additionally, the Company explained in the 9M2023 FS that the Group's other operating expenses of S$1.49 million as at 9M2023 is lower than the previous corresponding period due to recognition of amortization of right-of-use assets in the previous financial period. This appears to contradict the Company's explanation in the 1H2023 FS that the Group's other operating expenses of S$1.73 million as at 1H2023 is higher than the previous corresponding period due to recognition of amortization of right-of-use assets in the current financial period.

Please reconcile the discrepancies and explain how the relevant expenses/items could have decreased from 1H2023 to 9M2023. Please be as detail as possible in your responses, and disclose any transactions (including any income, gain or reversal of expense) that may explain the movement between 1H2023 and 9M2023 for each of the item above.

Company's response

The Company would like to clarify that the discrepancies noted arose from the change in calculation of the rights of use ("ROU") assets in the 9M2023 FS after the completion of the financial audits of its subsidiary companies in both Malaysia and Taiwan.

In our calculation of ROU assets in 1H2023 FS, we had included short lease tenancy leases and did not factor the auditors' adjustments to the ROU assets. A total of thirteen (13) short term leases were included in 1H2023 FS but excluded in 9M2023 FS.

The calculation of ROU assets for 1H2023 and 9M2023 is tabulated below:-

	1H2023	***9M2023***	***Difference***
	S$'000	S$,000	S$'000
Cost			
At 1 April 2022	12.327	12,327	-
Adjustments	-	(2,084)	(2,084)
Additions	2,077	855	(1,222)
Lease termination	-	(2,062)	(2,062)
Translation difference	(545)	(601)	(56)
At end of period	13,859	8,435	(5,424)
Amortisation			
At 1 April 2022	7,289	7,289	-
Adjustments	-	(2,234)	(2,234)
Charges for the period	1,444	1,082	(362)
Lease termination	-	(2,062)	(2,062)
Translation difference	(329)	(322)	7
At end of period	8,404	3,753	(4,651)
Net book value at end of period	5,455	4,682	(773)

The decrease in other operating expenses from S$1.73 million (1H2023) vs S$1.49 million (9M2023) was mainly due to the decrease in amortisation of ROU assets of S$0.36 million. The reduction in amortisation of ROU assets for the two said period was attributed to the adjustments made by the auditors of the subsidiary companies and the exclusion of 13 short term tenancy leases.

In the 1H2023 FS, an amount of S$2.08 million relating to acquisition of ROU assets was reflected in the cash flow statement under cash flow used in investing activities. Likewise, an amount of S$2.42 million with regards to proceeds from finance lease creditors were shown under cash flow generated from financing activities.

For the 9M2023 FS, the Company has reclassified the proceeds from finance lease creditors to acquisition of ROU assets hence a NIL amount was shown in the cash flow statement.

In the 9M2023 FS, a lesser amount for amortisation of ROU assets was recorded as compared to the previous corresponding period as a result of the adjustment made in 9M2023. No such adjustment was made in 9M 2022 FS.

In 1H2023 FS, ROU assets of its Taiwan unit were included in the calculation of ROU assets resulting in higher amortisation of ROU assets. They were not included in 1H2022 FS due to insufficient information at that point of time.

SGX-ST's Query 2

We note that the Group's other receivables as at 31 December 2022 comprise of other debtors amounting to S$7.05 million. Please disclose:

(a) A breakdown and aging of the Group's other debtors of S$7.05 million in bands of 3 months (with upper limit disclosed);
(b) The Company's plan to recover such other debtors, including the recovery actions taken to-date; and
(c) The Board's assessment of the recoverability of such other debtors and when will the other debtors be repaid.

Company's response

(i) The ageing of other debtors are stipulated below:-

	S$'000
0 to 3 months	25
3 to 6 months	21
6 to 9 months	27
9 to 12 months	21
Above 12 months	6,952
	7,046

Other debtors comprise of receivables that are non-trade in nature. The Company would like to inform that of the amount of S$7.05 million, S$6.69 million relates to the amount due from the purchaser of the disposed foreign subsidiary. This amount remains outstanding as at 31 December 2022.

(ii) The Company has sought legal advice on the recovery of the amount due from the purchaser of the disposed foreign subsidiary. Its legal counsel has highlighted several discrepancies in the agreements signed with the purchaser which may affect the strength of a legal suit. The Company is currently seeking a second opinion on this issue and will update shareholders when there are further developments.

(iii) Receivables are reviewed yearly for recoverability and allowance for impairment on receivables would be provided for irrecoverable receivables. Allowance for impairment on receivables would be provided for those receivables that are not recoverable.

SGX-ST's Query 3

We note that the Group had net current liabilities of S$1.14 million as at 31 December 2022.

(a) Please explain how the Company is able to meet its short term obligations as and when they fall due; and
***(b)* Please assess the Company's ability to operate as a going concern and provide the basis for the Board's view.**

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 both its business units in Malaysia and Taiwan are profitable. 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.

By Order of the Board

Lim Pang Hern
Executive Director
22 February 2023