

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 half year ended 30 September 2018 (“**HY2019**”) (the “**Half Year Results**”):

SGX-ST's Query 1

On page 3 of the Half Year Results for FY2019, the Company disclosed Secured Amount repayable in one year or less, or on demand amounting to S\$18.47 million as at 30 September 2018 which is a 49% increase from S\$12.385 million as at 31 March 2018. Please provide a breakdown on the use of the additional S\$6.1 million in borrowings and disclose the terms of the loans and the identities of the lenders.

Company's response

- i. The lender of the loan is Jiangsu Kunshan Farmers Commercial Bank. The term of the loan was twelve months from April 2018 and repayable in April 2019.
- ii. The principal amount of the loan was RMB 29.2 million (equivalent to S\$5.8 million). During the six months period from April 2018 to September 2018, the accrued interests amounted to S\$0.3 million.
- iii. The utilisation of the loan was as follows:

	S\$
Payment to trade and other payables	2.5 million
Repayment of bank borrowings	0.9 million
For working capital and operating expenses	2.7 million
	6.1 million

SGX-ST's Query 2

On page 6 of the Half Year Results for FY2019, the Company disclosed that “The decrease in revenue of S\$2.8 million was due to lower revenue generated from its Furniture segment offset by a higher revenue from its Building Materials segment”. Please elaborate on the reasons for increase in revenue from Building Materials segment and decrease in revenue from Furniture segment.

Company's response

- i. The increase in revenue from the Building Materials segment was due to higher sales generated for the six months under review.
- ii. The reason for the decrease in revenue from the Furniture segment was attributable to lower sales generated from its Singapore, Malaysia and Taiwan units for the six months under review as stated in the last sentence on page 6 under Revenue.

SGX-ST's Query 3

The Company's Revenue decreased from S\$15.6 million to S\$12.8 million but trade debtors increased from S\$2.7 million to S\$3.2 million. Please provide the aging schedule (in bands of 3 months) and details on the collectability of the receivables due from trade debtors.

Company's response

The aging schedule for trade debtors is as follows:

	S\$'000
Current to 90 days	678
91 to 180 days	702
Above 180 days	1,892
	<u>3,272</u>

The Company monitors its debtors on a regular basis and considers the trade debtors to be recoverable.

SGX-ST's Query 4

Prepayments increased to S\$1.63 million as at 30 September 2018 from S\$0.3 million as at 31 March 2018. Please disclose breakdown of the amount, to whom it was paid to and the purpose of the prepayments.

Company's response

The increase of S\$1.3 million in prepayments was mainly attributable to advance rental paid to landlords in its Taiwan unit as stated in the third sentence on page 7 under Current assets.

SGX-ST's Query 5

On page 6 of the Half Year Results for FY2019, the Company disclosed that "The higher inventory was due to purchases made in September 2018 in anticipation of the increase demand for the festive period. Please disclose to which business segment were the purchases in September 2018 made. Please provide a breakdown of the type of inventory purchased.

Company's response

- i. The purchases made were for the Furniture Segment;
- ii. The breakdown of the type of inventory are as follows:

	S\$
Raw materials	0.1 million
Finished Goods	2.0 million
	<u>2.1 million</u>

SGX-ST's Query 6

In relation to the S\$ 2.8 million refundable deposit paid to Straitsworld for the proposed acquisition of the medical facilities, please provide specific details on the actions taken by the Board of Directors on collection and recovery of this significant amount since January 2018.

Company's response

The Board of Directors has been in constant contact with Straitsworld to seek an amicable solution with regards to the collection and recovery of this deposit. The Company may take up legal proceedings against Straitsworld as a last resort if an amicable solution cannot be reached.

SGX-ST's Query 7

To provide a status update on the recovery of the refundable deposit of S\$2.8 million paid to Straitsworld/Mr Michael Chan Ewe Teik, noting that he had made repayment to certain other creditors recently.

Company's response

As mentioned in the Company's response to SGX-ST Query 7 above, the Company has been in constant contact with Straitsworld to seek an amicable solution to recover the refundable deposit of S\$2.8 million.

SGX-ST's Query 8

In the Expanded Scope Audit report that was announced on 13 December 2017, it was disclosed on page 10 of the report that an agreement was signed between Lorenzo and the authorized personnel of the Medical Vendor regarding the proposed acquisition. As the refundable deposit amount of S\$2.8 million is significant to the Company's financial position, noting the Company's negative equity/net liability position of S\$4.0 million, please disclose the terms of the agreement and status update, pursuant to Listing Rule 703(1).

Company's response

The Company would like to clarify that the agreement signed was a non-disclosure agreement in order for the Company to be provided with the Information Memo pack and the data room. There was no agreement signed in regards to any acquisition.

By Order of the Board

Lim Pang Hern
Executive Director / Deputy Chairman
7 December 2018