LORENZO INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200508277C)

PROPOSED DISPOSAL OF LORENZO FURNITURE (KUNSHAN) CO., LTD.

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1. INTRODUCTION

Lorenzo International Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 15 July 2019 entered into a conditional sale and purchase agreement (the "**SPA**") with Shanghai Kunhao Wood Industry Co., Ltd., an independent third party (the "**Purchaser**"), for the disposal of the Company's entire shareholding interest (the "**Sale Shares**") in its wholly-owned subsidiary, Lorenzo Furniture (Kunshan) Co., Ltd. (the "**Target**") for an aggregate consideration of RMB 88 million (the "**Proposed Disposal**"). The executed copy of the SPA was received by the Company on 29 July 2019.

The Proposed Disposal is a "major transaction" as defined under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manua**l").

Accordingly, the Proposed Disposal is conditional upon the approval of shareholders of the Company ("**Shareholders**") under Rule 1014 of the Listing Manual. The Company will be seeking the approval of its shareholders ("**Shareholders**") for the Proposed Disposal at an extraordinary general meeting ("**EGM**") to be convened.

2. INFORMATION RELATING TO THE PROPOSED DISPOSAL

2.1 Information on the Target

The Target is a wholly-owned subsidiary of the Company incorporated in the People's Republic of China ("**PRC**") on 14 July 2006 and is primarily engaged in the business of manufacturing and sale of wood based furniture.

The Target holds the stated-owned land use right certificate and the building ownership certificates of a property located at No. 9 Dongyuan Road, Dianshanhu Town, Kunshan, Suzhou, Jiangsu Province (the "**Property**"), which comprises 5 blocks of industrial buildings with a site area of approximately 40,978.30 square meters and a total gross floor area of approximately 45,457.76 square meters.

For the purposes of the Proposed Disposal, the Company commissioned Knight Frank Petty Limited ("**Knight Frank**"), an independent valuer, to perform a valuation on the Property. Based on the latest available valuation report issued by Knight Frank on 8 October 2018 (the "**Valuation Report**"), the open market valuation of the Property is approximately RMB 163 million (equivalent to approximately S$31.9 million based on the exchange rate of RMB1.00:S$0.1961 as at the date immediately preceding the date of this Announcement).

The property valuation for the PRC Property had been carried out using the market approach as the primary method of valuation, by referencing to comparable market transactions of similar properties.

2.2 Salient terms of the Proposed Disposal

The Proposed Disposal is conditional upon the following conditions precedent:

(a) the Company, as a listed company on the SGX-ST, shall have obtained all internal and external approvals including but not limited to the approval of the SGX-ST, the Company's Shareholders at a general meeting to be convened and/or its board of directors in respect of the Proposed Disposal;

(b) in accordance with the articles of association of the Target, the board of directors (or executive director) and/or the shareholders (or sole shareholder) of the Target having approved the Proposed Disposal; and

(c) all approvals of and registrations and filings with the PRC governmental authorities i.e. the competent commerce administrative authority and corporate registry, required for the execution and performance of the SPA and the transformation of the Target from a wholly-owned foreign enterprise ("**WFOE**") into a domestic limited liability company.

The completion date of the Proposed Disposal is expected to be 30 October 2019.

3. CONSIDERATION

Based on the SPA, the consideration for the Proposed Disposal is RMB 88 million (equivalent to approximately S$17.3 million based on the exchange rate of RMB1.00:S$0.1961 as at the date immediately preceding the date of this Announcement) (the "**Consideration**"). Approximately RMB 79.7 million of the Consideration shall be satisfied by the Purchaser in cash in an international settlement currency other than RMB. The remainder of the Consideration will be satisfied by offsetting an amount equivalent to RMB 8.3 million in other payables due from the Target to the Purchaser.

Pursuant to the terms of the SPA, the Purchaser shall pay 20% of the Consideration to the Company as deposit within 5 working days from the date of execution of the SPA. As at the date of this Announcement, the Company has not received the deposit from the Purchaser. The Company and the Purchaser had separately agreed that the deposit shall be paid by the Purchaser to the Company on the date of this Announcement. The remaining 80% of the Consideration shall be paid by the Purchaser to the Company within 10 working days from the date on which a new business licence reflecting the completion of the Proposed Disposal is issued by the competent corporate registry.

The Consideration, which was arrived at after arm's length negotiations and on a willing-buyer willing-seller basis, was derived based on:

(a) the book value and the net tangible asset value ("**NTA**") of the Sale Shares of approximately S$311,000 and S$(583,000) respectively based on the Group's latest announced unaudited financial statements for the year ended 31 March 2019; and

(b) the open market value of the Property of approximately RMB 163 million based on the Valuation Report and the restriction for the use of the land and property by the local government in Kunshan, Jiangsu province.

The Consideration represents an excess of approximately S$17.0 million and S$17.8 million over the book value and the NTA of the Sale Shares respectively. The net losses attributable to the Sale Shares is S$174,400. The net gain on disposal of the Sale Shares is S$9.2 million.

No independent valuation was conducted in respect of the Sale Shares.

4. RATIONALE AND USE OF PROCEEDS

The Proposed Disposal allows the Group to divest and realize a loss-making investment and to focus on other aspects of its business.

The Group estimates that there will be net proceeds of approximately S$15.6 million, being the cash Consideration from the Proposed Disposal less estimated expenses of approximately S$0.20 million.

The Group intends to utilise the net proceeds from the Proposed Disposal as follows:

(a) approximately S$4.5 million of the net proceeds from the Proposed Disposal will be employed towards partial repayment of the existing bank borrowings;

(b) approximately S$5.7 million and S$1.4 million of the net proceeds from the Proposed Disposal will be utilised to repay the indebtedness of the Target to Jiangsu Agriculture Commercial Bank and other creditors respectively; and

(c) the remainder, to be employed towards repayment of suppliers and general working capital for ongoing operational expenses of the Group.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal and based on latest unaudited consolidated financial statements of the Group for the financial year ended 31 March 2019 ("**FY2019**") are as follows:

Listing Rule		Relative Figures
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not meaningful(1)
1006(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits(2)	Not meaningful(3)
1006(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares(4)	245.5%(4)
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable(5)
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable(6)

Notes:

(1) Under Rule 1002(3)(a), "net assets" means total assets less total liabilities. The net liability value of the Target is S$582,000 as at 31 March 2019, compared with the Group's net liability value of S$4,744,000 as at 31 March 2019. In view of the foregoing, computation of the relative figure is not meaningful as both the Group and the Target have negative net asset values.

(2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or (loss) before income tax, minority interests and extraordinary items. It should be noted that there had been a net loss reported for the Group for FY2019.

(3) The loss attributable to the Target is S$174,000 as at 31 March 2019, compared with the Group's net loss of S$3,233,000 as at 31 March 2019. In view of the foregoing, computation of the relative figure is not meaningful as both the Group and the Target are loss-making.

(4) Based on the Consideration and the market capitalisation of the Company of approximately S$7,030,407 as at 12 July 2019 (being the full market day immediately preceding the date of the SPA). Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 439,400,466 ordinary shares, and the volume weighted average price of S$0.016 per share on 12 July 2019.

(5) The Proposed Disposal is not an acquisition of assets.

(6) The Company is not a mineral, oil or gas company.

As the relative figure computed pursuant to Rule 1006(c) in respect of the Proposed Disposal is more than 20%, the Proposed Disposal constitutes a "major transaction" as defined under Chapter 10 of the Listing Manual. Accordingly, the Company intends to seek the approval of its Shareholders for the Proposed Disposal at the EGM.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial figures set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Group after the completion of the Proposed Disposal.

The following financial effects of the Proposed Disposal are computed based on the latest unaudited consolidated financial statements of the Group for FY2019 and the following bases and assumptions:

(a) the financial effect on the NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 31 March 2019; and

(b) the financial effect on the Earnings per Share ("**EPS**") is computed based on the assumption that the Proposed Disposal was completed on 1 April 2018.

NTA per Share

	Before Proposed Disposal	**After Proposed Disposal**
NTA / (Net Tangible Liability ("**NTL**")) (S$'000)	(5,637)	4,484
Number of issued Shares	439,400,466	439,400,466
NTA / (NTL) per Share (cents)	(1.28)	1.02

EPS / (Loss per Share ("**LPS**"))

	Before Proposed Disposal	**After Proposed Disposal**
Profit/(Loss) attributable to equity holders of the Company(S$'000)	(3,233)	5,994
Weighted average number of issued Shares	439,400,466	439,400,466
EPS / (LPS) (cents)	(0.74)	1.36

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or Controlling Shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Disposal (other than through their respective shareholdings in the Company, if any).

8. SERVICE AGREEMENTS

No new directors are proposed to be appointed to the board of directors in connection with the Proposed Disposal. Accordingly, no service agreements will be entered into with any new director of the Company in connection with the Proposed Disposal.

9. CIRCULAR TO SHAREHOLDERS

A circular to Shareholders setting out, among others, further information on the Proposed Disposal, together with the notice of EGM to be convened, will be despatched to Shareholders in due course.

10. DOCUMENTS FOR INSPECTION

Copies of the SPA and the Valuation Report are available for inspection at the registered office of the Company at 23 Neythal Road Blk B #04-03, Singapore 628588, during normal business hours for three (3) months from the date of this Announcement.

11. FURTHER ANNOUNCEMENTS

The Company will make subsequent announcements to update Shareholders when there are material updates as may be necessary or appropriate.

12. CAUTION IN TRADING

Shareholders and potential investors of the Company should note that the Proposed Disposal is subject to the fulfilment of certain conditions precedent.

Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company. In particular, Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will be completed. Shareholders and potential investors of the Company are advised to read this Announcement and any further announcements made by the Company carefully. Shareholders and potential investors of Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Lim Pang Hern
Executive Director
13 August 2019