

## 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 ("Board") 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 unaudited results announcement for the full year ended 31 March 2024 ("**FY2024**") (the "**FY2024 Results**"):

#### **SGX-ST's Query 1**

*Please update on the current progress in relation to the exit offer and disclose whether legal and financial advisers have been appointed on this matter. Please also provide (i) the Board's reason(s) for the delay in providing the exit offer; and (ii) a timeline outlining all key actions to be taken by the Board and/or issues to be resolved to provide the exit offer and when the exit offer will be made.*

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

The Company would like to inform shareholders that it was sourcing for costs friendly legal firms and financial institutions to act as its legal counsel and independent financial adviser respectively for the exit offer. It has appointed Evolve Capital as its Independent financial adviser but has yet to appoint a legal counsel to act on its behalf on this matter. It intends to appoint its legal counsel over the next fortnight.

The Company has faced cash flow constraints and in some way is still facing the constraint due to the current downturn in business of all its business units in Singapore, Malaysia, and Taiwan. As the respective professionals' fees are not inexpensive, it has to source for firms that are willing to work within its limited budget.

The progress of the exit offer was also partially affected by management's preoccupation with financial and operational issues arising from the downturn in business. The Company may need to seek funds from its shareholders to pay the professional fees if required.

In addition, the Company understands that funds must be proven available by the offeror for an exit offer. The shareholder that is willing to make the exit offer is still waiting for his funder to release the funds to him at this moment of time hence the delay. A timeline is not feasible at this moment owing to the uncertainty of the availability of the offeror's funds.

The Company will update shareholders if there is further development in this issue.

#### **SGX-ST's Query 2**

*The Company indicated that its financial results for the prior financial year ended 31 March 2023 ("**FY2023 Results**") have been "revised". Please (i) disclose the reasons for the revision; (ii) tabulate and reconcile the differences between the revised FY2023 Results and the unaudited FY2023 Results issued by the Company on 30 May 2023; and (iii) explain the reasons for such differences, including the bases for the revisions.*

## Company's response

The Company noted that a similar query was raised on 28 February 2024 in relation to its Q3FY2024 results. The Company would like to inform that the revision of the Balance Sheet for year ended 31 March 2023 was made arising from the incorporation of the audited numbers of its Malaysia and Taiwan subsidiaries.

For ease of reference, please see the tabulation below for the differences and explanations: -

	<b>3Q2024</b> <b>31/3/2023</b> <b>S\$'000</b>	<b>FY2023 FS</b> <b>31/3/2023</b> <b>S\$'000</b>	<b>Variance</b>  <b>S\$'000</b>	
<b>Non-Current Assets</b>				
Property, plant and equipment	319	543	(205)	a
Rights of use assets	5,437	4,442	995	b
Deferred assets	7	7	-	
	<u>5,763</u>	<u>4,992</u>	771	
<b>Current Assets</b>				
Inventories, at cost	7,030	7,396	(366)	c
Trade receivables	727	1,739	(1,012)	d
Other receivables	8,477	8,433	44	e
Cash and cash equivalents	1,888	1,864	24	f
	<u>18,122</u>	<u>19,432</u>	(1,310)	
<b>Total assets</b>	<b>23,885</b>	<b>24,424</b>	(539)	
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	39,949	39,949	-	
Reserves	(37,665)	(37,379)	(286)	
	<u>2,284</u>	<u>2,570</u>	(286)	
<b>Non-Current Liabilities</b>				
Borrowings	1,461	943	518	g
Deferred income	20	11	9	h
Deferred taxation	96	96	-	
	<u>1,577</u>	<u>1,050</u>	527	
<b>Current Liabilities</b>				
Trade payables	1,125	580	545	i
Other payables	7,411	7,650	(239)	j
Contract liabilities	1,679	3,089	(1,410)	k
Amount due to directors	301	351	(50)	l
Provision for taxation	98	-	98	m
Borrowings	9,410	9,134	276	n
	<u>20,024</u>	<u>20,804</u>	(780)	
<b>Total equity and liabilities</b>	<b>23,885</b>	<b>24,424</b>	(539)	

The reasons for the revision are as follows: -

- a. Reduction was due to reclassification of plant and equipment from property, plant and equipment to right of use assets by auditors in its Malaysia business unit;
- b. Increase was due to audit adjustments to include new lease extensions to right of use assets and the reclassification from property, plant and equipment in Malaysia;
- c. Decrease was due to audit adjustments made to inventories in reducing the cost of inventories and the allowance for stock obsolescence;
- d. Reduction arose from reclassification to other receivables and audit adjustments made to trade receivables reducing the gross amount of trade receivables and the allowance for doubtful debts in Malaysia;
- e. Increase was due to reclassification from Trade receivables and audit adjustments made to other

- receivables made by auditors in both Malaysia and Taiwan business units;
- f. Increase arose from audit adjustments made to cash and cash equivalents of Malaysia business unit;
  - g. Increase was attributed to audit adjustments to include new lease liabilities arising from lease extensions in Malaysia;
  - h. Increase was due to audit adjustments made to deferred income in Taiwan business unit;
  - i. Increase arose from reclassification from other payables and audit adjustments for trade payables under-taken by its Malaysia business unit offset by reduction in trade payables in its Taiwan business unit;
  - j. Decrease was attributed to reclassification to Trade payables made by auditors for its Malaysia business unit;
  - k. Decrease was due to audit adjustments made to contract liabilities in Malaysia;
  - l. Decrease was attributed to audit adjustments made to amount due to directors in Malaysia business unit;
  - m. Increase was due to audit adjustments for tax payable in its Taiwan business unit; and
  - n. Please see explanation in g above.

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

#### *In relation to the Group's trade and other receivables:*

- (a) Please provide a breakdown of the Group's trade and other receivables, including the ageing profile of the Group's trade and other receivables in bands of 3 months and state the upper band;*
- (b) Please disclose whether the debtors are related to any directors, key executives, substantial shareholders, or their respective associates;*
- (c) Please update on the current stage of the legal proceedings commenced by the Company to recover the outstanding sale consideration due from the purchaser of Lorenzo Furniture (Kunshan) Co., Ltd. Please state the next hearing date and if the court has rendered its decision, to disclose the detail of the judgment, including the grounds of the court's ruling. Please also disclose whether the company will be filing any appeal against the court's decision and if not, to explain the basis for the Company's decision; and*
- (d) Please disclose the Board's assessment of the recoverability of the trade and other receivables.*

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

- a. The breakdown of the Group's trade receivables is provided in the table below: -

	<b>31/03/2024</b>
	S\$'000
Retail customers and licensed dealers	1,862
Other third-party customers	2,260
Current related parties	14
Allowance for doubtful debts	(2,516)
	1,620

- The ageing of the trade receivables is stipulated below: -

	<b>31/03/2024</b>
	S\$'000
Current	1,034
1 to 3 months	527
4 to 6 months	2
7 to 9 months	2
10 to 12 months	1
Above 12 months	54

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1,620

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The breakdown of the Group's other receivables is provided in the table below: -

	<b>31/03/2024</b>
	S\$'000
Purchaser of China's subsidiary	6,690
Other third-party customers	375
Current related parties	56
Allowance for doubtful debts	(224)
	<hr/> <b>6.897</b> <hr/>

The ageing of the other receivables is stipulated below: -

	<b>31/03/2024</b>
	S\$'000
Current	4
1 to 3 months	44
4 to 6 months	13
7 to 9 months	15
10 to 12 months	65
Above 12 months	6,756
	<hr/> <b>6.897</b> <hr/>

- b. The Company would like to advise that from the table as shown in (a) above, S\$14,000 and S\$56,000 of trade and other receivables respectively were due from related parties that are related to the executive director.
- c. The Company would like to inform shareholders that it is currently waiting for the Court's judgement after providing the Court with responses to their questions during the last hearing in May 2024. The Company would update shareholders when there is further development.
- d. The Company would like to clarify that the Group applies a simplified approach in calculating expected credit loss ("ECL"). It recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Board of Directors is of the opinion that the current methodology used is sufficient having considered the Group's current business operations.

The Group has provided for impairment to both trade and other receivables as at 31 March 2024 for debts that are above 12 months old. Accordingly, the Board opines that no further impairment is required of the trade and other receivables as at 31 March 2024.

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

***We note that the Group recorded net current liabilities of \$1.9 million as at 31 March 2024. Please disclose whether and how the Company is able to meet its short-term obligations as and when they fall due and assess its ability to operate as a going concern.***

#### **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 Company is currently meeting its short-term liabilities through the royalty and dividend income from its Taiwan business unit. It continues to look at suitable fundraising options and focus on recovering the receivables from the purchaser of the Chinese subsidiary company. The Company will also consider all restructuring options in the meantime and will make the necessary announcements as and when there are material changes in its financial situation.

**By Order of the Board**

Lim Pang Hern  
Executive Director  
5 June 2024