

# LORENZO

## LORENZO INTERNATIONAL LIMITED

(Co. Reg. No.: 200508277C)

### Full Year Financial Statements and Dividend Announcement For the year ended 31 December 2014

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

|                                  | Group                     |                           |                         |
|----------------------------------|---------------------------|---------------------------|-------------------------|
|                                  | Year ended<br>31 Dec 2014 | Year ended<br>31 Dec 2013 | Increase/<br>(Decrease) |
|                                  | S\$'000                   | S\$'000                   | %                       |
| Revenue                          | 82,298                    | 81,202                    | 1.3                     |
| Cost of sales                    | (45,846)                  | (46,371)                  | (1.1)                   |
| <b>Gross Profit</b>              | <b>36,452</b>             | <b>34,831</b>             | 4.7                     |
| Other operating income           | 4,407                     | 1,911                     | 130.6                   |
| Administrative expenses          | (25,011)                  | (25,835)                  | (3.2)                   |
| Distribution and marketing costs | (7,914)                   | (9,743)                   | (18.8)                  |
| Other operating expenses         | (2,377)                   | (3,294)                   | (27.8)                  |
| Finance costs                    | (1,037)                   | (1,006)                   | 3.1                     |
| <b>Profit/ (Loss) before tax</b> | <b>4,520</b>              | <b>(3,137)</b>            | nm                      |
| Taxation                         | (1,144)                   | (1,229)                   | (6.9)                   |
| <b>Profit/ (Loss) after tax</b>  | <b>3,376</b>              | <b>(4,366)</b>            | nm                      |

Profit/ (Loss) attributable to:

|                               |       |         |
|-------------------------------|-------|---------|
| Equity holders of the Company | 3,376 | (4,366) |
|-------------------------------|-------|---------|

Profit/ (Loss) for the period is arrived after charging / (crediting) the following items:

|                                             | Year ended<br>31 Dec 2014 | Year ended<br>31 Dec 2013 | Increase/<br>(Decrease) |
|---------------------------------------------|---------------------------|---------------------------|-------------------------|
|                                             | S\$'000                   | S\$'000                   | %                       |
| Interest income                             | (150)                     | (236)                     | (36.4)                  |
| Interest expense                            | 1,000                     | 907                       | 10.3                    |
| Depreciation of property, plant & equipment | 3,288                     | 3,268                     | 0.6                     |
| Amortisation of land use rights             | 32                        | 31                        | 3.2                     |
| Amortisation of customer contracts/         |                           |                           | -                       |

|                                                   |       |       |       |
|---------------------------------------------------|-------|-------|-------|
| relationship                                      | -     | 173   |       |
| Foreign exchange gain                             | (472) | (445) | 6.1   |
| Impairment on customer contracts/<br>Relationship | -     | 173   | nm    |
| Impairment loss on trade receivables              | 90    | 68    | 32.3  |
| Inventories written off                           | 81    | 47    | 72.3  |
| Impairment of property, plant and<br>equipment    | 328   | 67    | 704.5 |

nm – not meaningful

**1(b) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                                                                                      | Year ended   |                |
|----------------------------------------------------------------------------------------------------------------------|--------------|----------------|
|                                                                                                                      | 31 Dec 2014  | 31 Dec 2013    |
|                                                                                                                      | S\$'000      | S\$'000        |
| <b>Profit/ (Loss) for the year</b>                                                                                   | 3,376        | (4,366)        |
| Net change in fair value of available-<br>for-sale financial assets<br>reclassified to profit or loss, at nil<br>tax | -            | (11)           |
| Foreign currency translation<br>differences –foreign operations, at<br>nil tax                                       | (809)        | (734)          |
| Other comprehensive income/ ( loss)<br>for the                                                                       | (809)        | (747)          |
| <b>Total comprehensive income/( loss)<br/>for the year attributable to owners<br/>of the Company</b>                 | <b>2,567</b> | <b>(5,114)</b> |

**1(c)(i) A balance sheet (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

|                                      | Group                |                      | Company              |                      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                      | As at<br>31 Dec 2014 | As at<br>31 Dec 2013 | As at<br>31 Dec 2014 | As at<br>31 Dec 2013 |
|                                      | S\$'000              | S\$'000              | S\$'000              | S\$'000              |
| <b>ASSETS:</b>                       |                      |                      |                      |                      |
| <b>Non-Current Assets</b>            |                      |                      |                      |                      |
| Land use rights                      | 1,231                | 1,243                | -                    | -                    |
| Property, plant and equipment        | 24,255               | 26,238               | 1                    | 2                    |
| Other receivables                    | 424                  | 555                  | -                    | -                    |
| Available-for-sales financial assets | -                    | 20                   | -                    | -                    |
| Deferred tax assets                  | 266                  | -                    | -                    | -                    |
| Investment in subsidiaries           | -                    | -                    | 30,254               | 30,254               |
|                                      | 26,176               | 28,056               | 30,255               | 30,256               |
| <b>Current Assets:</b>               |                      |                      |                      |                      |

|                              |               |               |               |               |
|------------------------------|---------------|---------------|---------------|---------------|
| Land use rights              | 35            | 32            | -             | -             |
| Inventories, at cost         | 21,675        | 24,829        | -             | -             |
| Amount due from subsidiaries | -             | -             | 4,543         | -             |
| Trade and other receivables  | 17,480        | 8,634         | 185           | 225           |
| Fixed deposits with banks    | 1,305         | 1,323         | -             | -             |
| Cash and cash equivalents    | 6,787         | 3,637         | 2             | 24            |
|                              | 47,282        | 38,455        | 4,730         | 249           |
| <b>Total assets</b>          | <b>73,458</b> | <b>66,511</b> | <b>34,985</b> | <b>30,505</b> |

|                                     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
| <b>EQUITY AND LIABILITIES:</b>      |               |               |               |               |
| <b>Capital and Reserve</b>          |               |               |               |               |
| Share capital                       | 32,982        | 30,258        | 32,982        | 30,258        |
| Reserves                            | (1,233)       | (3,800)       | 144           | (1,765)       |
|                                     | 31,749        | 26,458        | 33,126        | 28,493        |
| <b>Non-current liabilities</b>      |               |               |               |               |
| Borrowings                          | 629           | 887           | -             | -             |
| Deferred tax                        | 201           | 173           | -             | -             |
| Deferred income                     | 43            | 58            | -             | -             |
|                                     | 873           | 1,118         | -             | -             |
| <b>Current Liabilities</b>          |               |               |               |               |
| Trade and other payables            | 15,393        | 19,330        | 234           | 76            |
| Deferred income                     | 37            | 47            | -             | -             |
| Amount due to a subsidiary          | -             | -             | 1,625         | 1,936         |
| Current tax payable                 | 368           | 421           | -             | -             |
| Borrowings                          | 25,038        | 19,137        | -             | -             |
|                                     | 40,836        | 38,935        | 1,859         | 2,012         |
| <b>Total equity and liabilities</b> | <b>73,458</b> | <b>66,511</b> | <b>34,985</b> | <b>30,505</b> |

**1(c)(ii) Aggregate amount of the Group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

| <u>As at 31 December 2014 (S\$'000)</u> |                  | <u>As at 31 December 2013 (S\$'000)</u> |                  |
|-----------------------------------------|------------------|-----------------------------------------|------------------|
| <b>Secured</b>                          | <b>Unsecured</b> | <b>Secured</b>                          | <b>Unsecured</b> |
| 25,038                                  | -                | 19,137                                  | -                |

Amount repayable after one year

| <u>As at 31 December 2014 (S\$'000)</u> |                  | <u>As at 31 December 2013 (S\$'000)</u> |                  |
|-----------------------------------------|------------------|-----------------------------------------|------------------|
| <b>Secured</b>                          | <b>Unsecured</b> | <b>Secured</b>                          | <b>Unsecured</b> |
| 629                                     | -                | 887                                     | -                |

**Details of any collateral**

All bank facilities are secured and guaranteed by the Company, except those of Malaysia subsidiaries which are secured and guaranteed by one or more of the following:

- (a) a guarantee given by the Company;
- (b) a guarantee given by a subsidiary;
- (c) first legal mortgage of the Group's leasehold properties;
- (d) debenture over a subsidiary's present and future fixed and floating assets.

**1(d) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                                                                      | <b>Group</b>                               |                                            |
|------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
|                                                                                                      | <b>Year ended<br/>31 December<br/>2014</b> | <b>Year ended<br/>31 December<br/>2013</b> |
|                                                                                                      | <b>S\$'000</b>                             | <b>S\$'000</b>                             |
| <b><u>Cash Flows from operating activities</u></b>                                                   |                                            |                                            |
| Profit/ (Loss) before taxation                                                                       | 4,521                                      | (3,137)                                    |
| Adjustments for:-                                                                                    |                                            |                                            |
| Amortisation of land use rights                                                                      | 32                                         | 31                                         |
| Depreciation of property, plant and equipment                                                        | 3,288                                      | 3,268                                      |
| Amortisation of customer lists and relationships                                                     | -                                          | 173                                        |
| Impairment loss on customer lists and relationships                                                  | -                                          | 173                                        |
| (Gain)/ Loss on disposal of property, plant and equipment                                            | (211)                                      | 17                                         |
| (Gain)/ loss on disposal of available-for-sale financial assets                                      | -                                          | (18)                                       |
| Interest expense                                                                                     | 1,000                                      | 934                                        |
| Interest income                                                                                      | (150)                                      | (236)                                      |
| <b>Operating profit before working capital changes</b>                                               | <b>8,480</b>                               | <b>1,205</b>                               |
| Changes in inventories                                                                               | 2,328                                      | 2,468                                      |
| Changes in trade and other receivables                                                               | (8,977)                                    | 3,750                                      |
| Changes in trade and other payables                                                                  | (3,985)                                    | (3,767)                                    |
| <b>Net cash generated from operations</b>                                                            | <b>(2,154)</b>                             | <b>3,656</b>                               |
| Interest expense                                                                                     | (1,000)                                    | (934)                                      |
| Income tax paid                                                                                      | (1,165)                                    | (1,202)                                    |
| <b>Net cash used in operating activities</b>                                                         | <b>(4,319)</b>                             | <b>(1,520)</b>                             |
| <b><u>Cash Flows used in investing activities</u></b>                                                |                                            |                                            |
| Acquisition of property, plant and equipment                                                         | (1,314)                                    | (1,363)                                    |
| Proceed from disposal of property, plant and equipment                                               | 312                                        | 179                                        |
| Proceed from available-for-sales of financial assets                                                 | 20                                         | 83                                         |
| Interest received                                                                                    | 150                                        | 236                                        |
| <b>Net cash used in investing activities</b>                                                         | <b>(832)</b>                               | <b>(865)</b>                               |
| <b><u>Cash Flows generated/(used) in financing activities</u></b>                                    |                                            |                                            |
| Proceeds from Issue of Shares                                                                        | 2,810                                      | -                                          |
| Repayment of Shares related expenditure                                                              | (86)                                       | -                                          |
| Repayment of bank loans                                                                              | (1,359)                                    | (1,558)                                    |
| Net proceeds/ Repayment of trust receipts and bills payable                                          | 8,178                                      | (4,255)                                    |
| Repayment of finance lease liabilities                                                               | (382)                                      | (445)                                      |
| <b>Net cash generated from/ (used in) financing activities</b>                                       | <b>9,161</b>                               | <b>(6,258)</b>                             |
| <b>Net decrease in cash &amp; cash equivalents</b>                                                   | <b>4,010</b>                               | <b>(5,603)</b>                             |
| Cash & cash equivalents at beginning of the period                                                   | (1,202)                                    | 4,526                                      |
| Net effect of exchange rate changes on balance of cash and cash equivalents at beginning of the year | (42)                                       | (124)                                      |
| <b>Cash and cash equivalents at end of the period</b>                                                | <b>2,766</b>                               | <b>(1,202)</b>                             |

**Note 1:**

**Cash and cash equivalents at end of the period**

Cash and bank balances  
Fixed deposit  
Bank overdraft

| S\$          | S\$            |
|--------------|----------------|
| 6,787        | 3,673          |
| 1,305        | 1,323          |
| (5,326)      | (6,162)        |
| <b>2,766</b> | <b>(1,202)</b> |

- 1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Attributable to equity holders of the company**

| Group                                                                                                     | Share capital<br>S\$ | Translation reserves<br>S\$ | Statutory Common Reserve<br>S\$ | Capital reserve<br>S\$ | Merger reserve<br>S\$ | Fair value reserve<br>S\$ | Retained earnings<br>S\$ | Total equity<br>S\$ |
|-----------------------------------------------------------------------------------------------------------|----------------------|-----------------------------|---------------------------------|------------------------|-----------------------|---------------------------|--------------------------|---------------------|
| <b>Balance as at 1 Jan 2014</b>                                                                           | <b>30,258</b>        | <b>(2,802)</b>              | <b>68</b>                       | <b>838</b>             | <b>(3,282)</b>        | <b>6</b>                  | <b>1,372</b>             | <b>26,458</b>       |
| <b>Total comprehensive income for the period</b>                                                          |                      |                             |                                 |                        |                       |                           |                          |                     |
| Profit for the year                                                                                       | -                    | -                           | -                               | -                      | -                     | -                         | 3,376                    | 3,376               |
| Other comprehensive loss                                                                                  | -                    | (809)                       | -                               | -                      | -                     | -                         | -                        | (809)               |
| <b>Total comprehensive loss for the period</b>                                                            | <b>-</b>             | <b>(809)</b>                | <b>-</b>                        | <b>-</b>               | <b>-</b>              | <b>-</b>                  | <b>3,376</b>             | <b>2,567</b>        |
| <b>Transaction with owners, recognised directly in equity Contributions by and contribution to owners</b> |                      |                             |                                 |                        |                       |                           |                          |                     |
| Issue of ordinary shares                                                                                  | 2,724                | -                           | -                               | -                      | -                     | -                         | -                        | 2,724               |
| <b>Total transaction with owners</b>                                                                      | <b>2,724</b>         | <b>-</b>                    | <b>-</b>                        | <b>-</b>               | <b>-</b>              | <b>-</b>                  | <b>-</b>                 | <b>2,724</b>        |
| <b>Balance at 31 Dec 2014</b>                                                                             | <b>32,982</b>        | <b>(3,611)</b>              | <b>68</b>                       | <b>838</b>             | <b>(3,282)</b>        | <b>6</b>                  | <b>4,748</b>             | <b>31,749</b>       |

|                                                  |               |                |           |            |                |             |                |                |
|--------------------------------------------------|---------------|----------------|-----------|------------|----------------|-------------|----------------|----------------|
| <b>Balance as at 1 Jan 2013</b>                  | <b>30,258</b> | <b>(2,066)</b> | <b>68</b> | <b>838</b> | <b>(3,282)</b> | <b>17</b>   | <b>5,739</b>   | <b>31,572</b>  |
| <b>Total comprehensive income for the period</b> |               |                |           |            |                |             |                |                |
| Loss for the period                              | -             | -              | -         | -          | -              | -           | (4,366)        | (4,366)        |
| Other comprehensive loss                         | -             | (736)          | -         | -          | -              | (11)        | -              | (747)          |
| <b>Total comprehensive</b>                       | <b>-</b>      | <b>(736)</b>   | <b>-</b>  | <b>-</b>   | <b>-</b>       | <b>(11)</b> | <b>(4,366)</b> | <b>(5,113)</b> |

| loss for the period         |        |         |    |     |         |   |       |        |
|-----------------------------|--------|---------|----|-----|---------|---|-------|--------|
| Balance at 31 December 2013 | 30,258 | (2,802) | 68 | 838 | (3,282) | 6 | 1,372 | 26,458 |

**Company**

Balance as at 1 Jan 2014  
Issue of ordinary shares  
Total comprehensive profit recognised for the year  
**Balance as at 31 Dec 2014**

| Share capital | Retained profits | Total Equity  |
|---------------|------------------|---------------|
| S\$           | S\$              | S\$           |
| 30,258        | (1,765)          | 28,493        |
| 2,724         | -                | 2,724         |
| -             | 1,909            | 1,909         |
| <b>32,982</b> | <b>144</b>       | <b>33,126</b> |
| 30,258        | (1,286)          | 28,972        |
| -             | (479)            | (479)         |
| <b>30,258</b> | <b>(1,765)</b>   | <b>28,493</b> |

Balance as at 1 Jan 2013  
Total comprehensive loss recognised for the year

**Balance as at 31 Dec 2013**

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

On 14 March 2014 the Company issued 43,317,693 new ordinary shares at S\$0.066 per share pursuant to a placement share exercise.

| Issued and fully paid            | Ordinary Shares    |
|----------------------------------|--------------------|
| Balance as at 1 January 2014     | 216,588,465        |
| Placement shares issue           | 43,317,693         |
| <b>Balance as at 31 Dec 2014</b> | <b>259,906,158</b> |

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

| The Company                                             | As at 31 December 2014 | As at 31 December 2013 |
|---------------------------------------------------------|------------------------|------------------------|
| Total number of issued shares                           | 259,906,158            | 216,588,465            |
| Total number of treasury shares                         | -                      | -                      |
| Total number of issued shares excluding treasury shares | 259,906,158            | 216,588,465            |

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company has no treasury shares as at 31 December 2014 and 31 December 2013.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in the Note 5 below, the same accounting policies and methods of computation as in the Group and Company's audited financial statements for the year ended 31 December 2013 have been applied.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and Company adopted the new/ revised Financial Reporting Standards (FRS) that are effective for annual periods beginning on and after 1 January 2014. Changes to the Group's and Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of new/ revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies or any material impact on the Group's financial statements.

6. **Profit / (Loss) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

**Profit/ (Loss) per ordinary share:**

- Based on weighted average number of ordinary shares in issue
- On fully diluted basis

| <b>Group</b>                      |                                   |
|-----------------------------------|-----------------------------------|
| <b>Year ended<br/>31 Dec 2014</b> | <b>Year ended<br/>31 Dec 2013</b> |
| 1.36 cents                        | (2.02) cents                      |
| 1.36 cents                        | (2.02) cents                      |

The profit per share of the Group for the year ended 31 December 2014 was computed based on the weighted average number of shares in issue of 249,076,735 (31 December 2013: 216,588,465).

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

|                                                                                | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                                | <b>31 Dec 2014</b> | <b>31 Dec 2013</b> | <b>31 Dec 2014</b> | <b>31 Dec 2013</b> |
| Net asset value per share for the year based on the number of shares in issue. | 12.22 cents        | 12.22 cents        | 12.75 cents        | 13.16 cents        |

The net assets value per ordinary share is based on the number of shares in issue of 259,906,158 as at 31 December 2014 (31 December 2013: 216,588,465).

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**8.1 Review commentary on income statement for year ended 31 December 2014**

**8.1.1 Revenue**

Revenue increased marginally S\$1.1 million or 1.3% from S\$81.2 million in FY2013 to S\$82.3 million in FY2014 with Builders Shop Pte Ltd (“**BSPL**”) contributing S\$14.1 million to the overall revenue, an increase of S\$1.5 million from S\$12.6 million in FY2013 to S\$14.1 million in FY2014. Our key retail business segment registered a decrease of S\$2.8 million or 5.0% from S\$56.3 million in FY2013 to S\$53.5 million in FY2014. The decline was due to stagnant local furniture sales in Singapore and Malaysia. The export markets revenue improved by S\$2.8 million from S\$7.2 million in FY2013 to S\$10.0 million in FY2014. Sales from LRS stores had decreased by 7.5% from S\$5.1 million in FY2013 to S\$4.7 million in FY2014.

**Revenue by Business Segment:**

| <b>Group</b>         | <b>Year ended<br/>31 Dec 2014</b> | <b>Year ended<br/>31 Dec 2013</b> | <b>Increase /<br/>(Decrease)<br/>%</b> |
|----------------------|-----------------------------------|-----------------------------------|----------------------------------------|
|                      | S\$'000                           | S\$'000                           |                                        |
| Retail Segment       | 53,485                            | 56,314                            | (5.0)                                  |
| Export Segment       | 10,020                            | 7,186                             | 39.4                                   |
| LRS Licensing        | 4,736                             | 5,118                             | (7.5)                                  |
| BSPL                 | 14,057                            | 12,584                            | 11.7                                   |
| <b>Total Revenue</b> | <b>82,298</b>                     | <b>81,202</b>                     | <b>1.3</b>                             |

**Number of Stores:**

| <b>Group</b>              | <b>Year ended<br/>31 Dec 2014</b> | <b>Year ended<br/>31 Dec 2013</b> | <b>Increase /<br/>(Decrease)</b> |
|---------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Retail Stores:</b>     |                                   |                                   |                                  |
| Malaysia                  | 20                                | 20                                | -                                |
| Taiwan                    | 16                                | 14                                | 2                                |
| Singapore                 | 4                                 | 6                                 | (2)                              |
| China                     | 3                                 | 9                                 | (6)                              |
| <b>Total retail store</b> | <b>43</b>                         | <b>49</b>                         | <b>(6)</b>                       |

|                               |           |           |            |
|-------------------------------|-----------|-----------|------------|
| <b>LRS Stores:</b>            |           |           |            |
| China                         | 7         | 4         | 3          |
| Malaysia                      | 6         | 8         | (2)        |
| Taiwan                        | 1         | -         | 1          |
| Other Country                 | 2         | 4         | (2)        |
| <b>Total LRS store</b>        | <b>16</b> | <b>16</b> | <b>-</b>   |
| <b>Total Number of Stores</b> | <b>59</b> | <b>65</b> | <b>(6)</b> |

### **Cost of Goods Sold and Gross Profit**

Cost of sales decreased marginally by 1.1% from S\$46.4 million in FY2013 to S\$45.8 million in FY2014 although revenue has increased. This resulted in our gross profit increasing by 4.7% from S\$34.8 million in FY2013 to S\$36.4 million in FY2014. Thus the gross profit margin increased from 42.9% in FY2013 to 44.3% in FY2014.

### Profit / (Loss) before Taxation

Profit before taxation was S\$4.5 million in FY2014 compared to a loss in FY2013 of S\$3.1 million due to the increase in revenue and lower operating expenses.

### Other Operating Income

Other operating income arises mainly from transportation revenue, sundry income, and foreign exchange gains arising from timing differences. The Group does not undertake any hedging or derivative trading activities.

Other operating income increased from S\$1.9 million in FY2013 to S\$4.4 million in FY2014, mainly due to net reversal of provision in prior years of S\$1.5 million for slow moving stocks, which were sold in FY2014, plus increase in transportation income of S\$0.4 million.

### Administrative Expenses

Administrative expenses comprise mainly salaries and related expenses, rental expenses, directors' remuneration, retail store maintenance, office equipment maintenance and general office expenses.

The administrative expenses decreased marginally by 3.2% from S\$25.8 million in FY2013 to S\$25.0 million in FY2014 mainly due to a decrease in salary related expense and rental expense.

### Distribution and Marketing Costs

The distribution and marketing costs decreased by S\$1.8 million or by 18.8% from S\$9.7 million in FY2013 to S\$7.9 million in FY2014 mainly due to a decrease in trade fair expenses of S\$0.4 million, delivery and handling charges of S\$0.4 million and advertisement and promotion expenses of S\$1.0 million.

### Other Operating Expenses

Other operating expenses decreased by S\$0.9 million or by 27.8% from S\$3.3 million in FY2013 to S\$2.4 million in FY2014 mainly due to the decrease in provision for stock obsolescence.

### Finance Costs

Finance costs increased by 3.1% from S\$1.01 million in FY2013 to S\$1.04 million in FY2014 due to higher utilisation of bank credit facilities for the period under review.

### Taxation

The Group's income tax expenses decreased by S\$0.1 million or 6.9% from S\$1.2 million in FY2013 to S\$1.1 million in FY2014, as a result of profit generated from certain Group subsidiaries which were not subject to tax expense.

### Net profit after Tax

As a result of the above, the Group reported a net profit after tax of S\$3.4 million for FY2014 as compared to a net loss after tax of S\$4.4 million for FY2013.

### **Balance Sheet**

#### Non-Current Assets

The Group's non-current assets decreased by S\$1.9 million from S\$28.1 million as at 31 December 2013 to S\$26.2 million as at 31 December 2014 due to depreciation of property, plant and equipment.

#### Inventories

Inventories decreased by 12.7% or S\$3.2 million from S\$24.9 million as at 31 December 2013 to S\$21.7 million as at 31 December 2014 mainly due to decrease in building materials.

|                                     | <b>Group</b>                 |                              |                                  |
|-------------------------------------|------------------------------|------------------------------|----------------------------------|
|                                     | <b>As at<br/>31 Dec 2014</b> | <b>As at<br/>31 Dec 2013</b> | <b>Increase /<br/>(Decrease)</b> |
|                                     | <b>S\$'000</b>               | <b>S\$'000</b>               | <b>%</b>                         |
| Finished Goods – Inventories        | 9,473                        | 11,862                       | (20.1)                           |
| Finished Goods – Showroom Display   | 3,371                        | 3,125                        | 7.9                              |
| Raw Materials                       | 6,020                        | 4,658                        | 29.2                             |
| Work-in-Progress                    | 790                          | 768                          | 2.9                              |
| Stock-in-transit                    | 499                          | 790                          | (36.8)                           |
| <b>Sub-total Inventories</b>        | <b>20,153</b>                | <b>21,203</b>                | <b>(5.0)</b>                     |
| Finished Goods – Building Materials | 1,523                        | 3,626                        | (58.0)                           |
| <b>Total Inventories</b>            | <b>21,676</b>                | <b>24,829</b>                | <b>(12.7)</b>                    |

#### Current Liabilities: Borrowings

Current portion of the bank borrowings increased from S\$19.1 million as at 31 December 2013 to S\$25.0 million as at 31 December 2014 primarily due to increase in trust receipts issued for the purchases of raw material.

#### Liquidity

The Group's current ratio improved from 0.99 times to 1.2 times for the year under review. The net current assets of the Group also improved from a negative of S\$0.5 million as at 31 December 2013 to positive of S\$6.4 million as at 31 December 2014.

As at 31 December 2014, the Group's net gearing ratio (defined as the borrowings to shareholder's equity) stood at 0.81 times as compared to 31 December 2013's 0.76 times.

#### Shareholders' Equity

Shareholders' equity of the Group increased by S\$5.3 million from S\$26.5 million as at 31 December 2013 to S\$31.8 million as at 31 December 2014 due mainly to S\$2.7 million from the issue of placement shares during the year and current year's positive performance.

## **Cashflow Statement**

Net cash used in operating activities was S\$4.3 million in FY2014 in comparison to S\$1.4 million generated in FY2013 mainly due to increase in trade and other receivables during the period under review.

Net cash used in investing activities was S\$0.8 million in FY2014 and FY2013.

Net cash generated from financing activities was S\$9.2 million in FY2014 as compared a net cash used of S\$6.3 million in FY2013 mainly due a net proceed of S\$8.2 million from trust receipts and S\$2.7 million from the issue of placement shares in FY2014 and whereas in FY2013 there was a repayment of S\$4.3 million.

Hence, the cash and cash equivalents increased by S\$4.0 million in FY2014.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The results announced today are in line with the announcement made.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Board of Directors remains cautious in FY2015 due to market challenges such as the continued weakness in Europe, foreign exchange movements and weakening Chinese GDP growth. There are also operational challenges such as rising raw material prices and rising labor costs. Our core market, Malaysia will remain very competitive due to the property market cooling measures and the Goods and Services Tax to be implemented by the Malaysian Government. The Group will also continue to explore new opportunities to improve its future income stream.

As announced on 2 February 2015, the Company has received approval-in-principle from the SGX-ST for the listing and quotation of up to 129,953,079 rights shares. The rights issue, when completed, will, *inter alia*, contribute positively to the Group's cash position and balance sheet.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend recommended for the current financial period reported on?

None

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

***(c) Date payable***

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

**13. Update on the use of placement share proceeds**

Pursuant to a placement exercise, the Company issued 43,317,693 new ordinary shares at S\$0.066 per share on 14 March 2014. Of the net proceeds of approximately S\$2.7 million were raised from the aforementioned placement exercise, the balance of the unutilised funds as at the date is as follows:

| <b>Intended Use</b>            | <b>Amount Allocated<br/>(S\$'000)</b> | <b>Amount Utilised<br/>(S\$'000)</b> |
|--------------------------------|---------------------------------------|--------------------------------------|
| Net Proceeds                   | 2,693                                 | 2,693                                |
| Utilisation:                   |                                       |                                      |
| - Business Expansion           | (1,623)                               | Nil                                  |
| - Working Capital purposes     | (1,070)                               | (1,070)                              |
| - Repayment of bank facilities |                                       |                                      |
| Total Amount                   | <b>(2,693)</b>                        | <b>(1,070)</b>                       |
| Unutilised Net Proceeds        | <b>Nil</b>                            | <b>1,623</b>                         |

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Group financing, corporate expenses and income taxes are managed on a group basis and are not allocated to operating segments.

The allocation of group assets and liabilities attributable to individual segments is not presented as the information is not provided to the chief operating decision maker.

Financial year ended 31 December 2014

| <b>S\$'000</b>                | <b>Retail</b> | <b>Export</b> | <b>LRS</b> | <b>Building<br/>Materials</b> | <b>Total</b>  |
|-------------------------------|---------------|---------------|------------|-------------------------------|---------------|
| Revenue                       | 53,485        | 10,020        | 4,736      | 14,057                        | <b>82,298</b> |
| <b>RESULT:</b>                |               |               |            |                               |               |
| Segment result                | 27,485        | 2,798         | 1,035      | 5,134                         | <b>36,452</b> |
| Other income                  |               |               |            |                               | <b>4,407</b>  |
| Unallocated corporate expense |               |               |            |                               | (35,302)      |
| Finance cost                  |               |               |            |                               | (1,037)       |
| Profit before tax             |               |               |            |                               | <b>4,520</b>  |
| Taxation                      |               |               |            |                               | (1,144)       |
| Profit after tax              |               |               |            |                               | <b>3,376</b>  |

Financial year ended 31 December 2013

| <b>S\$'000</b> | <b>Retail</b> | <b>Export</b> | <b>LRS</b> | <b>Building<br/>Materials</b> | <b>Total</b>  |
|----------------|---------------|---------------|------------|-------------------------------|---------------|
| Revenue        | 56,315        | 7,186         | 5,117      | 12,584                        | <b>81,202</b> |
| <b>RESULT:</b> |               |               |            |                               |               |

|                               |        |     |       |       |                |
|-------------------------------|--------|-----|-------|-------|----------------|
| Segment result                | 28,133 | 862 | 2,515 | 3,320 | <b>34,831</b>  |
| Other income                  |        |     |       |       | <b>1,911</b>   |
| Unallocated corporate expense |        |     |       |       | (38,873)       |
| Finance cost                  |        |     |       |       | (1,006)        |
| Loss before tax               |        |     |       |       | <b>(3,137)</b> |
| Taxation                      |        |     |       |       | (1,229)        |
| Loss after tax                |        |     |       |       | <b>(4,366)</b> |

**Revenue by geographical segments:**

| <b>S\$'000</b>  | <b>31 December 2014</b> |               | <b>31 December 2013</b> |               |
|-----------------|-------------------------|---------------|-------------------------|---------------|
| Malaysia        | 34,603                  | 42.0%         | 38,100                  | 46.9%         |
| Singapore       | 9,711                   | 11.8%         | 10,597                  | 13.1%         |
| Taiwan          | 11,663                  | 14.2%         | 10,328                  | 12.7%         |
| China           | 1,739                   | 2.1%          | 1,889                   | 2.3%          |
| Other Countries | 10,525                  | 12.8%         | 7,704                   | 9.5%          |
| Others- BSPL    | 14,057                  | 17.1%         | 12,584                  | 15.5%         |
| Total Revenue   | <b>82,298</b>           | <b>100.0%</b> | <b>81,202</b>           | <b>100.0%</b> |

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

**Business Segment**

Revenue from retail business segment remained as the main contributor, contributing 65.0% of total revenue in FY2014. The retail business segment also enjoyed high gross margin compared to other business segments.

**Geographical Segment**

The revenue from Malaysia remained as the main contributor, contributing 42.0% of total revenue in FY2014 and followed by revenue from Builders Shop which contributed 17.1% of total revenue in FY2014. Other Countries consists countries where Lorenzo products are exported to.

16. **A breakdown of sales.**

| <b>Group</b>                                                         | <b>FY2014<br/>S\$'000</b> | <b>FY2013<br/>S\$'000</b> | <b>Increase/<br/>(decrease)<br/>%</b> |
|----------------------------------------------------------------------|---------------------------|---------------------------|---------------------------------------|
| Sales from continuing operations reported for first half year        | 35,684                    | 38,661                    | (7.7)                                 |
| Net operating loss after tax reported for first half year            | (1,466)                   | (1,585)                   | (7.5)                                 |
| Sales from continuing operations reported for second half year       | 46,614                    | 42,541                    | 9.6                                   |
| Net operating profit/ (loss) after tax reported for second half year | 4,842                     | (2,781)                   | nm                                    |

**17. Interested Person Transactions**

**Aggregate value of all interested party transactions during the year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)**

| <b>Name of interested person</b>      | <b>FY2014<br/>S\$'000</b> | <b>FY2013<br/>S\$'000</b> |
|---------------------------------------|---------------------------|---------------------------|
| Chung Kim Yew<br>(Rental of Property) | <b>(240)</b>              | <b>(130)</b>              |

- 19.** Pursuant to Rule 704(11) of the SGX-ST Listing Manual, the Company confirms that, as far as the Company is aware and save as set out below, there are no other persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director or chief executive officer or substantial shareholder of the Company or its principal subsidiaries are as follows:

| <b>Name</b>                | <b>Age</b> | <b>Family Relationship with any Director and/or Substantial Shareholder</b> | <b>Current Position and duties, and the year position was first held</b>        | <b>Details of changes in duties and position held, if any, during the year</b> |
|----------------------------|------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Mr Chung Yook Fong         | 46         | Brother of Mr Chung Kim Yew                                                 | Factory Manager, in charge of factory and product research and development      | NIL                                                                            |
| Mr Chung Kam Seng          | 50         | Brother of Mr Chung Kim Yew                                                 | Warehouse & Service Manager, in charge of warehouse and services                | NIL                                                                            |
| Ms Wong Ying Nyok          | 56         | Wife of Mr Chung Kim Yew                                                    | Research & Development Assistant, in charge of product research & development   | NIL                                                                            |
| Mr Lester Chung Wing Kwong | 30         | Son of Mr Chung Kim Yew                                                     | Purchasing Manager in charge of purchasing and inventory stock control matters. | NIL                                                                            |

**BY ORDER OF THE BOARD**

**Goh Ah Lee**  
**Executive Chairman/Group MD**  
16 February 2015