

LORENZO INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200508277C)

DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR THE 15-MONTH FINANCIAL PERIOD ENDED 31 MARCH 2017

The Board of Directors (the “**Board**”) of Lorenzo International Limited (the “**Company**”) refers to the unaudited full year financial results announcement for the 15-month period ended 31 March 2017 (“**FY2016/17**”) released via SGXNet on 29 June 2017 (Reference No. SG1706290THRGU0B) (the “**Unaudited Financial Statements**”).

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight and clarify the material differences between the Unaudited Financial Statements and the audited financial statements for FY2016/17 following the finalisation of the audit. The material differences and the reasons for such material differences are set out in the explanatory notes below.

1(a) Statement of profit or loss and other comprehensive income

| | Group | | | Explanation |
|----------------------------------|------------------------|----------------------|------------|-------------|
| | Unaudited FY2016/17 | Audited FY2016/17 | Difference | |
| | \$'000 | \$'000 | \$'000 | |
| Revenue | 57,184 | 54,139 | (3,045) | Note A |
| Cost of sales | (32,619) | (29,576) | 3,043 | Note A |
| Gross Profit | 24,565 | 24,563 | (2) | |
| Other operating income | 6,685 | 2,494 | (4,191) | Note B |
| Administrative expenses | (23,404) | (21,367) | 2,037 | Note C |
| Distribution and marketing costs | (4,174) | (5,921) | (1,747) | Note D |
| Other operating expenses | (4,199) | (6,939) | (2,740) | Note E |
| Finance costs | (1,176) | (1,143) | 33 | |
| Loss before tax | (1,703) | (8,313) | (6,610) | |
| Taxation | (534) | (868) | (334) | Note F |
| Loss after tax | (2,237) | (9,181) | (6,944) | |

Other comprehensive income:

| | | | | |
|--|----------------|----------------|----------------|--------|
| Available-for-sale financial assets reclassification to profit or loss, at nil tax | - | 11 | 11 | Note G |
| Foreign currency translation differences – foreign operations, at nil tax | (674) | (515) | 159 | Note H |
| Other comprehensive loss for the year, net of tax | (674) | (504) | 170 | |
| Total comprehensive loss for the year attributable to owners of the Company | (2,911) | (9,685) | (6,774) | |

1 (b) Statement of Financial Position

| | Group | | Difference | Explanation |
|-------------------------------------|------------------------|----------------------|----------------|-------------|
| | Unaudited FY2016/17 | Audited FY2016/17 | | |
| | S\$'000 | S\$'000 | S\$'000 | |
| ASSETS: | | | | |
| Non-Current Assets | | | | |
| Land use rights | 1,088 | 1,088 | - | |
| Property, plant and equipment | 17,716 | 16,267 | (1,449) | Note I |
| Other receivables | 407 | 144 | (263) | Note J |
| Deferred tax assets | 12 | 12 | - | |
| | 19,223 | 17,511 | (1,712) | |
| Current Assets: | | | | |
| Land use rights | 31 | 31 | - | |
| Inventories, at cost | 11,556 | 11,930 | 374 | Note K |
| Trade and other receivables | 15,802 | 8,060 | (7,742) | Note L |
| Fixed deposits with banks | 49 | 49 | - | |
| Cash and cash equivalents | 2,982 | 1,544 | (1,438) | Note M |
| | 30,420 | 21,614 | (4,164) | |
| Total assets | 49,643 | 39,125 | (4,766) | |
| EQUITY AND LIABILITIES: | | | | |
| Capital and Reserve | | | | |
| Share capital | 39,949 | 39,949 | - | |
| Reserves | (23,850) | (30,623) | (6,773) | Note N |
| | 16,099 | 9,326 | (6,773) | |
| Non-current liabilities | | | | |
| Borrowings | 205 | 75 | (130) | Note O |
| Deferred tax | 186 | 159 | (27) | Note P |
| Deferred income | 44 | 42 | (2) | Note Q |
| | 435 | 276 | (159) | |
| Current Liabilities | | | | |
| Trade and other payables | 20,062 | 14,503 | (5,559) | |
| Deferred income | 29 | 41 | (12) | Note Q |
| Amount due to directors | - | 282 | 282 | |
| Provision for taxation | 98 | 98 | - | |
| Borrowings | 12,920 | 14,599 | 1,679 | Note O |
| | 33,109 | 29,523 | (3,586) | |
| Total equity and liabilities | 49,643 | 39,125 | (4,766) | |

| | Company | | Difference | Explanation |
|-------------------------------------|------------------------|----------------------|------------|----------------------------|
| | Unaudited FY2016/17 | Audited FY2016/17 | | |
| | S\$'000 | S\$'000 | S\$'000 | |
| ASSETS: | | | | |
| Non-Current Assets | | | | |
| Property, plant and equipment | 49 | 4 | (45) | Note R |
| Investment in subsidiaries | 25,372 | 25,372 | - | |
| | 25,421 | 25,376 | (45) | |
| Current Assets: | | | | |
| Amount due from subsidiaries | 4,894 | 5,142 | 248 | Note S Note T |
| Trade and other receivables | 220 | 204 | (16) | |
| Cash and cash equivalents | 8 | 8 | - | |
| | 5,122 | 5,354 | 232 | |
| Total assets | 30,543 | 30,730 | 187 | |
| EQUITY AND LIABILITIES: | | | | |
| Capital and Reserve | | | | |
| Share capital | 39,949 | 39,949 | - | Note U |
| Reserves | (12,047) | (12,113) | (66) | |
| | 27,902 | 27,836 | (66) | |
| Current Liabilities | | | | |
| Trade and other payables | 1,031 | 1,026 | (5) | Note V Note V Note S |
| Deferred income | - | 10 | 10 | |
| Amount due to a subsidiary | 1,610 | 1,858 | 248 | |
| | 2,641 | 2,894 | 253 | |
| Total equity and liabilities | 30,543 | 30,730 | 187 | |

Note A

The difference arose from the following adjustments:-

1. Reversal of sales amounting to S\$3.83 million (related cost of sales was S\$1.69 million) due to delay in a project and a sales return of S\$1.36 million;
2. Overstatement of sales amounting to S\$0.58 million;
3. Overstatement of cost of sales of S\$1.35 million.

Note B

The difference was due to the following:-

1. Reversal of allowance for doubtful debts written back amounting to S\$1.24 million;
2. Reversal of allowance for stock obsolescence written back of S\$0.93 million; and
3. Reclassification of gain on foreign exchange to Other Operating Expenses to offset loss on foreign exchange.

Note C

1. The difference was due to reclassification of certain expenses from Administrative expense to Distribution cost;
2. Reversal of S\$0.38 million administrative expenses.

Note D

The difference was due to reclassification of certain expenses from Administrative expense to Distribution cost.

Note E

1. Additional depreciation charges of S\$0.55 million;
2. An allowance for impairment loss on Property, plant & equipment amounting to S\$1.32 million;
3. Additional allowance for stock obsolescence of S\$1.01 million;
4. Allowance for doubtful debts amounting to S\$1.10 million; and
5. Reclassification of gain on foreign exchange from Other Operating Income.

Note F

Adjustment for additional provision of withholding tax for FY2017

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| Note G Adjustment for reversal of fair value reserve |
| Note H The difference was due to impairment loss on Property, plant & equipment in foreign subsidiaries resulting in movement in translation differences. |
| Note I The difference arose from the recognition of impairment loss on Property, plant & equipment and additional provision of depreciation explained under Note E(1) and (2) above. |
| Note J The difference was due to the reclassification from Non-current assets to Current asset under trade and other receivables. |
| Note K The difference was due to reinstatement of inventory that arose from the reversal of sales offset by increase in allowance for stock obsolescence explained in Note A(1), Note B (2) and Note E(3) above. |
| Note L The difference was due to reversal of sale explained under Note A, additional allowance for impairment on doubtful debts mentioned under Note E(4) and reclassification from Trade and other receivables to Trade and other payables. |
| Note M The difference was due to an adjustment reversing the cash advance from director and the reclassification to bank borrowings . |
| Note N The difference is the net difference arising from the differences from the Statement of Profit and Loss and other comprehensible income. |
| Note O The difference was due to the following:- 1. Reclassification from Non-current liabilities; and 2. Reclassification from cash and cash equivalents. |
| Note P The difference was due to a reversal of deferred taxation no longer required |
| Note Q The differences were due to reclassification from Non-current portion to Current portion and an additional accrual of Deferred income. |
| Note R The difference arose from an allowance for impairment loss on Property, plant & equipment made. |
| Note S The difference was attributed to reclassification from Amount due from subsidiaries to Amount due to subsidiaries. |
| Note T The difference is due to an adjustment to expense off deposit. |
| Note U This is the net difference arising from the adjustments explained under Note R to Note V. |
| Note V The differences were due to a reclassification from Trade and other payables to Deferred Income and an additional accrual of administrative expense. |

BY ORDER OF THE BOARD
Teoh Jin Thean
Executive Director/Chief Executive Officer
9 October 2017