LORENZO INTERNATIONAL LIMITED

LORENZO

ANNUAL REPORT 2019

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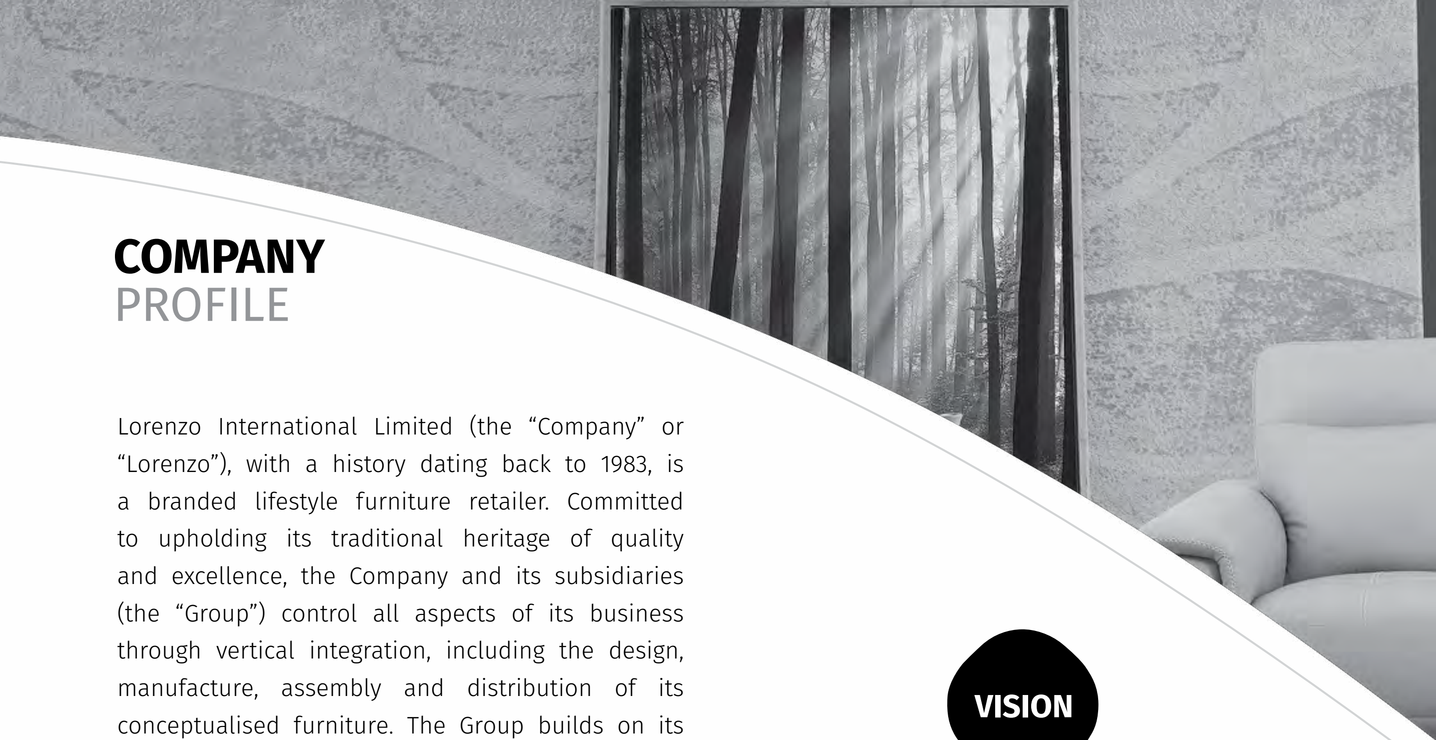


COMPANY PROFILE

Lorenzo International Limited (the “Company” or “Lorenzo”), with a history dating back to 1983, is a branded lifestyle furniture retailer. Committed to upholding its traditional heritage of quality and excellence, the Company and its subsidiaries (the “Group”) control all aspects of its business through vertical integration, including the design, manufacture, assembly and distribution of its conceptualised furniture. The Group builds on its standing as a leading consumer brand by establishing brand presence through wholly-owned stores and Licensed Retailing System (”LRS”) stores across the world.

Lorenzo sells most of its products under the Lorenzo brand name grouped under two main collections - Dante for classic leather sofas and Enzo for wood-based products. The Enzo series of products includes furniture for the living room, dining room and bedroom.

Attesting to its promise of excellence, Lorenzo also acts as an Original Design Manufacturer to design and manufacture furniture under customers’ designs, as well as an Original Equipment Manufacturer to manufacture based on customers’ brands.

The Group delivers the ultimate living experience by offering exquisite, high quality building materials to accompany well-designed furniture, creating and enhancing living concepts for every home.

1983 36 2019
YEARS OF MANUFACTURING

ITALIAN LEATHER GROUP

ASIA’S ONLY & CERTIFIED EXCLUSIVELY IMPORTER OF 100% ITALIAN GENUINE BOVINE HIDES

VISION

To be the leading lifestyle furniture provider enhancing living concepts for every home.

MISSION

To provide comfort in style through constant innovation and product development to our customers.

LORENZO GROUP STRUCTURE

LORENZO

LORENZO INTERNATIONAL LIMITED

- Lorenzo International (Kunshan) Co., Ltd
- Uhin Holding Pte Ltd
  - Supreme Furnishing Centre Pte Ltd
  - Uhin International Co., Ltd
  - Lorenzo Furniture Trading (Shanghai) Co., Ltd
  - Uhin Sofa Sdn Bhd
    - Ginova Furnishing Sdn Bhd
      - Ginova Marketing Sdn Bhd
        - Brezza Living Sdn Bhd
    - Uhin Wood Industries Sdn Bhd
    - Monica Design Sdn Bhd
- Lorenzo Concept Pte Ltd
- Builders Shop Pte Ltd

**Shareholdings in subsidiaries is 100% unless otherwise stated.*

LORENZO PHILOSOPHY

DESIGNED WITH YOU IN MIND

Crafted with pride and perfection, Lorenzo sofas are designed with your total well-being in mind. As you sink into the comfort and softness of a Lorenzo sofa, the stress of the day floats away, leaving behind a quiet sense of peace and harmony.

THE FINEST MATERIALS

Because we at Lorenzo never settle for second best, we scour the world in search of the finest materials. From carefully selected hides to the best fabrics and woods, our signature of perfection shines through.

OFFERING YOU TRUE VALUE

Behind LORENZO lies a guiding philosophy to always provide you, our customer, with the best in value, savings, service and price. We make sure that your total experience at LORENZO achieves optimum comfort for you in every sense of the word. After all, our satisfaction comes from yours.

CARE &ASSURANCE

At LORENZO, we believe in sharing with you the secret of caring for your sofa - so that it continues to provide you with extraordinary comfort, year after year. You'll be glad to know that with the right care and maintenance, your Lorenzo sofa will always look as good as new.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders

I was appointed the Chairman of Lorenzo International Limited on 24 January 2019 and on behalf of the Board of Directors, I am pleased to present to you Lorenzo International Limited's annual report for the financial year ended 31 March 2019 ("FY2019").

Year in Review

FY2019 was another challenging year for Lorenzo International Limited ("Lorenzo" or together with its subsidiaries, the "Group") due to the weak retail market in the countries we operated in.

The Group's revenue in FY2019 was S$29.1 million; a decrease of 8.5% compared to S$31.8 million for the financial year ended 31 March 2018 ("FY2018"). Despite lowering our cost of production, our gross profit was S$0.8 million lower than in FY2018. The Group's net loss after tax lowered to S$5.8 million in FY 2019 compared to $10.8 million in FY2018. This was due to our continuous effort to manage and reduce the overall cost of the Group.

Lorenzo's shares were unfortunately suspended from trading on 14 December 2018 arising from our poor financial performance and net current liabilities. We are assessing all possibilities to lift the suspension of our shares from trading.

Going Forward

Lorenzo has announced that it has entered into a conditional share transfer agreement with an independent third party to dispose the entire share capital of Lorenzo Furniture (Kunshan) Co., Ltd on 13 August 2019. This disposal is subject to clearance from Singapore Exchange Securities Trading Limited.

On 24 October 2019, Lorenzo also announced that it is disposing two properties in Malaysia with the proceeds to be utilised as working capital for its Malaysia's operations.

We are also looking to realize the property situated in Singapore. With these realization of our real estate assets, we should be able to improve our cash flows and resolve our going concern issue.

Sustainability

Lorenzo recognises that embracing sustainability practices is important for the long-term development and success of the Group's business. We had publish and uploaded on SGXNET our FY2018 Sustainability Report on 27 March 2019.

The Sustainability Report for FY2019 will be publish together with our Annual Report 2019.

In Appreciation

On behalf of the Board of Directors, I would like to express my sincere thanks to all our valued customers, suppliers, business associates and shareholders for their long-standing support of Lorenzo. My Board of Directors and management and staff also deserve appreciation for their hard work and contributions during this challenging time.

DING LEI

Executive Director and Chairman

OPERATIONAL & FINANCIAL REVIEWS

REVIEW OF PERFORMANCES

Revenue

The Group registered lower revenue amounting to S$29.1 million for the financial year ended 31 March 2019 ("FY2019") compared to S$31.8 million in the previous corresponding year ("FY2018"). The decrease in revenue of S$2.7 million was due to lower revenue generated from its Furniture segment. The decrease in revenue was mainly attributable to lower sales generated in both Singapore and Taiwan units amounting to S$2.8 million and S$1.7 million respectively offset by increase in sales in its Malaysia unit of S$2.2 million. The lower sales in Singapore were due to the consolidation of the unit retail outlets to one location while the reduction in sales in Taiwan unit was due to a downturn in the furniture retail market. The increase in Malaysia unit's sale was attributed to sales to export customers and improved sales volume.

Cost of Goods Sold and Gross Profit

Cost of sales reduced by S$1.9 million from S$17.4 million to S$15.5 million. The lower cost of sales was due to reduction of production cost during the financial year. Gross profit was S$0.8 million lower than FY2018 as a result of lower sales despite a decrease in cost of production.

Other operating income

Other operating income decreased by S$2.7 million from S$6.9 million in FY2018 to S$4.2 million in FY2019. The decrease was mainly due to the gain arising from disposal of a subsidiary company amounting to S$3.1 million recognised in FY2018 offset by a gain from the waiver of loan from directors in an acquired subsidiary, Brezza Living Sdn Bhd.

Administrative expense

Administrative expense decreased by S$4.6 million or 24.3 percent compared to S$18.9 million in FY2018. This was mainly due to reduction of salary related expenses and rental expenses of S$4.3 million and S$1.3 million respectively.

Distribution and Marketing costs

Distribution and Marketing cost decreased from S$3.4 million in FY2018 to S$3.0 million in FY2019. The decrease arose mainly from reduction of sales commission and transportation charges.

Other operating expense

Other operating expense decreased by S$4.1 million from S$8.6 million in FY2018 to S$4.5 million in FY2019. This was mainly attributable to the provision for doubtful debts of S$2.8 million and provision for slow-moving inventories of S$3.4 million recognised in FY2018. In FY2019, provision for doubtful debts was S$1.9 million and allowance for stock obsolesces written back was S$0.2 million.

Finance cost

Finance cost increase by S$0.4 million compared to S$1.3 million compared to S$0.9 million in FY2018. The increase was due to higher interest expense incurred in FY 2019 due to increase in bank borrowings.

Taxation

Income tax expense of the Group remained flat at S$0.4 million in FY2018 and in the year under review.

Loss for the Year

The Group reported a decreased loss of $5.8 million in FY2019 compared to S$10.8 million in FY2018. The factors attributing to the lower losses were explained above.

STATEMENT OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group decreased by S$1.5 million from S$15.0 million at 31 March 2018 to S$13.5 million at 31 March 2019. This was mainly attributable to depreciation and impairment charges of property, plant and equipment and amortisation charges of land use rights and the reduction of non-current retention sum receivable.

Current Assets

The Group's reported current assets amounted to approximately S$13.6 million as at 31 March 2019. (31 March 2018: S$15.9 million). The decrease was mainly due to the reduction of trade and other receivables and cash and cash equivalents amounting to S$3.0 million and S$0.7 million respectively offset by an increase in inventories of S$1.3 million.

The decrease in trade and other receivables was due to increase in provision for doubtful debts and the increase in inventories was due to writing back of stock obsolescence during the financial year reported on.

Non-Current Liabilities

The Group's non-current liabilities decreased to S$0.6 million at 31 March 2019 (31 March 2018: S$2.0 million). The decrease was due to recognition of rental income of its factory in China.

Current Liabilities

The Group's current liabilities increased by S$3.2 million from S$30.6 million as at 31 March 2018 to S$33.8 million as at 31 March 2019. The increase was mainly attributable to an increase in bank borrowings, contract liabilities and trade payables of S$6.3 million, S$0.3 million and S$0.4 million respectively offset by a decrease in other payables of S$3.0 million.

Capital and Reserves

As at 31 March 2019, the Group had negative shareholders' equity of S$7.3 million compared to S$1.5 million as at 31 March 2018. This was due to accumulated loss and exchange translation loss recorded during the financial year.

CASH FLOW STATEMENT

The Group had an operating loss of S$0.7 million before working capital changes for the current financial year. Net cash used in operating activities was S$6.5 million in FY2019 compared to S$0.6 million in FY2018. The Group registered an increase in inventories of S$1.3 million, decrease in trade and other payables of S$3.3 million and decrease in contract liabilities of S$0.8 million which was partially offset by decrease in trade and other receivables of S$1.0 million and income tax refunded.

Net cash flow generated from investing activities was approximately S$0.6 million, as a result of acquisition of property, plant and equipment and investment properties amounting to S$0.5 million and $0.2 respectively offset by proceeds from sale of property, plant and equipment of S$0.1 million.

OPERATIONAL & FINANCIAL REVIEWS

Net cash flow generated from financing activities was S$6.6 million compared to net cash flow used in financing activities of S$2.4 million in FY2018. This arose from proceeds from bank loan amounting to S$5.8 million and utilization of bills payable of S$0.7 million.

Cash and cash equivalents decreased by S$0.5 million mainly as a result of net cash used in operating and investing activities.

SEGMENT REVIEW

For the financial year under review, the Furniture business registered sales revenue of S$28.2 million compared to S$31.1 million in FY2018. The lower sales were the results of decrease in sales for the Singapore and Taiwan market offset by increase in sales in Malaysia market.

Loss before income tax for this segment was S$1.1 million compared to S$6 million in FY2018. This was mainly owing to reduction in depreciation charges of property, plant and equipment, amortisation charges of land use rights and allowance for doubtful debts and stock obsolescence.

Revenue for the Building material business increased to S$0.9 million from S$0.8 million in FY2018. Loss before income tax decreased by S$0.1 million to S$1.8 million from S$1.9 million in FY2018. This was mainly attributable to cost reduction made in FY2019.

BOARD OF DIRECTORS

DING LEI

Executive Director & Chairman

Mr Ding has more than twenty years of corporate and management experience in finance, real estate, tourism development, iconic cultural development projects and investment management. From 1994 to 2002, he worked in one of the major banks in the People's Republic of China. In 2003, he started to build his own business. From 2008, Mr. Ding redirect his focus to Australia and set up several successful companies. He is the founding director of Guangxi Impression Sanjie Liu Cultural Industry Investment Ltd and has also been appointed as Executive Chairman of Bisan Limited (a listed company on the Australian Securities Exchanges (ASX) since August 2016.

LIM PANG HERN

Executive Director

Mr Lim was appointed Deputy Chairman of the Board on 6 March 2015. He relinquished the position of Deputy Chairman on 24 January 2019 but remains as an Executive Director of the Company. He is responsible for the business development of the Group.

Mr Lim started as an apprentice in the Material Handling Department with a German Company. Within five years, he was promoted to head the Material Handling and Engineering Departments.

He founded BD Cranetech Pte Ltd, a company specializing in Hoist and Crane, in 1991. Under his leadership, the company proudly received the SME 500 Award in 2009 and 2013 as well as the 2012 Enterprise 50 Award.

Currently, Mr Lim sits on the board of an Australian listed company, GPS Alliance Holdings Limited as an Executive Director, a position he has held since 2014.

With his vast knowledge and experience, he now has a group of companies with diverse business in cranes, properties, marine, precast, galvanizing and construction. Mr Lim attained his City & Guilds Diploma in Electrical Engineering in 1988 and received his Master in Technological Entrepreneurship from SIM University of Singapore in 2011.

INDEPENDENT DIRECTORS

JIMMY SOH KING BIN
Lead Independent Director

Mr Soh graduated from Hawaii Pacific University, USA in 1990 with a Bachelor of Science (B.Sc) Double Major in Marketing and Business Management.

Mr Soh has over 20 years of experience in leading change and driving innovation. Through the years, Mr Soh has amassed invaluable international experiences in product development, sales, marketing, operations, finance, multi-channel distribution and food processing.

He is currently the Group CEO and Managing Director of Sol Group of Companies and is also the Co-Founder and Director of Asian Food Network Pte Ltd. Mr Soh serves as Deputy President of the Singapore Food Manufacturers' Association. He also serves as the Vice Chairman on both of Tampines East's Community Club Management Committee and the constituency's Citizens Consultative Committee concurrently.

MARCELO MORA
Independent Director

Mr Marcelo Mora graduated from the University of Western Sydney in 1991 with a Bachelor of Business Administration (B.B.A), Accounting Major.

After practicing in the accounting industry for 20 years, Mr Marcelo Mora proceeded to advance his career as a company secretary after acquiring the Post Graduate Diploma of Applied Corporate Governance, Chartered Secretary (CSA) in 2010.

From his extensive service portfolio, he brings with him valuable domain experience and expertise that will definitely add value to the Company. He has serviced both local (within Australia) and international clients. Such clients include Equus Mining Limited, Dome Gold Mines Limited and GPS Alliance Holdings Limited.

SOH CHUN BIN
Independent Director

Mr Soh is Chairman of the Group's Nominating Committee. He has more than 19 years of experience in the corporate finance and legal sectors, specialising in capital markets and mergers and acquisitions. He is currently the Head of Capital Markets at ZICO Insights Law.

Mr Soh began his career as a corporate lawyer and was one of the pioneering lawyers at Stamford Law (now known as Morgan Lewis Stamford) during its inception in the early 2000s, and one of its youngest equity partners. In 2012, he left the legal profession to be the chief executive of several companies (including listed companies), before returning to legal practice in early 2017. He has advised on many Singapore and international initial public offerings of corporations and real estate investment trusts, as well as on post-listing fundraising. His expertise spans many diverse industries, including real estate, resources, infrastructure and technology. He has been recognised as a leading lawyer by legal publications such as Chambers and Partners, and Asialaw. He graduated from the National University of Singapore with a Bachelor of Law (Honours) in 1999.

He currently holds directorships at SGX-listed companies, Geo Energy Resources Limited, Triyards Holdings Limited and Lorenzo International Limited.

CORPORATE INFORMATION

Board of Directors
Ding Lei (Executive Director/ Chairman)
Lim Pang Hern (Executive Director)
Jimmy Soh King Bin (Lead Independent Director)
Marcelo Mora (Independent Director)
Soh Chun Bin (Independent Director)

Audit Committee
Jimmy Soh King Bin (Chairman)
Marcelo Mora
Soh Chun Bin

Remuneration Committee
Marcelo Mora (Chairman)
Jimmy Soh King Bin
Soh Chun Bin

Nominating Committee
Soh Chun Bin (Chairman)
Marcelo Mora
Jimmy Soh King Bin
Lim Pang Hern
Ding Lei

Registered Office
23 Neythal Road Blk B #04-03
Singapore 628588

Company Secretary
Ong Beng Hong, LLB (Hons)

Share Registrar
B.A.C.S. Private Limited
8 Robinson Road #08-00
ASO Building
Singapore 048544

Auditors
Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

Partner-in-charge: Ho Teik Tiong (since FY2018)
(A member of Institute of
Singapore Chartered Accountants)

Bankers
United Overseas Bank Limited
CIMB Bank Berhad
DBS Bank Limited

CORPORATE GOVERNANCE

One of the top priorities of the Company is adapting and adhering to recognised standards of corporate governance principles and practices. The Board of Directors (the "**Board**") believes that sound and responsible corporate governance is an integral part of the Company in ensuring transparency and creating long-term value and returns to its shareholders.

The Board and the management of the Company ("**Management**") are committed to complying with and adhering to the benchmark set by the Code of Corporate Governance 2012 ("**Code**") and they are devoted to on-going enhancements of the efficiency and effectiveness of such principles and practices. The Company believes that it has largely complied with the spirit and intent of the Code and in areas where the Company's practices have deviated from the Code, rationale for the same is provided herein.

In addition to the Code, the Company has also adopted a code of ethics ("**Ethics**") to provide its employees with guidance on how to act in ways to prevent the Group, its employees and all those who come into contact with the Group from being exposed to harm. The Ethics are designed to ensure that the Group's reputation is maintained. The Ethics set the minimum standard that the Group's employees are required to meet but in the event that the local laws or regulations in the country which the Group has operations in set a higher standard, then the Group will ensure compliance with such laws and regulations. The Ethics provide guidelines to the Group's employees on *inter alia* the following matters:

(i) respecting human rights;
(ii) compliance with observance of laws and regulations;
(iii) acting in fairness in the Group's business dealings;
(iv) protecting and respecting intellectual property;
(v) maintaining confidentiality obligations; and
(vi) not using one's position in the Group for personal gain.

Copies of the Ethics were circulated to the Group's employees and may be found on the Company's corporate website (http://www.lorenzo-international.com/Lorenzo%20Policies.pdf).

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1 - Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board currently comprises two Executive Directors and three Independent Directors. The contribution of the experience and competency of each Director helps in the overall effective management of the Company and its subsidiaries (the "**Group**").

The Board's principal duties include the following:

(i) protecting and enhancing long-term value and return to the Company's shareholders ("**Shareholders**");
(ii) establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
(iii) ensuring the effectiveness and integrity of management;
(iv) chartering the corporate strategy and direction of the Group and setting goals for the Management;
(v) supervising and monitoring the Management's achievement of these goals;
(vi) conducting periodic reviews of the Group's financial performance, internal controls and

CORPORATE GOVERNANCE

reporting compliance;
(vii) approving nominations to the Board and appointment of key personnel;
(viii) ensuring the Group's compliance with all relevant and applicable laws and regulations;
(ix) assuming responsibility for the corporate governance of the Group;
(x) setting the values and standards for the Group, and ensure that obligations to Shareholders and others are understood and met; and
(xi) establishing a framework of prudent and effective controls which enables risks to be assessed and managed.

To assist in the execution of its responsibilities, the Board has established an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**") (collectively referred herein as "**Board Committees**"). The Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also monitored. The Board accepts that while these Board committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

The Executive Directors also supervise the management of the business and affairs of the Company and reduces the administrative time, inconvenience and the expenses associated with the convening of meetings of the Board and circulation of resolutions in writing of the Board, without compromising the Group's corporate objectives and adversely affecting the day-to-day operations of the Company.

However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board's approval, including but not limited to the following:

a. review of the annual budget and the performance of the Group;
b. review of the key activities and business strategies;
c. approval of the corporate strategy and direction of the Group;
d. approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;
e. material acquisitions and disposals;
f. corporate or financial restructuring and share issuances;
g. declaration of dividends and other returns to shareholders; and
h. appointments of new Directors or key personnel.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board's decision has been adopted by the Board.

Board meetings are conducted regularly and ad-hoc meetings (including but not limited to the meetings of the Board Committees) are convened whenever a Director deems it necessary to address any issue of significance that may arise. Teleconferencing and video conferencing at meetings of the Board are allowed under the Company's Constitution. In addition to holding meetings, important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

During the financial year under review, the number of meetings held and attended by each Director is as follows[i]:

CORPORATE GOVERNANCE

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
Director	**No. of Meetings**	**Attendance**	**No. of Meetings**	**Attendance**	**No. of Meetings**	**Attendance**	**No. of Meetings**	**Attendance**
Yeow See Onn(ii)	1	N.A.	1	N.A.	1	N.A.	1	N.A.
Lim Pang Hern	1	1	1	N.A.	1	N.A.	1	1
Ding Lei	1	1	1	N.A.	1	N.A.	1	1
Marcelo Mora	1	1	1	1	1	1	1	1
Jimmy Soh King Bin(iii)	1	1	1	1	1	1	1	1
Soh Chun Bin(iv)	1	1	1	1	1	1	1	1

Notes:

i. The attendance of the Directors, including those also acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.

ii. Mr Yeow See Onn retired at the last Annual General Meeting of the Company held on 31 December 2018 and did not seek re-election. Pursuant to his retirement as an Independent Director of the Company, Mr Yeow See Onn has also stepped down as Lead Independent Director, Chairman of the AC and Member of each of the RC and NC. The announcement relating to his cessation as an Independent Director of the Company was released via SGXNET on 31 December 2018.

iii. Mr Jimmy Soh King Bin was appointed as the Lead Independent Director of the Company, the Chairman of the AC and a member of each of the RC and NC on 18 January 2019. The announcement relating to Mr Jimmy Soh King Bin's appointment was released via SGXNET on 18 January 2019.

iv. Mr Soh Chun Bin was appointed as an Independent Director of the Company, the Chairman of the Nominating Committee and a member of each of the AC and RC on 18 January 2019. The announcement relating to Mr Soh Chun Bin's appointment was released via SGXNET on 18 January 2019.

A newly-appointed Director will be given an orientation to familiarise him/her with the Group's business and governance practices and he/she will also be given a formal letter setting out the duties and obligations of a director of a listed company. Such orientation shall include separate briefing session with the Chief Executive Officer, the Chief Financial Officer, the head of the Company's Malaysia operations, the AC Chairman, the Group's legal advisors and the Group's auditors. Such newly-appointed Director shall also, on request, travel to see the operations of the Group.

The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. News releases issued by the Singapore Exchange Securities Trading Limited and Accounting and Corporate Regulatory Authority which are relevant to the directors are circulated to the Board. The Directors are encouraged to attend seminars, conferences and training courses that will assist them in executing their obligations and responsibilities as directors to the Company and the Company has an on-going training budget which can be used by the Directors to attend courses that they are interested in. Courses attended by some of the Directors during the financial year ended 31 March 2019 include but are not limited to courses organised by Singapore Institute of Directors.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE

In the event that a Director is interested in any transaction of the Group, he shall inform the Board accordingly and abstain from making any recommendation or decision with regards to the transaction. This policy on disclosure of conflicts of interest is also contained in the Group's Ethics and is applicable to all employees of the Group. Under the Ethics, all employees are also advised to avoid situations which create conflicts of interest.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Annual Report, the Board comprises the following directors:

Ding Lei (Executive Director and Chairman)
Lim Pang Hern (Executive Director)
Jimmy Soh King Bin (Lead Independent Director)
Marcelo Mora (Independent Director)
Soh Chun Bin (Independent Director)

The Board considers a director to be "independent" if he/she has no relationship with the Company, the related companies or the officers that could interfere, or be reasonably perceived to interfere, with the exercise of that director's independent judgment of the conduct of the Group's affairs. None of the Independent Directors are related to the Company's Controlling Shareholders. The Board has identified each of the Company's Independent Directors to be independent, after determining, taking into account the views of the NC, whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Each Director is required to disclose to the Board any such relationships or circumstances as and when they arise.

The non-executive Independent Directors constructively challenge and help develop proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

As more than one-half of the Board is made up of Independent Directors, the Company believes the Board shall be able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision-making process.

The Independent Directors meet at least once annually without the presence of the other Directors and where necessary, the Independent Directors would provide feedback to the Chairman after such meetings.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board is of the view that the current Board members comprise persons whose diverse skills, experience, knowledge of the Company and attributes provide for effective director for the Group. To maintain or enhance the Board's balance and diversity, the existing attributes and core competencies of the Board are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Board, through the

CORPORATE GOVERNANCE

NC, has examined the Board's size and is satisfied that it is appropriate for effective decision-making, taking into account the nature and scope of the Company's operations, and is of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience. For details on the experiences and responsibilities of the Directors, please refer to their profiles under the Directors' profile of this Annual Report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

As at the date of this Annual Report, the positions of Chairman and Chief Executive Officer are kept separate.

The clear division of responsibilities between the Chairman and the Chief Executive Officer ensures proper balance of power and authority in the Group. The Chairman position is held by Mr Ding Lei. The position of the Chief Executive Officer is currently vacant. As the Chief Executive Officer has not been appointed, the duties of the Chief Executive Officer are concurrently undertaken by the Executive Directors. The NC and the Board are in the process of identifying a suitable candidate as the Chief Executive Officer. In the meantime, the Board as a whole has oversight over the operations and strategic direction of the Group's business.

As the Chairman, Mr Ding Lei sets the tone for the conduct of the Board and ensures the Group's adherence to best corporate governance practices prescribed by the Code. He also ensures that the Board holds regular meetings and oversees the proper dissemination of corporate information to the relevant parties (including but not limited to the Directors and Shareholders). In addition, the Chairman monitors communications and relations between the Company and its Shareholders, within the Board and between the Board and the Management, with a view to encouraging constructive relations and dialogue amongst them.

The Chief Executive Officer, when appointed will be responsible for the day-to-day operations of the Group, the formulation of the Group's strategic direction as well as providing guidance to the other Directors on the strategic developments relating to the Group's business. In the interim, such duties are undertaken by the Executive Directors.

The separation of the roles of the Chairman and the Chief Executive Officer ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

In view of the above, the Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, all of which are chaired by the Independent Directors.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

At the date of this Annual Report, the NC comprises five members with a majority, including the NC Chairman, being Independent Directors. They are:

CORPORATE GOVERNANCE

Soh Chun Bin – Chairman
Marcelo Mora
Jimmy Soh King Bin
Lim Pang Hern
Ding Lei

The NC is responsible for:

a. ensuring the Directors contribute a right blend of relevant experiences to the Board and have the core competencies to effectively manage the Company;
b. nominating suitable candidates to fill up any core competencies and expertise which is lacking in the Board;
c. proposing objective performance criteria for evaluating the performance of the Board and the performance of each Director with respect to that Director's delegated duties;
d. evaluating the performance and effectiveness of the Board and each Director against the proposed performance criteria which the Board set out and approved of;
e. deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold;
f. determining the independence of each Independent Director annually; and
g. re-nominating any Director to the Board, taking into account that Director's effectiveness, performance and contribution to the Board.

Although the NC does not comprise entirely non-executive directors as provided under Guideline 4.1 of the Code, the Board is of the view that there are sufficient safeguards to minimise the risk of any potential conflict of interest. The majority of the members of the NC (including the Chairman of the NC) are independent. Further, in the event that a member of the NC has an interest in any matter being considered by the NC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC would also review the change to be implemented and make recommendations to the Board accordingly. For the appointment of new Directors, the NC would, in consultation with the Board, examine the existing Board's strengths, capabilities and the existing Directors' contribution of skills, knowledge and experience to the Group and the Board. Further to the above, the NC will take into account the future needs of the Group and, together with the Board, will seek candidates who are able to contribute to the Group.

The NC is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold. The NC had recommended to the Board and the Board had resolved that each of the Independent Directors should not hold more than six listed company board representations and other principal commitments and each of the Executive Directors should not hold more than two listed board representations and other principal commitments. After conducting reviews, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

There are no alternate directors appointed to the Board as at the date of this Annual Report. The Board will generally avoid approving the appointment of alternate directors unless alternate directors are appointed for

CORPORATE GOVERNANCE

directors unless alternate directors are appointed for limited periods in exceptional cases, such as when a Director has a medical emergency.

The NC seeks candidates widely and beyond persons directly known to the existing Directors. Further to the above, the NC is also entitled to engage professional search firms to source for suitable candidates. Resumes of the suitable candidates are reviewed and background checks are conducted before interviews are conducted again for the short-listed candidates. The NC shall then recommend suitable candidates to the Board. Announcements on all appointments and cessation of Directors are released via SGXNET.

The date of initial appointment and last re-election of each Director are set out as follows:

Name of Directors	Appointment	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
Ding Lei	Executive Director/ Chairman	20 January 2017	25 October 2017
Lim Pang Hern	Executive Director	6 March 2015	31 December 2018
Jimmy Soh King Bin	Independent Director	18 January 2019	-
Marcelo Mora	Independent Director	23 January 2017	25 October 2017
Soh Chun Bin	Independent Director	18 January 2019	-

Further to the above, the NC reviews the independence of each of the Independent Directors annually. As part of their review process, the NC requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines in the Code. The NC reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the NC is of the view that Mr Jimmy Soh King Bin, Mr Soh Chun Bin and Mr Marcelo Mora are independent of the Group and the Management.

The NC holds meetings with the Management to set out key performance indicators for the Management in the year. These key performance indicators take into account the Company's business operations and plans as well as the global economy. The NC reviews the Management's performance on an annual basis to determine if they have met the key performance indicators which have been set.

The NC also reviews the performance of the Directors as well as their contribution to the Board. After conducting reviews, the NC is also satisfied that the Directors have been able to devote adequate time and attention to the affairs of the Company and they are able to fulfil their duties as directors of the Company.

The present directorships in listed companies of the present Directors as well as their directorships in listed companies for the preceding three years are set out below:

CORPORATE GOVERNANCE

Name of Directors	Present Directorship In Listed Companies	Past Directorship In Listed Companies
Ding Lei	Bisan Limited	-
Lim Pang Hern	GPS Alliance Holdings Limited	-
Jimmy Soh King Bin	-	-
Marcelo Mora	GPS Alliance Holdings Limited	-
Soh Chun Bin	Geo Energy Resources Limited ISOTeam Ltd. Triyards Holdings Limited	Chosen Holdings Limited

Under Article 90 of the Company's Constitution, at least one-third of the Directors (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) is required to retire from the office of Director and stand for re-election at the Company's Annual General Meeting. Generally, the retiring Directors are Directors who have been the longest in office since their last election (unless otherwise nominated by the NC).

The Directors retiring at the forthcoming Annual General Meeting pursuant to Article 90 of the Company's Constitution are Mr Ding Lei and Mr Marcelo Mora. After assessing each of their contributions and performance, the NC is recommending Mr Ding Lei and Mr Marcelo Mora for re-election at the forthcoming Annual General Meeting.

Additionally, Mr Jimmy Soh King Bin and Mr Soh Chun Bin were appointed on 18 January 2019. As such, they shall each be required pursuant to Article 96 of the Company's Constitution to retire at the Company's forthcoming Annual General Meeting. After assessing each of their contributions and performance, the NC has also recommended the respective elections of Mr Jimm Soh King Bin and Mr Soh Chun Bin at the forthcoming Annual General Meeting.

Further to the above, it should also be noted that the NC also reviews the appointment of any manager of the Company or any of its principal subsidiaries, who is a relative of a Director or Chief Executive Officer or Substantial Shareholder. For the financial year ended 31 March 2019 there were no 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.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has established a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. This assessment is conducted by the NC at least once a year by way of a Board evaluation where the Directors complete a questionnaire seeking their views on various aspects of Board performance, such as Board composition, information, process and accountability. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director. The Chairman will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Directors. No external facilitator has been appointed by the Company.

CORPORATE GOVERNANCE

To assess the effectiveness of the Board as a whole, the factors evaluated by the NC include but are not limited to:

(i) the size and composition of the Board;
(ii) the discussion and decision-making processes of the Board (including the conduct of meetings by the Board);
(iii) the Board's access to information;
(iv) the accountability of the Board to the shareholders;
(v) the observation of risk management and internal control policies by the Board; and
(vi) the performance of the Board (including the Board's performance in relation to the discharge of its principal responsibilities in terms of the financial indicators set out in the Code).

To assess the contribution of each individual Director, the factors evaluated by the NC include but are not limited to:

(i) his/her participation at the meetings of the Board;
(ii) his/her ability to contribute to the discussion conducted by the Board;
(iii) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;
(iv) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;
(v) his/her compliance with the policies and procedures of the Group;
(vi) his/her performance of specific tasks delegated to him/her;
(vii) his/her disclosure of any related person transactions or conflicts of interest; and
(viii) for Independent Directors, his/her independence from the Group and the Management.

The Board and the NC have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

Based on the NC's review, the NC considers the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board to be satisfactory and is of the view that the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To ensure that the Directors are able to effectively discharge their duties and be fully aware of the decisions and actions of the Management, the Directors have been given detailed information concerning the Group's business operations periodically. In particular, financial statements of the Group are also prepared on a half-yearly basis and circulated to all Directors for their review, allowing the Directors to have an awareness of the Group's financial position. When required, board papers are also prepared for meetings of the Board to provide information on financial, business and any other corporate issues to the Board.

All Directors are from time to time furnished with information concerning the Company, including board papers and related materials, background or explanatory information relating to matters to be documents, budgets, forecasts and internal financial

CORPORATE GOVERNANCE

statements, to enable them to be fully cognisant of the decisions and actions of the Management. In respect of budgets, in the event that there are any material variances between the projections and actual results, these are disclosed and explained to the Board by Management.

In addition, the Directors have, at all times:

a. unrestricted access to the Company's records and information; and
b. separate and independent unlimited access to the Company Secretary and the Management.

The Company Secretary is available to the Directors at all times to advise on the necessary procedures for any Board and/or Board Committee meetings so as to ensure that all requirements and procedures (including those stipulated in the Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) and the Singapore Exchange Securities Trading Limited, are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board also supports the taking of independent professional advice, at the Company's expense, if necessary in order for it or an individual Director to effectively discharge his/her duties and responsibilities.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

At the date of this Annual Report, the RC comprises three members, all of whom, including the RC Chairman, are Independent Directors. They are:
Marcelo Mora – Chairman
Jimmy Soh King Bin
Soh Chun Bin

The RC meets at least once annually. If so required, it may seek expert advice in the field of executive compensation outside the Company upon approval by the Board, and the expenses of such advice shall be borne by the Company.

The RC is principally responsible for reviewing and recommending to the Board remuneration packages and policies for the Directors, key management personnel ("**Key Management Personnel**") and any persons occupying managerial positions who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Group. This review process covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, performance shares, and benefits-in-kind, as the case may be. Pursuant to its review, the RC will submit its recommendations to the entire Board for endorsement.

Each member of the RC abstains from voting on any resolutions in respect to his/her remuneration package.

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for the financial year ended 31 March 2019.

CORPORATE GOVERNANCE

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC carries out annual reviews of the remuneration packages of the Directors and the Management, having due regard to their contributions as well as the financial and commercial needs of the Group.

The RC takes into account the industry norms/ standards, the Group's performance as well as the contribution and performance of each Director when determining the remuneration packages of the Directors.

The Independent Directors receive Directors' fees, in accordance with their contributions, taking into account factors such as effort and/or time spent, the responsibilities of the Independent Directors and the need to pay competitive fees to attract, retain and motivate the Independent Directors. The Independent Directors are not over-compensated to the extent that their independence may be compromised.

The remuneration for the Executive Directors and the Management comprise a basic salary component and a variable component, namely, the annual bonus. The latter is based on the performance of the Group as a whole and their individual performance.

The Company has entered into separate service agreement with each of Mr Ding Lei and Mr Lim Pang Hern to set out the framework of their respective remuneration. These service agreements provide *inter alia* that either the Executive Director or the Company may terminate that Executive Director's service agreement upon giving written notice of not less than six months. The terms of the service agreements are reviewed by the RC on an annual basis. Based on the RC's review, the RC is of the view that the service agreements include fair and reasonable termination clauses which are not overly generous.

The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss, as they owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of a breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

In addition to its strict policies on bribery and money-laundering, the Group also maintains, under its Ethics, strict policies on gifts and entertainment which applies to all employees (including Directors). In the event that gifts, entertainment or other benefits are offered to employees, they must be properly declined if there is a risk of there being an appearance of impropriety. Similarly, all employees must also not offer any gifts, entertainment or other benefits to others if it creates an appearance of impropriety.

CORPORATE GOVERNANCE

The breakdown of remuneration (rounded off to the nearest thousand dollars) of the Directors for the financial year ended 31 March 2019 is set out below:

Name Of Directors[1]	Fees S$'000	Salary S$'000	Bonus S$'000	Benefits-In-Kind S$'000	Allowances S$'000	Total S$'000
Ding Lei	-	144	-	-	-	144
Lim Pang Hern	-	132	-	9	-	141
Jimmy Soh King Bin	8.5	-	-	-	-	8.5
Marcelo Mora	38	-	-	-	-	38
Soh Chun Bin	8.5	-	-	-	-	8.5
Yeow See Onn[2]	32	-	-	-	-	32

Notes:
(1) No shares were issued to the Directors under the Company's Share Performance Plan for the financial year ended 31 March 2019. The Company's Share Performance Plan expired on 9 December 2019.
(2) Mr Yeow See Onn retired as a Director of the Company with effect from 31 December 2018.

The breakdown of remuneration (rounded off to the nearest thousand dollars) of the top Key Management Personnel for the financial year ended 31 March 2019 is set out below.

Name Of Key Management Personnel[a]	Fees S$'000	Salary S$'000	Bonus S$'000	Benefits-In-Kind S$'000	Allowances S$'000	Total S$'000
Teo Kok Meng[b]	-	102	-	10	-	112
Chung Kim Yew[c]	-	-	-	40	-	40

Notes:
(a) No shares were issued to the Directors under the Company's Share Performance Plan for the financial year ended 31 March 2019.
(b) Mr Teo Kok Meng was appointed as Chief Financial Officer of the Company on 31 October 2017.
(c) Mr Chung Kim Yew was appointed as Chief Operating Officer of the Company on 23 November 2017.

There is no termination, retirement and post-employment benefits granted to Directors or the Key Management Personnel.

During the financial year 31 March 2019, the Group did not have any employees who are immediate family members of a director or the CEO.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

One of the Board's principal duties is to protect and enhance the long-term value and returns to the Shareholders. This accountability to the Shareholders is demonstrated through the presentation of its periodic financial statements as well as the timely announcements and news releases of significant corporate developments and activities so that the Shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

CORPORATE GOVERNANCE

The Management maintains close contact and communication with the Board by various means, including but not limited to holding meetings with the Board or corresponding via email in which documents are circulated to the Board for their review or for their information. The Company is required to make half-yearly announcements in relation to their financial results. However, the Management prepares the financial results every quarter and meetings are held with the Board to review these financial results. The Management also prepares and updates the Company's budget and table the same to the Board for their review. The abovementioned arrangement allows the Directors to monitor the Group's performance as well as the Management's achievements of the goals and objectives determined and set by the Board.

The Company also completes and submits the relevant compliance checklists to SGX-ST (if applicable and when required) to ensure that all announcements, circulars or letters to our Shareholder comply with the minimum requirements set out in the SGX-ST Listing Manual.

Under the Ethics, the Company and its employees are also required to provide the Shareholders, analysts, customers, creditors and any other relevant persons reliable information relating to the Group's operations and performance and outlook. The Board ensures that there is proper record keeping and financial reporting to safeguard the integrity and credibility of the Group and to prevent financial irregularities and even fraud. All employees are required under the Ethics to keep accurate and truthful records and reports (including those used for internal purposes and be in compliance with local and global accounting standards as well as laws, rules and regulations of countries in which the Group operates in).

The Group's reputation is valuable and has been achieved through many years of excellent service and integrity in its business operations. To maintain the Group's reputation, our Group has maintained, under the Ethics, policies for proper marketing, advertising and sales practices to ensure that description of the Group's offerings and services are legal and fair and there are no false, misleading or deceptive practices.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, including the determination of the Company's levels of risk tolerance and risk policies, but recognises that all internal control systems contain inherent limitations and that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The AC conducts regular reviews of the adequacy and effectiveness of the Group's internal controls and risk management functions, including financial, operational and compliance controls and internal controls in relation to information technology risks.

The AC have, on behalf of the Board, reviewed the adequacy and effectiveness of the various systems put in place by the Management and it is satisfied that there are adequate internal controls in the Company to provide reasonable assurance as to the integrity and reliability of the financial information and to

CORPORATE GOVERNANCE

safeguard and maintain accountability of its assets.

As the Group is too small and its business is such that it does not have a risk management committee, the Board, AC and the Management assumes the responsibility of the risk management function. The Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal controls systems of the Company.

Based on the internal controls and risk management functions established and maintained by the Group, the AC and the Board are of the opinion that the Group's risk management systems and internal controls, notably those systems addressing financial, operational, compliance, information technology and other risks, were adequate and effective as at 31 March 2019. This is supported by the assurance from the Chairman and the Chief Financial Officer that:

(i) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and
(ii) they have evaluated the effectiveness of the Company's risk management and internal controls and have discussed with the Company's auditors on their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report the financial data.

In addition, the Group's whistle-blowing policy and the Ethics set out by the Group also require employees to act in accordance with the values and policies of the Group. To monitor compliance with the Ethics, risk management systems are put in place and compliance audits are conducted. Breaches or potential breach of the Ethics are to be reported to a senior manager, a member of the Group's human resource department and the AC or through local grievance procedures.

Audit Committee
Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The role of the Audit Committee ("**AC**") is to assist the Board with regard to the discharge of its responsibility to safeguard the Group's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls with an overall objective to ensure that the management has created and maintained an effective control environment in the Group.

At the date of this Annual Report, the AC comprises three Independent Non-Executive Directors. They are:
Jimmy Soh King Bin – Chairman
Marcelo Mora
Soh Chun Bin

The AC meets periodically and once every quarter to review the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained within the Group. The AC's duties include the review of:

(i) audit plans of the External Auditors, their evaluation of the Group's system of internal accounting controls, their audit report, their management letter and the management response;

CORPORATE GOVERNANCE

(ii) the interim and annual financial statements and results announcements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and the Listing Manual of the SGX-ST and any relevant statutory or regulatory requirements;

(iii) meet with the external auditors and the internal auditors without the presence of management at least annually, to discuss any problems and concerns they may have;

(iv) review internal audit programmes and adequacy and effectiveness of the Group's internal audit function as well as to ensure the coordination between the external auditors and internal auditors and management;

(v) consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;

(vi) review the scope and results of the audit, its cost effectiveness, the independence and objectivity of the external auditors annually. Where the external auditors also supply a substantial volume of non-audit services to the Group, the nature, extent and cost effectiveness of such services would be reviewed in order to ensure that these services do not affect the independence and objectivity of the external auditors;

(vii) interested person transactions, if any; and

(viii) the adequacy and the effectiveness of the Group's internal control system (including financial, operational, compliance and information technology controls) and to report to the Board annually.

For the financial year ended 31 March 2019, the AC has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The AC is also satisfied with the adequacy of the Company's accounts and financial reporting resources.

Apart from the duties listed above, the AC has the authority to commission and review the findings of internal investigations of matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. The AC is entitled to obtain independent professional advice to execute its duties.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external auditors and, where relevant, the internal auditors.

In the event that a member of the AC is interested in any matter being considered by the AC, he/she will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC has also reviewed the arrangements by which the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are in place for independent investigations of such matters and for appropriate follow-up action as and when the need arise. The Company has put in place a whistle-blowing policy for this purpose. Under the Company's whistle-blowing policy, employees may submit a complaint (which may be on an anonymous basis) to the Chairman of the AC and/or the officer designated by the AC, who will proceed to investigate the complaint. Complaints which should be reported pursuant to the

CORPORATE GOVERNANCE

whistle-blowing policy, include without limitation, the following:

(i) fraud or deliberate error in the recording and maintaining of the financial records of the Group or in the preparation, review or audit of the Group's financial statements;
(ii) significant deficiencies in or deliberate non-compliance with the Group's internal accounting controls;
(iii) use of the Group's funds, assets or property for any illegal, improper or unethical purpose, for example, fraud, theft of corporate property, embezzlement or misappropriation of corporate funds, assets or confidential information, and any acts of corruption or bribery;
(iv) fraud against investors, or the making of fraudulent statements to the SGX-ST, members of the investing public and government or state authorities;
(v) violation of existing legislation, rules and regulations applicable to the Group relating to its accounting, financial reporting, internal controls and auditing matters;
(vi) distinct effort to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external accountant or auditor in connection with the preparation, examination, audit or review of any financial statements or records of the Group;
(vii) improper actions or omissions which are likely to endanger colleagues, customers and suppliers of the Group and/or members of the public;
(viii) improper or abuse of Company position/appointment for personal gain; and
(ix) information relating to any of the above is being deliberately concealed or attempts are being made to conceal the same.

Questions, concerns and complaints relating to the enforcement or application of human resources policies and regulations of the Group, aspects of the workplace environment of the Group and the behavioural aspects of employees (including matters relating to discrimination and harassment of any nature), are not considered complaints and should not be reported under this Policy but should be reported directly to the employee's supervisors or to the Group's Human Resource Manager.

A copy of the Company's whistle-blowing policy and procedure may be found on the Company's corporate website (http://www.lorenzo-international.com/Lorenzo%20Policies.pdf).

The AC reviewed the adequacy of audit arrangements, with particular emphasis on the observations of the External Auditors, the scope and quality of their audits and the independence and objectivity of the External Auditors. The AC also reviewed:

(i) the work performed by the External Auditors taking into consideration the guidelines set out in the Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors issued in July 2010 by SGX-ST and the Singapore Accounting and Corporate Regulatory Authority; and
(ii) the fees and expenses paid to the External Auditors, including fees for non-audit services.

The AC reviewed the independence and objectivity of the external auditors as required under Section 206(1A) of the Companies Act and determined that the external auditors were independent in carrying out their audit of the financial statements. None of the members of the AC (i) is a partner or director of Messrs Foo Kon Tan LLP, or (ii) have any financial interest in Messrs Foo Kon Tan LLP.

CORPORATE GOVERNANCE

The AC has also reviewed the scope and quality of the external auditors' work before recommending the external auditors to the Board for re-appointment. After taking into account that the resources and experience of Messrs Foo Kon Tan LLP and the audit engagement partner assigned to the audit, Messrs Foo Kon Tan LLP's other audit engagement, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by Messrs Foo Kon Tan LLP for the audit, the AC is of the opinion that Messrs Foo Kon Tan LLP's independence has not been compromised and is able to meet its audit obligations. Together with the Board, the Audit Committee recommends the re-appointment of Messrs Foo Kon Tan LLP at the forthcoming Annual General Meeting.

Messrs Foo Kon Tan LLP is an audit firm registered with the Singapore Accounting & Corporate Regulatory Authority and was appointed on 11 October 2005. The AC noted that Messrs Foo Kon Tan LLP was not engaged to provide non-audit services in the financial year ended 31 March 2019. The audit fees paid to the External Auditors for their audit services in the financial year ended 31 March 2019 are S$180,000 (excluding disbursements and GST).

Messrs Foo Kon Tan LLP was also appointed in the financial year ended 31 March 2019 to audit the accounts of the Company and its subsidiaries companies in Singapore and People's Republic of China. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual.

The AC and External Auditors have, at all times, unrestricted access to each other. The AC also meets annually with the External Auditors, without the presence of the Management and is authorised to have full and unrestricted access to management and all personnel, records, operation, properties and other informational sources of the Company as required or desirable to properly discharge its responsibilities.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The Company outsources its internal audit function to an external audit firm Nexia TS Risk Advisory Pte Ltd ("**Internal Auditors**"). Nexia TS Risk Advisory Pte Ltd is not the external auditor of the Company and the Audit Committee noted that the internal audits conducted by Internal Auditors meet the standards set out by the Institute of Internal Auditors. Internal audit was performed for the financial year ended 31 March 2019.

The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The role of the Internal Auditors is to support the AC in ensuring that the Company maintains a sound system of internal controls by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigation as directed by the AC.

The Internal Auditors shall remain independent of management and shall report directly to the Chairman of the AC. The Internal Auditors shall be responsible for the preparation of internal audit plans to be reviewed and approved by the AC.

The AC ensures that the Internal Auditors are adequately resourced and have appropriate standing within the Company.

CORPORATE GOVERNANCE

The AC meets at least once annually to ensure the adequacy of the internal audit functions. The AC is responsible for the review and approval of the internal audit plan proposed by the Internal Auditors. The AC also believes that the system of internal controls and risk management maintained by the Company is independent, effective, adequately resourced and adequate to safeguard the Shareholders' investment and the Company's assets [as the internal audit function is outsourced to the Internal Auditors].

To determine the adequacy of the internal control and risk management, the procedures adopted include but are not limited to:

a. reviewing the revenue policies and procedures established;
b. checking invoices raised to sales order and/or contracts;
c. reviewing discrepancies of billing and receipts;
d. reviewing monitoring system for unfulfilled sales order procedures;
e. reviewing processing and banking-in of receipts;
f. reviewing customer complaints and respective corrective action taken;
g. reviewing sales-related deductions and adjustments to ensure that they were supported with documentary evidence and were authorised;
h. reviewing the timeliness of revenue recognition;
i. checking the debtors aging report, the customer invoices and recording of debts in terms of amount period;
j. reviewing documentation and evidence supporting the monitoring of overdue balances and ensure that continuous monitoring is undertaken;
k. reviewing overdue balances and determining whether provisions or write-offs were required based on evidence collected during the monitoring stage;
l. reviewing credit evaluation procedures and credit management and commenting on its effectiveness;
m. checking that provision for bad debts and write offs were approved in accordance with policies and procedures;
n. checking goods received and issued to ensure that inventory records are updated accordingly;
o. reviewing the top-up level for essential spares and inventory;
p. reviewing movements of inventory;
q. reviewing the obsolete or slow moving items;
r. inquiring and observing the adequacy of physical security and control;
s. reviewing turnover of major inventory items and assessing the Group's ability to manage inventory;
t. reviewing stock take procedures and stock take report;
u. reviewing the performance of reconciliation of stock take variance to ensure that it was conducted as approved and taken up in the accounts; and
v. reviewing stock returned and rejected by customers and the reasons given for such returns;
w. reviewing key management/ corporate information such as organisation charts, policies and procedures, systems and authorisation limits;
x. interviewing key process owners (managers and employees) on the operating processes and controls;
y. performing walkthrough of processes to understand key controls in place;
z. carrying out control testing through verification and reviewing of relevant documents; and
aa. reviewing employee job functions and responsibilities to assess whether incompatible duties were properly segregated.

CORPORATE GOVERNANCE

The findings from the abovementioned reviews and checks are rated and reported to the AC. In particular, high risk matters are highlighted to the AC and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 clear days before the scheduled date of such meeting.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavours to maintain constant and effective communication with Shareholders through timely and comprehensive announcements. Price-sensitive information is released to all parties such as Shareholders, stakeholders and the public simultaneously to ensure a level playing field. Any material information or respective half-yearly and full year results is disseminated through SGXNET.

The Company communicates regularly through the following channels:

a. the SGXNET;
b. news and press releases;
c. the annual report; and
d. if it receives any email queries from Shareholders, replies by email.

The Group's material development and information shall also be disclosed in:

a. the Company's announcement of periodic financial results on the SGXNET;
b. notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;
c. press releases for the Group's half-year and full-year results as well as other briefings, as appropriate;
d. press releases on major developments and corporate affairs of the Group (which the Company also releases as announcements via SGXNET and any supporting materials to these press release such as PowerPoint slides are also attached to these announcements); and
e. circulars or letters to Shareholders to provide the Shareholders with more information on its major transactions.

In addition to the above, the Shareholders can access the Company's corporate website (http://www.lorenzo-international.com/) at their convenience to receive updates. The Company's corporate website also provides information about the Company, its products and its Directors. The Company has a pool of professional and dedicated investor relation team in ensuring that queries by the Shareholders are responded in a timely manner.

CORPORATE GOVERNANCE

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board regards the general meetings of shareholders, in particular the Annual General Meeting, as an opportunity to communicate directly with the Shareholders and encourages attendance and participative dialogue during the Annual General Meeting and any other general meetings of shareholders (hereinafter referred to collectively as "**General Meetings**").

The notice of the Annual General Meeting is dispatched to shareholders with the Annual Report (together with explanatory notes or a circular/letter to shareholders on items of special business, if applicable) at least 14 clear days before the Annual General Meeting if ordinary resolutions are to be transacted at the meeting or at least 21 clear days before a general meeting if special resolutions are to be transacted at such general meeting. The notice, first disseminated via SGXNET, is also advertised in newspapers.

It is crucial that the notices of General Meetings are reached out to the Shareholders prior to such General Meetings as the notices set out the agendas that will be discussed, some of which may be of interest to the Shareholders. A member of the Company entitled to attend and vote at General Meetings of the Company is entitled to appoint one or two proxies to attend and vote in his place. The Chairman of the General Meetings and the other Directors attending the General Meetings will be available to answer questions from the Shareholders present.

The External Auditors are also invited to attend the Annual General Meetings of the Company and will assist the Directors in addressing relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of the External Auditors' report.

The Company also encourages all the Shareholders to attend the Annual General Meeting to grasp a better understanding of the Group's business and be informed of the strategic goals and objectives. Shareholders are also encouraged to attend all other general meetings of Shareholders so as to be kept abreast of new developments in the Company in which Shareholders' approval is being sought. The Board and Management are committed to an open dialogue with the Shareholders at the General Meetings to address the Shareholders' issues, views and concerns.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

The Company's Constitution allows a Shareholder to appoint one or two proxies to attend the General Meetings and vote in place of that Shareholder, save that no limit shall be imposed on the number of proxies for nominee companies. The Board is of the

CORPORATE GOVERNANCE

view that voting in absentia can only be possible if there is absolute certainty that integrity of the information and authentication of the identity of such Shareholder is not compromised.

Votes at the forthcoming Annual General Meeting and all General Meetings will be taken by poll so that Shareholders are accorded rights proportionate to their shareholding and all votes are counted.

The Chairmen of the Board Committees are normally available at the General Meetings as well to answer relevant questions raised by the Shareholders. Appropriate Management personnel are also present at General Meetings to respond, if necessary, to operational questions from Shareholders. The Company Secretary prepares minutes of General Meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to Shareholders upon their request. The results of the General Meetings will be released as an announcement via SGXNET.

(E) DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

The Group has adopted and implemented the best practices guidelines advised by SGX-ST in relation to the dealing of shares of the Company. The Group has maintained policies on insider-trading in its Ethics and also put in place procedures prohibiting the Directors and employees of the Group from dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's financial results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group.

The Directors and employees are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities on short term considerations.

The Board shall ensure that the Company complies with the principal corporate governance recommendations set out in the best practices guide issued by SGX-ST.

The Company also has a policy of encouraging its Non-Executive Directors (including Independent Directors) to purchase shares in the Company (provided always that the best practices guidelines advised by SGX-ST are observed) and for the Non-Executive Directors to hold these shares until the Non-Executive Director leaves the Board.

(F) INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the SGX-ST Listing Manual on interested person transactions, the Board and AC regularly reviews if the Company enters into any interested person transaction and if it does, to ensure that the Company complies with the requisite rules under Chapter 9.

If the Company does enter into an interested party transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

Further to the above, the Group has introduced policies under its Ethics, requiring all employees (including Directors) to disclose, at all times, any actual or apparent conflicts of interests as well as avoiding such potential conflicts.

CORPORATE GOVERNANCE

The aggregate value of transactions entered into by the Group with interested persons and their associates for the financial year ended 31 March 2019 are as follows:

	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S$100,000 and transactions under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	
	31 March 2019 S$'000	**31 March 2018 S$'000**
Sales to a firm of which a director of the Company is a member	-	-
Purchases from a firm of which a director of the Company is a member	-	-
Expenses charged by a firm of which a director of the Company is a member	-	-
In addition, the Group had entered into the following transactions which come under the exception under Rule 916 of the SGX-ST Listing Manual		
Rental expenses paid and payable to a firm of which a director of the Company is a member	-	1,233
Rental expenses in relation to prior years paid and payable to a firm of which a director of the Company is a member	-	655

The Group has not obtained a general mandate from shareholders for interested person transactions.

(G) MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the Chairman, Chief Executive Officer, any Director or Controlling Shareholder except for the service agreements entered into between the Company and the Executive Directors.

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

Lorenzo International Limited ("Lorenzo" and together with our subsidiaries, our "Group") is pleased to present our Sustainability Report for the financial year ended 31 March 2019 ("FY2019"). In this Sustainability Report, we report on the progress of our sustainability efforts and the next phase of our journey towards achieving sustainable growth.

Our Group continued to be faced with challenges with a weakening consumer demand in furniture retail throughout the financial year and whilst we strive to boost our revenue stream in the export segment, we continue to manage these challenges by reducing our overall costs and expenses.

Amongst other pressing issues such as restructuring our business operations and improving our Group's cash flow, the Board of Directors ("Board") also considers sustainability in the formulation of our long-term strategies. These material ESG issues identified by the management were approved by the Board and under the guidance and oversight of the Board, these issues are monitored by senior management.

As our Group continues to focus our busines restructuring efforts in returning business performance back to desirable levels, we are cognisant that sustainability means more than just financial accountability; it's also the story of our progress towards tracking and achieving our environmental, social and governance ("ESG") goals and ensuring long-term value creation for our stakeholders. As such, we remain committed to work alongside our stakeholders to build a sustainable business model through our business restructuring efforts and continue to practice responsible business practices.

Sincerely,
Board of Directors
Lorenzo International Limited

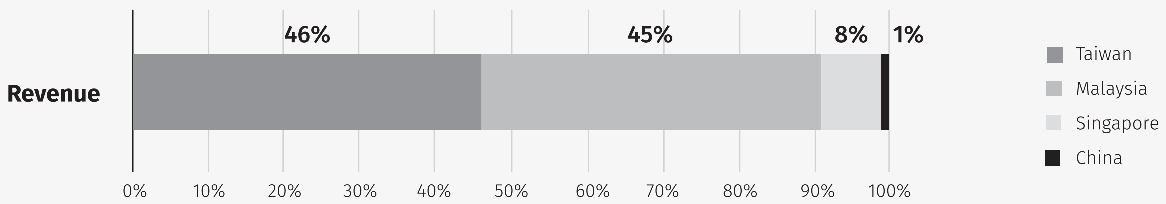
ORGANISATIONAL PROFILE

We were incorporated on 16 June 2005 in Singapore under the name of Lorenzo International Pte Ltd. Lorenzo is listed on the Mainboard of SGX-ST from January 2008. Our registered office, also our principal place of business, is located at 23 Neythal Road Blk B #04-03 Singapore 628588.

Lorenzo started out with a brand-centric focus and has grown to be one of the finest and largest lifestyle retailers in the region. Our Group has been at the forefront of international trade fairs, representing the industry's leading designs. Equipped with an in-house design department, Lorenzo stays ahead of latest designs and trends to meet customers' needs and demands. We pride ourselves on the care and quality of our products at every stage of the process and design and sourcing to manufacturing and post-sale services. With an emphasis on quality standards, Lorenzo provides more than comfort and lifestyle; we offer a home and space built on trust and confidence. To date, we have more than 30 wholly-owned stores with more than 100 full time employees and Licensed Retailing System ("LRS") stores spanning across Singapore, Malaysia and Taiwan. In addition, we own manufacturing facilities and assembly plants in Malaysia.

Other than furniture business, we also engaged in the trading of building materials. Based on our Group's Annual Report for the financial year ended 31 March 2019 ("FY2019"), the revenue derived from each of these operating segments amounted to SGD 28,351,000 and SGD 799,000, which equates to 97.3% and 2.7% of our total revenue respectively. In terms of revenue derived by each geographical location, Taiwan's revenue contribution was the highest, amounting to 46% of our total revenue. Please refer to the chart below for details of revenue by geographical location.

REVENUE (BY GEOGRAPHICAL LOCATION)



Under our furniture business, we developed the Lorenzo brand from the initial thought to deliver the ultimate living experience by offering exquisite, high quality building materials to accompany well-designed furniture, creating and enhancing living concepts for every home. We believe that this would aid in value-creation for our customers and would distinctly differentiate us from our competitors.

The Lorenzo brand consist of 2 main collections – Dante, which offers contemporary lifestyle furniture with strong European influence such as classic leather sofas and Enzo, which offers stylish and sophisticated wood-based furniture for the living room, dining room and bedroom. Most of our products are sold under the Lorenzo brand name.

FY2019 had been a challenging year for us as our business restructuring is expected to persist for another one to two years. Despite this, we will not compromise on our product quality and will constantly strive to deliver the best for our customers in this ever competitive landscape.

ORGANISATIONAL PROFILE

Our Vision, Mission and Values

We envision ourselves to be the leading lifestyle furniture provider, enhancing living concepts for every home. We inspire to be the name customers think of when they are looking for the ultimate living experience.

We aim to achieve this by providing comfort in style through constant innovation and product development for our customers. We seek to bring exquisite and high quality products and solutions to market, designed with the finest materials and our customers in mind.

Supply Chain

With manufacturing facilities and assembly plants in Malaysia, we are able to streamline our manufacturing costs as compared to manufacturers based in Europe and Asia Pacific.

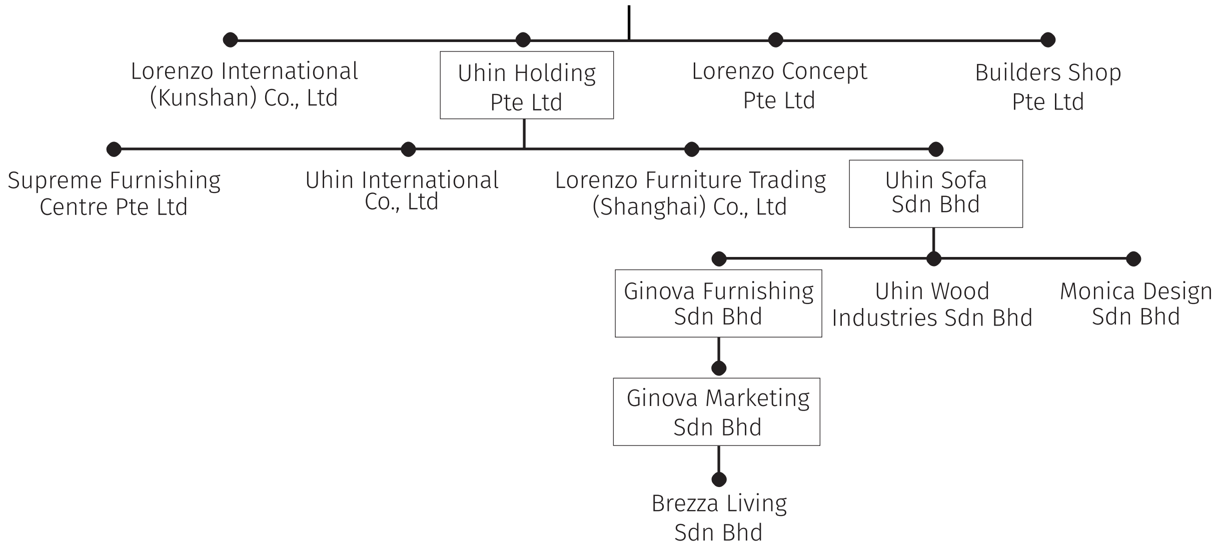
As our Group strives to bring the best products to the market, we recognise the value of an effective and efficient supply chain. Our suppliers have to undergo quality inspections by our quality control team. Raw materials that we sourced, mainly leather, PVC, fabric, wood, foam and finishes, are also subjected to stringent quality inspections. These controls allow us to maintain our product quality as well as reducing material wastages, which is a key business driver for our continued success.

Our Corporate Structure

Our Group has 100% shareholdings in all of our subsidiaries.

LORENZO

LORENZO INTERNATIONAL LIMITED



**Shareholdings in subsidiaries is 100% unless otherwise stated.*

ORGANISATIONAL PROFILE

Our Governance Structure
(with reference to FY2019 Annual Report[1])
Board of Directors
Ding Lei (Executive Director/ Chairman)
Lim Pang Hern (Executive Director)
Jimmy Soh King Bin (Lead Independent Director)
Marcelo Mora (Independent Director)
Soh Chun Bin (Independent Director)

Audit Committee
Jimmy Soh King Bin (Chairman)
Marcelo Mora
Soh Chun Bin

Remuneration Committee
Marcelo Mora (Chairman)
Jimmy Soh King Bin
Soh Chun Bin

Nominating Committee
Soh Chun Bin (Chairman)
Marcelo Mora
Jimmy Soh King Bin
Lim Pang Hern
Ding Lei

External Initiatives
Currently, we do not engage in any external initiatives but we do not rule out the possibility to engage in such activities in the future. We understand the need to carry out these initiatives and will consider doing so in the future.

Note:

1. Yeow See Onn – retired as a Director as of 31 December 2018, and is no longer a member of the Remuneration, Nominating Committee and Chairman of Audit Committee. He is replaced with Mr Jimmy Soh King Bin.

   From 18 January 2019, Mr Jimmy Soh King Bin has been appointed as the Lead Independent Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee

   From 18 January 2019, Mr Soh Chun Bin has been appointed as an Independent Director of the Company, the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee

   As of 18 January 2019, Mr Lim Pang Hern has ceased to be a member of the Audit Committee and Remuneration Committee. Mr Lim Pang Hern has also stepped down from his position as Deputy Chairman of the Board.

ABOUT THIS REPORT

Description	Notes and Reference
Reporting period	1 April 2018 to 31 March 2019
Date of most recent previous report	27 March 2019
Reporting cycle	Annual
Contact point	corporate@lorenzo-international.com
Reporting framework and source of reference	This Report is prepared with reference to the Global Reporting Initiative ("GRI") Standards: Core option and its reporting principles. This Report covers all primary components as stipulated in SGX-ST Mainboard Listing Rule 711B. GRI reporting framework is adopted by our Group for its robust regime and detailed guidance which offers an internationally-recognised benchmark for the disclosure of governance approaches and of the environmental, social and economic performance and impacts of organisations.
Report boundary	Unless otherwise stated, the information provided in this Report focuses on the sustainability performance of the Company and our subsidiaries in FY2019.
External assurance	We have not sought external assurance for FY2019, but may consider doing so in the future.

STAKEHOLDERS ENGAGEMENT

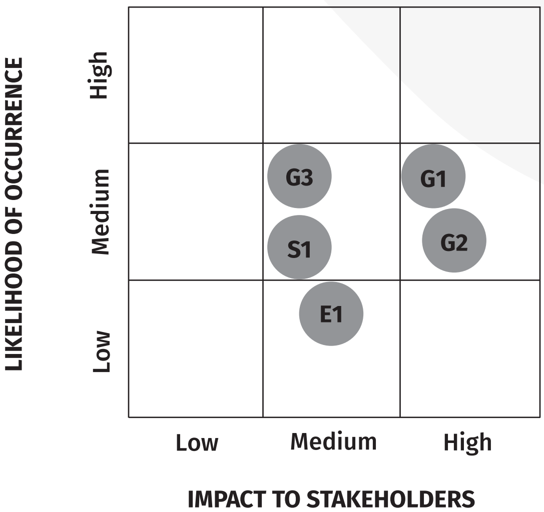
Our Group understands the importance of having constant engagements with our stakeholders, as by doing so, we can identify potential new risks and opportunities, which will in turn result in further value creation for our stakeholders and business.

Committed to achieving a mutually beneficial relationship with our stakeholders, we adopt both the formal and informal channels of communication to comprehend the needs of our valued stakeholders in details, and to incorporate these into our corporate strategies. Our key stakeholders includes customers, suppliers, employees, investors, suppliers, government and regulators.

Stakeholder Group	**Engagement activities**	**Key concerns**
Customers	• Daily interactions • Enquiry and feedback channels • Customer survey	• Good product quality • Timely delivery of goods • Top notch customer service • Cost-competitiveness
Employees	• Annual employee performance appraisal • Regular team meeting • Staff communication sessions • Internal newsletters	• Staff rights and welfare • Good working environment • Personal development
Investors	• Regular investor meetings, board meetings • Annual and interim reports • Circulars to shareholders	• Profitability • Transparency • Timely reporting
Business Partners	• Frequent discussions and meetings	• Partnership for opportunities and growth
Suppliers	• Periodic supplier evaluation • Comparison of quotes • Periodic discussions	• Compliance with terms and conditions of purchasing policies and procedures • Maintenance of ethical standards
Government and Regulations	• Discussions with government agencies and departments	• Compliance with regulations • Timely reporting and resolution of issues

MATERIAL TOPICS

In FY2019, we assessed the ESG issues previously identified in FY2018 and concluded that they are still relevant to our business and stakeholders. Our Group continued to consider the interest and expectations of our internal and external stakeholders for the material ESG issues assessment. The materiality matrix below is used to identify all the sustainability topics and priorities for reporting. We assessed the potential impact on the environment, social and governance aspect and influence on our stakeholders, with an on-going research, discussions and interactions together with our stakeholders.



Based on the matrix and priority illustrated above, we have identified the following material topics for FY2019:

Governance
G1 - Corporate governance
G2 - Anti-corruption and anti-bribery
G3 - Socioeconomic compliance

Social
S1 - Diversity and equal opportunity

Environment
E1 - Environmental compliance

GOVERNANCE

Corporate Governance
We believe that good corporate governance establishes and maintains an ethical environment within our Group, which serves the interests of all shareholders and stakeholders. We adhere to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code"), where appropriate, and has already committed to comply with certain provisions of the 2018 Code, and will continue to update ourselves on developments in corporate governance by improving our practices and operating frameworks.

We are committed to maintain a high standard of corporate governance and have effective corporate practices to safeguard against fraud, with the aim of protecting shareholders' interests as well as securing the long-term success of our Group. We place heavy emphasis on ethical business conduct on all employees and they are expected to conduct themselves in accordance with the expectations set out in the code of conduct. Unethical conducts or malpractices in relation to corruption and fraud will be met with formal disciplinary proceedings.

Anti-corruption and Anti-bribery
We strive towards upholding professional values and integrity when conducting business. Our Group maintains a strict policy against dishonest and corrupt practices and ensures that all business functions are cognisant of the established code of conduct and ethical business practices in every jurisdiction that we operate, therefore acts of corruption and bribery are stringently debarred in our Group.

In our call to advocate good governance within our Group, we continue to review our whistleblowing

GOVERNANCE (CONT'D)

policy to ensure it is up-to-date. Employees may, in confidence, raise concerns regarding matters such as misconducts, unlawful activities, suspected fraud and other dishonest activities. There are also arrangements for an independent investigation for such incidents and appropriate follow-up actions where necessary by the AC Chairman. The AC will subsequently report to the Board on such matters.

A copy of our ethics and whistle-blowing policy and procedures can be found on our corporate website (http://www.lorenzo-international.com/Lorenzo%20 Policies.pdf), as well as in the Employees Handbook, which is made known to all employees of our Group.

In FY2019, there were no reported cases in relation to breaches of code of corporate governance, corruption and bribery. Moving forward, our Group intends to maintain our good track record of having zero reported cases.

Socioeconomic Compliance

Our Group adheres to the law and regulations on social and economic aspects that are in place by the local authorities. Our Group is committed to working closely with government agencies and regulators to comply with statutory and regulatory requirements in the regions which our Group operates in. Management periodically attends and conducts trainings for relevant employees to keep them updated on relevant laws and regulations. Our business practices are also periodically reviewed and updated to reflect changes in compliance requirements.

We have zero tolerance for any financial crime including corruption and bribery. We seek to conduct our business in a responsible manner by ensuring that our policies and code of conduct are implemented and communicated to all our employees, business partners and board members consistently throughout our entire global operations. We are proud to announce that in FY2019, our Group has no reported instances of non-compliance with laws and regulation on social and economic aspects. Moving forward, we will continue to closely monitor existing as well as new laws and regulations, in order to ensure complete compliance.

SOCIAL

Diversity and Equal Opportunity

Our employees are the greatest asset to our Group's long-term growth and success. We embrace diversity and recognise the importance of creating an all-inclusive environment where our employees can treat each other respectfully, honestly and equally. We pride ourselves in maintaining a harmonious and diverse workforce spanning difference generations and skill sets. Our Group is committed to creating an environment that provides equal opportunities and benefits to each employee, regardless of his or her gender or age.

Our Group adopts a policy in ensuring that only suitable candidates are hired for the jobs through our non-discriminatory and selection process. Our hiring policy governs the procedures from sourcing of potential suitable candidates to recruitment and confirmation of employees. This policy is being communicated to our employees and reviewed internally on a periodic basis. Our Group also strives to maintain that everyone works in an environment free of discrimination and harassment. Our Group strictly abides by the set of policy and procedures put in place and would ensure that there will be fair and equal recruitment opportunities, remuneration and compensation practices, career progression and training opportunities made available for all employees. Our Group seeks to go beyond compliance with existing labour laws and regulations and will look to further strengthen our existing policies to implement a robust framework that allows our employees to experience a career that is vibrant, inclusive and progressive with Lorenzo. By doing so, we strive to be well-positioned to attract, retain and develop exceptional talents.

As our Group is still in the restructuring process, Management is diligently reviewing our workforce composition and structure to maintain unhindered performance. We will continue to embrace diversity within our workforce by focusing on both recruiting and developing the talents of tomorrow as well as retaining the experience and skills of our veteran employees. Most importantly, we will ensure that all employees are treated fairly regardless of age, gender and religious beliefs.

	FY2019	FY2018
Number of male employees in the Group	170	193
Number of female employees in the Group	143	144
Total number of employees in the Group	313	337

	FY2019	FY2018
Number of male employees in the Management Team	19	23
Number of female employees in the Management Team	26	27
Total number of employees in the Management Team	45	50

	FY2019	FY2018
Number of employees (< 30 years old) in the Group	57	60
Number of employees (30 – 50 years old) in the Group	207	232
Number of employees (> 50 years old) in the Group	49	45
Total number of employees in the Group	313	337

ENVIRONMENTAL

Environmental Compliance

Operating in the manufacturing and building materials sector, our Group remains dedicated to our long-term responsibility to protect the environment. We strongly believe that environmental conservation will ultimately lead to the sustainability of our Group's success. We consistently review and update our policies and practices to optimise the management of energy, water, and waste within our Group, as well as ensuring compliance with relevant environmental laws and regulations. As part of our training and development plan, Management and key employees are required to attend and conduct trainings on environmental regulations and requirements.

Nevertheless, our Group does not stop at compliance. We have incorporated the Reduce, Reuse and Recycle principle in our environmental policies and practices. We actively promote the reduction of paper, electricity and water usage in our office premises and stores. In addition, we advocate reusing papers and paper-based materials and recycling of relevant waste materials. Recycling bins are placed throughout our premises for convenience to increase and encourage recycling activities.

We are pleased to report that there were no reported non-compliance cases with environmental laws and regulations for FY2019. Our Group strives to continue our commitment in building a clean environment and to comply with environmental laws and regulations in coming years.

GRI
CONTENT INDEX

GRI Standard and Disclosure	Page Reference And Reasons For Omission, If Applicable
General Disclosure	
102-1 Name of the organisation	33
102-2 Activities, brands, products, and services	2, 34
102-3 Location of headquarters	34
102-4 Location of operations	34
102-5 Ownership and legal form	34
102-6 Markets served	34
102-7 Scale of the organisation	34 Annual Report 2019 – Consolidated Statement of Comprehensive Income
102-8 Information on employees and other workers	34
102-9 Supply chain	35
102-10 Significant changes to the organisation and its supply chain	Nil
102-11 Precautionary principle or approach	2, 34, 35
102-12 External initiatives	36
102-13 Membership of associations	Not applicable
Strategy	
102-14 Statement from senior decision maker	33
Ethics And Integrity	
102-16 Values, principles, standards, and norms of behaviour	35
Governance	
102-18 Governance structure	36
Stakeholder Engagement	
102-40 List of stakeholder groups	38
102-41 Collective bargaining agreements	Not applicable
102-42 Identifying and selecting stakeholders	38
102-43 Approach to stakeholder engagement	38
102-44 Key topics and concerns raised	38
Reporting Practice	
102-45 Entities included in the consolidated financial statements	35
102-46 Defining report content and topic boundaries	37
102-47 List of material topics	39
102-48 Restatements of information	Not applicable

GRI
CONTENT INDEX

GRI Standard and Disclosure	Page Reference And Reasons For Omission, If Applicable
Reporting Practice	
102-49 Changes in reporting	Not applicable
102-50 Reporting period	37
102-51 Date of most recent report	27 March 2019
102-52 Reporting cycle	37
102-53 Contact point for questions regarding the report	37
102-54 Claims of reporting in accordance with the GRI Standards	37
102-55 GRI content index	43, 44
102-56 External assurance	37
103-1 Explanation of the material topic and its boundaries	39-42
103-2 The management approach and its components	39-42
103-3 Evaluation of the management approach	39-42
205-3 Confirmed incidents of corruption and actions taken	40
307-1 Non-compliance with environmental laws and regulations	42
405-1 Diversity of governance bodies and employees	41
419-1 Non-compliance with laws and regulations in the social and economic area	40

FINANCIAL STATEMENT

DIRECTORS' STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

We submit this statement to the members of the Company together with the audited financial statements for the financial year ended 31 March 2019.

In our opinion,

(a) the accompanying financial statements of the Company and its subsidiaries (the "Group") and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards; and

(b) at the date of this statement there are reasonable grounds to believe that the Group and the Company will be able to continue operations and meet their liabilities as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

The directors of the Company in office at the date of this report are:

Lim Pang Hern
Ding Lei
Marcelo Mora (Independent director)
Soh King Bin, Jimmy (Independent director) (appointed on 18 January 2019)
Soh Chun Bin (Independent director) (appointed on 18 January 2019)

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
The Company - Lorenzo International Limited	As at 1.4.2018	**As at 31.3.2019 and 21.4.2019**	As at 1.4.2018	**As at 31.3.2019 and 21.4.2019**
	Number of ordinary shares			
Lim Pang Hern [1]	959,500	**959,500**	45,579,800	**45,579,800**
Ding Lei	125,600,000	**125,600,000**	-	**-**

DIRECTORS' STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Directors' interests in shares or debentures (Cont'd)

Note:
1. Mr Lim Pang Hern is deemed to be interested in shares held by BD Corporate Pte. Ltd.

Share options

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiaries.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee ("AC") comprises the following three members all of whom are independent.

Soh King Bin, Jimmy (Chairman)
Marcelo Mora
Soh Chun Bin

In accordance with Code of Corporate Governance 2012 Guideline 12.1, "the AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors."

The AC comprises entirely of all independent and non-executive directors and complied with guideline 12.1 of Code of Corporate Governance.

The AC performs the functions set out in Section 201B(5) of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX Listing Manual") and the Code of Corporate Governance. In performing those functions, the AC reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the half yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2019 as well as the auditor's report thereon;

DIRECTORS' STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Audit Committee (Cont'd)

(iv) effectiveness of the Company's material internal controls, including financial, operational, compliance controls, information technology controls and risk management via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

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SOH KING BIN, JIMMY

....

LIM PANG HERN

Dated: 22 January 2020

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Lorenzo International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) Appropriateness of going concern assumption

As discussed in Note 2(a) to the financial statements, as at 31 March 2019, the Group had negative equity of $7,330,087 and net current liabilities of $20,200,398 while the Company had deficit in equity of $2,148,576 and net current liabilities of $2,164,406. For the financial year ended 31 March 2019, the Group incurred a loss after tax of $5,827,604 and a total comprehensive loss of $5,781,182, and the Group had sustained net operating cash outflows of $6,450,102.

The matters set out above and in Note 2(a) to the financial statements indicate the existence of a material uncertainty which cast a significant doubt on the Group's and the Company's ability to continue as a going concern. Some of the Group's financing arrangements had expired and the amounts outstanding were payable on 30 September 2016 and 31 December 2016. At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to $5,510,045 was obtained from the banks. The management did not prepare cash flow projection to assess the going concern assumption.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

We are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

The auditor's report dated 30 November 2018 for the financial year ended 31 March 2018 included a similar qualification on this matter.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED

Basis for Disclaimer of Opinion (Cont'd)

(2) Recoverability of amounts due from subsidiaries

The carrying values of amounts due from subsidiaries at the Company level amounted to $1,058,290 (Note 9) as at 31 March 2019.

Management did not perform an assessment of impairment to determine the expected credit losses on the amounts due from subsidiaries. In the absence of any alternative evidence available to us, we were unable to determine if any adjustments would be required to the carrying value of the amounts due from subsidiaries recorded at the Company level as of 31 March 2019.

The auditor's report dated 30 November 2018 for the financial year ended 31 March 2018 included a similar qualification on this matter.

(3) Recoverable amount of non-financial assets and reversal of/and impairment losses

The Group had carried out an impairment assessment over its property, plant and equipment (Note 4), investment property (Note 5), land use rights (Note 6) and costs of investment in subsidiaries (Note 7) and identified 5 main Cash-Generating-Units (CGUs), defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs identified were the furniture business in Singapore (Retail CGU (Singapore)), the furniture business in Malaysia (Retail CGU (Malaysia)), the furniture business in Taiwan (Retail CGU (Taiwan)), rental income from the leasing from properties in China (Leasing CGU) and the building material business (Building Materials CGU).

The recoverable amount should be based on the higher of the fair value less cost to sell and value-in-use basis of computation. The value-in-use should be computed using the estimated future cash flows discounted to the present values using pre-tax discount rates.

However, no recoverable amount was determined for the following:

- Costs of investment in subsidiaries (Note 7) at the Company level for Building Materials CGU, Retail CGU (Singapore) and Leasing CGU; and
- Plant and equipment (other than leasehold properties) (Note 4) for Retail CGU (Singapore), Retail CGU (Malaysia) and Leasing CGU.

Consequently, we were unable to satisfy ourselves by alternative means concerning:

- any reversal of brought forward impairment loss as at 31 March 2019 of $34,988,360 (Note 7), if required, in the costs of investment in subsidiaries of those CGUs; and
- any reversal of brought forward impairment loss as at 31 March 2019 of $2,053,171 (Note 4), if required, or the impairment loss of $517,892 (Note 4) made during the financial year in the plant and equipment (other than leasehold properties) of those CGUs.

Accordingly, we were unable to ascertain the valuation of the carrying book amount of investments in subsidiaries of $Nil (Note 7) and the net book value of plant and equipment (other than leasehold properties) of $190,102 (Note 4) of those CGUs respectively as at 31 March 2019.

The auditor's report dated 30 November 2018 for the financial year ended 31 March 2018 included a similar qualification on this matter.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED

Basis for Disclaimer of Opinion (Cont'd)

(4) Amount due to contract customers

In the last financial year ended 31 March 2018, as reported in the auditor's report dated 30 November 2018, we were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves on (i) the existence, accuracy and valuation of the amount due to contract customers (Note 10) of $109,993 as at 31 March 2018, which consist of contract cost incurred of $5,879,299, attributable profit of $1,441,635 and progress billings of $7,430,927; and (ii) the completeness, occurrence and accuracy of the contract revenue and project cost of sales, if any, to be recorded in the statement of profit or loss for the financial year ended 31 March 2018.

In the statement of profit or loss for the financial year ended 31 March 2019, management has recognised revenue of $260,862 (Note 3) comprising:

(i) the amount due to customers of $109,993 (Note 17) (comprising contract cost incurred of $5,879,299, attributable profit of $1,441,635 and progress billings of $7,430,927); and

(ii) a contract revenue amount of $150,869.

We were unable to obtain sufficient and appropriate audit evidence to ascertain the appropriate accounting periods i.e. which financial year ended – whether 31 March 2019, 31 March 2018 or earlier, should the amount due to customers of $109,993 and the current year's contract revenue of $150,869 be recognised in.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Teik Tiong.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 22 January 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	The Company 31 March 2019 $	The Company 31 March 2018 $	The Company 1 April 2017 (restated) $	The Group 31 March 2019 $	The Group 31 March 2018 (restated) $	The Group 1 April 2017 (restated) $
ASSETS							
Non-Current Assets							
Property, plant and equipment	4	**15,830**	4,495	3,751	**4,466,175**	5,233,750	16,266,659
Investment properties	5	**-**	-	-	**8,113,103**	8,720,267	-
Land use rights	6	**-**	-	-	**869,276**	921,649	1,088,206
Subsidiaries	7	**-**	-	25,371,628	**-**	-	-
Other receivables	9	**-**	-	-	**-**	121,179	143,539
Deferred tax assets	16	**-**	-	-	**14,035**	44,487	12,169
		15,830	4,495	25,375,379	**13,462,589**	15,041,332	17,510,573
Current Assets							
Land use rights	6	**-**	-	-	**24,015**	24,777	30,716
Inventories	8	**-**	-	-	**8,506,869**	7,166,138	11,930,512
Trade and other receivables	9	**1,096,573**	3,900,657	5,346,499	**4,110,956**	7,148,747	8,060,000
Cash and bank balances	11	**4,687**	3,160	8,122	**923,582**	1,586,213	1,592,914
		1,101,260	3,903,817	5,354,621	**13,565,422**	15,925,875	21,614,142
Total assets		**1,117,090**	3,908,312	30,730,000	**27,028,011**	30,967,207	39,124,715
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	12	**39,948,675**	39,948,675	39,948,675	**39,948,675**	39,948,675	39,948,675
Reserves	13	**(42,097,251)**	(39,939,285)	(12,113,006)	**(47,278,762)**	(41,497,580)	(30,623,409)
Total equity		**(2,148,576)**	9,390	27,835,669	**(7,330,087)**	(1,548,905)	9,325,266
Non-Current Liabilities							
Borrowings	14	**-**	-	-	**27,133**	35,707	75,525
Contract liabilities	15	**-**	-	-	**469,418**	1,765,098	41,535
Deferred tax liabilities	16	**-**	-	-	**95,727**	164,643	159,352
		-	-	-	**592,278**	1,965,448	276,412
Current Liabilities							
Trade and other payables	17	**3,193,670**	3,898,922	2,884,331	**10,783,496**	14,227,497	11,516,709
Contract liabilities	15	**-**	-	10,000	**3,908,754**	3,574,470	3,026,941
Borrowings	14	**-**	-	-	**18,924,171**	12,619,903	14,599,428
Amount due to directors	18	**71,996**	-	-	**71,996**	-	281,715
Current tax payable		**-**	-	-	**77,403**	128,794	98,244
		3,265,666	3,898,922	2,894,331	**33,765,820**	30,550,664	29,523,037
Total liabilities		**3,265,666**	3,898,922	2,894,331	**34,358,098**	32,516,112	29,799,449
Total equity and liabilities		**1,117,090**	3,908,312	30,730,000	**27,028,011**	30,967,207	39,124,715

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	**2019** **$**	2018 $
Revenue	3	**29,065,297**	31,846,606
Cost of sales		**(15,495,868)**	(17,431,503)
Gross profit		**13,569,429**	14,415,103
Other income	19	**4,161,717**	6,925,361
Distribution costs		**(3,041,302)**	(3,409,656)
Administrative expenses		**(14,258,000)**	(18,869,417)
Other operating expenses		**(4,572,221)**	(8,551,752)
Finance costs	20	**(1,294,173)**	(897,683)
Loss before taxation	21	**(5,434,550)**	(10,388,044)
Tax expense	22	**(393,054)**	(423,583)
Loss after taxation		**(5,827,604)**	(10,811,627)
Loss for the year attributable to owners of the Company		**(5,827,604)**	(10,811,627)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations, at nil tax		**46,422**	98,710
Other comprehensive income for the year, net of tax		**46,422**	98,710
Total comprehensive loss for the year attributable to owners of the Company		**(5,781,182)**	(10,712,917)
Loss per share (cents)			
- basic	23	**(1.33)**	(2.46)
- diluted	23	**(1.33)**	(2.46)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Share capital $	Translation reserve $	Merger reserve $	Statutory common reserve $	Capital reserve $	Accumulated losses $	Total equity $
At 1 April 2017	39,948,675	(5,144,821)	(3,282,141)	68,256	838,050	(23,102,753)	9,325,266
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	(10,811,627)	(10,811,627)
Other comprehensive income	-	98,710	-	-	-	-	98,710
Total comprehensive loss for the year	-	98,710	-	-	-	(10,811,627)	(10,712,917)
Recycling of reserves upon disposal of a subsidiary	-	-	-	(68,256)	-	68,256	-
Disposal of a subsidiary	-	(161,254)	-	-	-	-	(161,254)
Transactions with owners	-	(161,254)	-	(68,256)	-	68,256	(161,254)
At 31 March 2018	39,948,675	(5,207,365)	(3,282,141)	-	838,050	(33,846,124)	(1,548,905)
At 1 April 2018	**39,948,675**	**(5,207,365)**	**(3,282,141)**	**-**	**838,050**	**(33,846,124)**	**(1,548,905)**
Total comprehensive loss for the year							
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(5,827,604)**	**(5,827,604)**
Other comprehensive income	**-**	**46,422**	**-**	**-**	**-**	**-**	**46,422**
Total comprehensive loss for the year	**-**	**46,422**	**-**	**-**	**-**	**(5,827,604)**	**(5,781,182)**
At 31 March 2019	**39,948,675**	**(5,160,943)**	**(3,282,141)**	**-**	**838,050**	**(39,673,728)**	**(7,330,087)**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 $	2018 (restated) $
Cash Flows from Operating Activities			
Loss before taxation		**(5,434,550)**	(10,388,044)
Adjustments for:			
Impairment loss on trade and other receivables	21	**1,918,751**	2,677,065
Bad debts written off	21	**-**	35,497
Depreciation of property, plant and equipment	4	**598,399**	1,357,504
Depreciation of investment properties	5, 21	**573,446**	-
Amortisation of land use rights	6, 21	**24,110**	31,034
Impairment loss on property, plant and equipment	4, 21	**517,892**	306,834
Property, plant and equipment written off	21	**-**	240,492
Gain on disposal of property, plant and equipment	19	**(11,111)**	(994,716)
Gain on disposal of subsidiary	7, 19	**-**	(3,143,338)
Negative goodwill	7, 19	**-**	(296,100)
Inventories written off	9, 21	**20,311**	345,957
(Reversal of)/allowance for inventory obsolescence	9	**(228,815)**	3,010,535
Interest income	19	**(4,086)**	(3,182)
Interest expense	20	**1,267,937**	845,592
Operating loss before working capital changes		**(757,716)**	(5,974,870)
Change in inventories		**(1,251,588)**	2,019,966
Change in trade and other receivables		**1,029,426**	603,643
Change in trade and other payables		**(3,322,507)**	1,016,867
Change in contract liabilities		**(841,593)**	2,758,537
Cash (used in)/generated from operations		**(5,143,978)**	424,143
Interest paid		**(960,482)**	(565,615)
Income tax refund		**108,584**	-
Income tax paid		**(454,226)**	(452,990)
Net cash used in operating activities		**(6,450,102)**	(594,462)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	4	**(490,006)**	(558,027)
Acquisition of investment properties	5	**(185,488)**	-
Proceeds from disposal of property, plant and equipment		**72,835**	408,304
Interest received		**4,086**	3,182
Proceeds from disposal of subsidiary	7(a)	**-**	3,277,394
Net cash (used in)/generated from investing activities		**(598,573)**	3,130,853
Cash Flows from Financing Activities			
Repayments of finance lease liabilities		**(39,073)**	(111,005)
Proceeds from/ (repayments of) bank loans		**5,841,724**	(675,610)
Proceeds from/ (repayments of) trust receipts and bills payables		**722,995**	(1,299,269)
Proceeds from/(repayment to) directors		**71,996**	(281,715)
Net cash generated from/(used in) financing activities		**6,597,642**	(2,367,599)
Net changes in cash and cash equivalents		**(451,033)**	168,792
Deficit in cash and cash equivalents at beginning of year		**(4,330,873)**	(4,410,262)
Exchange differences on translation of cash and cash equivalents at beginning of year		**(14,109)**	(89,403)
Deficit in cash and cash equivalents at end of year	11	**(4,796,015)**	(4,330,873)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Reconciliation of movements of liabilities to cash flows arising from financing activities, excluding equity item

		Cash flows		Non-cash items			
	As at 1 April 2018 $	Proceeds from/ (principal repayment) $	Interest paid $	Interest expense $	Interest payables $	Foreign currency translation reserve $	As at 31 March 2019 $
Finance lease liabilities (Note 14.1)	**87,021**	**(39,073)**	**(2,106)**	**2,106**	**-**	**(140)**	**47,808**
Bank loans (Note 14.2)	**3,740,630**	**5,841,724**	**(426,277)**	**641,900**	**(215,623)**	**(26,718)**	**9,555,636**
Bills payables and trust receipts (Note 14.3)	**2,910,873**	**722,995**	**(145,050)**	**236,882**	**(91,832)**	**(5,605)**	**3,628,263**
Amount due to directors (Note 18)	**-**	**71,996**	**-**	**-**	**-**	**-**	**71,996**

		Cash flows		Non-cash flows			
	As at 1 April 2017 $	Proceeds from/ (principal repayment) $	Interest paid $	Interest expense $	Interest payables $	Foreign currency translation reserve $	As at 31 March 2018 $
Finance lease liabilities (Note 14.1)	196,853	(111,005)	(14,323)	14,323	-	1,173	87,021
Bank loans (Note 14.2)	4,388,298	(675,610)	(54,989)	254,596	(199,607)	27,942	3,740,630
Bills payables and trust receipts (Note 14.3)	4,086,626	(1,299,269)	(109,592)	189,962	(80,370)	123,516	2,910,873
Amount due to directors (Note 18)	281,715	(281,715)	-	-	-	-	-

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1 General information

The financial statements of the Group and the Company for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company was incorporated as a limited liability company and domiciled in Singapore.

The registered office and principal place of business is located at 23 Neythal Road, #04-03 Singapore 628588.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are stated in Note 7.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar which is the Company's functional currency. All financial information is presented in Singapore Dollar, unless otherwise stated.

The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by Group entities.

Going concern basis

The Group had deficit in equity of $7,330,087 (2018 - $1,548,905, 1 April 2017 - positive equity of $9,325,266) and net current liabilities of $20,200,398 (2018 - $14,624,789, 1 April 2017 - $7,908,895) while the Company had deficit in equity of $2,148,576 (2018 – positive equity of $9,390, 1 April 2017 – positive equity of $27,835,669) and net current liabilities of $2,164,406 (2018 – net current assets of $4,895, 1 April 2017 – net current assets of $2,460,290). For the financial year ended 31 March 2019, the Group incurred a loss after tax of $5,827,604 (2018 - $10,811,627) and a total comprehensive loss of $5,781,182 (2018 - $10,712,917) respectively, and the Group had a net operating cash outflows of $6,450,102 (2018 - $594,462).

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. Some of the Group's financing arrangements had expired and the amounts outstanding were payable on 30 September 2016 and 31 December 2016. At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to $5,510,045 was obtained from the banks. The management did not prepare cash flow projection to assess the going concern assumption.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(a) Basis of preparation (Cont'd)

Going concern basis (Cont'd)

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group and Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

(a) Significant judgements in applying accounting policies

Determination of functional currency

These financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

Determination of functional currency involves significant judgment. The functional currency of the Company is principally determined by the primary economic environment in which it operates.

The Company reconsiders their functional currency if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement.

Income tax

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The Group's current tax payable and deferred tax liabilities as at 31 March 2019 amounted to $77,403 (2018 - $128,794, 1 April 2017 - $98,244) and $95,727 (2018 - $164,643, 1 April 2017 - $159,352) respectively.

Deferred tax assets

The Group recognises deferred tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

(a) Significant judgements in applying accounting policies (Cont'd)

Deferred tax assets (Cont'd)
During the current financial year, the Group recognised shareholdings of certain group entities, for which a deferred tax asset as at 31 March 2019 amounting to $14,035 (2018 - $44,487, 1 April 2017 - $12,169) was recognised based on the anticipated future use of tax losses carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred tax asset will have to be written off as income tax expense.

Probability of success of litigation cases
The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities.

Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

An entity in the Group is a defendant in a legal action involving the alleged injuries caused by debris from a fallen granite slab from a building in 2011. The directors believe that, based on legal advice, there is a present obligation that will probably require an outflow of resources. However, no provision for the contingent liability has been made by the Group as at 1 April 2017, 31 March 2018 and 31 March 2019 in view of the existence of a letter of undertaking by the previous shareholder of the subsidiary.

Further details are given in Note 27 to the financial statements.

Classification of land use rights
Within the People's Republic of China, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of these arrangements is an operating lease over the land, and that the upfront payment represents prepaid lease rentals. The prepayment is recognised in the consolidated statement of financial position, analysed between current and non-current assets which represent amounts to be utilised within and after 12 months of the end of the reporting period. The prepayment is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate. The carrying amount of the Group's prepayment at the reporting date amounted to $893,291 (2018 - $946,426, 1 April 2017 - $1,118,922).

Determination of operating segments
Management will first identify the Chief Operating Decision Maker ("CODM"). Then it should identify their business activities (which may not necessarily earn revenue or incur expenses). Management will further determine whether discrete financial information is available for the business activities and whether that information is regularly reviewed by the CODM. Judgement is applied by management of the aggregation criteria to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment, investment property and land use rights
Property, plant and equipment, investment property and land use rights are depreciated on a straight-line basis over their estimated useful lives. The Group's business is capital intensive and the annual depreciation of property, plant and equipment, investment property and land use rights forms a significant component of total costs charged to profit or loss. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. The carrying amount of the Company's and the Group's property, plant and equipment, investment property and land use rights as at 31 March 2019 are disclosed in Notes 4, 5 and 6 respectively. As changes in the expected level of usage, competitors' actions and technological obsolescence arising from changes in market demands of the assets could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised.

If depreciation on property, plant and equipment, investment property and land use rights increase/decreases by 10% from management's estimate, the Group's loss for the year will decrease/increase by approximately $119,596 (2018 - $138,854).

Impairment of non-financial assets
Property, plant and equipment, investment property, land use rights, and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating units have been determined based on the higher of fair value less costs to sell and value-in-use calculations. These calculations require the use of estimates. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

The carrying amounts of the Company's and the Group's property, plant and equipment, investment property, land use rights and investments in subsidiaries at the end of the reporting period are disclosed in Notes 4, 5, 6 and 7 to the financial statements respectively. The details of the impairment testing are disclosed in the respective notes.

Allowance for expected credit losses (ECL) of trade and other receivables
Allowance for ECL of receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, current market conditions, assumptions and expectations of future conditions.

For non-trade receivables, the Group and the Company apply the general approach to determine ECL. ECL is measured as an allowance equal to 12-month ECL for stage-1 (low credit risk) assets, or lifetime ECL for stage-2 (deterioration in credit risk) or stage-3 (credit impaired) assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Allowance for expected credit losses (ECL) of trade and other receivables (Cont'd)
For trade receivables, the Group applies the simplified approach and uses a provision matrix to calculate ECL. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with current market conditions and forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The carrying amounts of the Company's and the Group's trade and other receivables as at 31 March 2019 amount to $1,089,136 (2018 - $3,881,999, 1 April 2017 – $5,306,218) and $2,967,265 (2018 - $5,550,112, 1 April 2017 – $7,162,144) respectively.

Allowance for inventories obsolescence
The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revision to the valuation of inventories. If the net realisable values of the inventory increase/decrease by 10% of management estimates, the Group's loss for the year will decrease/increase by $850,687 (2018 - $716,614). The carrying amount of the Group's inventory is disclosed in Note 9 to the financial statements.

2(b) Interpretations and amendments to published standards effective in 2018/2019

Full Convergence with SFRS(I)

In December 2017, the Accounting Standards Council ("ASC") Singapore issued Singapore Financial Reporting Standards (International) (SFRS(I)), Singapore's equivalent of the International Financial Reporting Standards (IFRSs). Singapore-incorporated companies that have issued or are in the process of issuing equity or debt instruments for trading in a public market in Singapore will apply the new reporting framework, SFRS(I), for annual periods beginning on or after 1 January 2018.

The Group's and the Company's financial statements for the financial year ended 31 March 2019 are prepared in accordance with SFRS(I) issued by ASC. As a result, this will be the first set of financial statements prepared under SFRS(I)s.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(b) Interpretations and amendments to published standards effective in 2018/2019 (Cont'd)

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

In adopting the new reporting framework, the Group and the Company are required to apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group and the Company have applied SFRS(I) 1 with 1 April 2017 as the date of transition. SFRS(I) 1 generally requires that the Group and the Company applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied.

If there are changes to the accounting policies arising from new or amended standards effective in 2018/2019, restatement of comparatives may be required because SFRS(I) 1 requires both the opening statement of financial position and comparative information to be prepared using the most current accounting policies.

SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Management did not elect any of the mandatory exceptions and the optional exemptions in SFRS(I) 1 except for the following:

- The Group and the Company have elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 April 2018. Accordingly, the requirements of SFRS 39, Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 March 2018. The Group and the Company are also exempted from complying with SFRS(1) 7, Financial instruments: Disclosures to the extent that the disclosures required in SFRS(I) 7 relate to the items within the scope of SFRS(I) 9.

As a result, the requirements under SFRS (old framework) are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

Other new SFRS(I) and amendments in 2018/2019

On 1 April 2018, the Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 1-40	Transfers to Investment Property	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and did not significantly affect the current period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(b) Interpretations and amendments to published standards effective in 2018/2019 (Cont'd)

Amendments to SFRS(I) 1-40 *Transfers of Investment Property*

Under the amendments to SFRS(I) 1-40 Transfers of Investment Property has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments did not have any impact on the Group's financial statements.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It is a package of improvements introduced which includes:

- Classification and measurement;
- A single, forward looking expected credit loss model for calculating impairment on financial assets; and
- A new general hedge accounting requirements.

It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.

Overall, there was no significant change to the measurement basis arising from adoption the new classification and measurement model under SFRS(I) 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9.

For financial assets currently held at fair value, the Group expects to continue measuring the assets at fair value under SFRS(I) 9.

In the assessment of impairment on debt instruments, the Group applied the expected credit loss model using either the general approach – the 12-month or lifetime basis which is dependent on whether there has been a significant increase in the credit risk of the assets from initial recognition to the date of initial application of SFRS(I) 9 or the simplified approach – the use of provision matrix and calculating ECL on a lifetime basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(b) Interpretations and amendments to published standards effective in 2018/2019 (Cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

The standard also includes clarification on how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether an entity is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The adoption of SFRS(I) 15 did not have any significant impact on the Group's financial statements.

SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The amendments did not have any significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(c) SFRS(I) not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the Group.

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 10 and SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 16	Leases	1 January 2019
SFRS(I) 9	Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 1-28	Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 1-19	Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 1-1 and SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Various SFRS (I)s	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 17	Insurance Contracts	1 January 2021

Except for the following, the Group expects that the adoption of the other standards and amendments above will have no material impact on the Group's financial statements in the period of initial application.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 *Leases* replaces FRS 17 *Leases* accounting requirements introduced more than 30 years ago. This new standard eliminates the lessee's classification of leases as either operating or finance leases and introduce a single lessee accounting model.

i. <u>The Group and the Company as lessee</u>

Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and financial liabilities to pay rentals with a term of more than 12 months, unless the underlying asset is of a low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires a more extensive disclosures to be provided by a lessor.

SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(c) SFRS(I) not yet effective (Cont'd)

SFRS(I) 16 *Leases (Cont'd)*

i. The Group and the Company as lessee (Cont'd)

The new standard affects primarily the accounting for the Group's existing operating lease arrangements as a lessee. The Group expects these operating leases to be recognised as right-of-use ("ROU") assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group.

The Group has performed a preliminary impact assessment and expects to recognise right-of-use assets of approximately $3,600,000 and corresponding lease liabilities of the same amount for its leases previously classified as operating leases on adoption of SFRS(I) 16.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect on initial application as an adjustment to the opening balance of retained earnings as at 1 April 2019.

ii. The Group and the Company as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material

The amendments clarify the definition of material and how it should be applied by including in the definition guidance. The new definition of material states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to SFRS(I) 3: Definition of a Business

The amendments are changes to Appendix A *Defined terms*, the application guidance, and the illustrative examples of SFRS(I) 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interests even if that results in a deficit balance.

Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee, if and only if, the Group has all of the following:

(i) power over the investee;
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of the voting rights relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant authorities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Non-controlling interest

Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to owners of the Group, and are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Group.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control of a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained; and
- Recognises any gain or loss in profit or loss.
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A gain or loss is recognised in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies

Business combination (Cont'd)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously-held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the depreciable amount of these assets over their estimated useful lives as follows:

Leasehold properties	over the remaining year of lease
Factory buildings	20 years
Plant and equipment (including office equipment)	3 to 10 years
Motor vehicles	5 to 6 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Land use rights

Land use rights represent upfront payments to acquire long-term interest in the usage of land. Land use rights are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is calculated on the straight-line basis to write off the cost of land use rights over the lease year of 50 years.

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation and are not occupied by the Group.

Investment properties are treated as non-current investments and stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the depreciable amount of these assets over their estimated useful lives as follows:

Investment properties	over the remaining year of lease

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is recognised as additions and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from the disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal rights to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial assets

a. <u>Classification</u>

From 1 April 2018, with the adoption of SFRS(I) 9, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

b. <u>Recognition and de-recognition</u>

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. <u>Measurement</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

c. Measurement (Cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

The Group has elected to measure these equity instruments at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

d. Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments not held at FVTPL. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises 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.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

d. Impairment (Cont'd)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

e. Determination of fair value

The fair values of quoted financial assets are based on quoted market prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

f. Accounting policies applied until 31 March 2018

The Group has applied SFRS(I) 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification
Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired and contractual terms. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Impairment and measurement

An assessment of impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

The Group does not have investments to be designated as fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets.

(1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

f. Accounting policies applied until 31 March 2018 (Cont'd)

Impairment and measurement (Cont'd)

(1) Loans and receivables (Cont'd)

Impairment losses are reversed in subsequent years when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in the profit or loss.

Loans and receivables comprise trade and other receivables, excluding prepayments and advances to suppliers.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with financial institutions which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables (including amount due to directors).

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Borrowings

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the year of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the year of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as the current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Contract liabilities and contract assets

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If the customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

Contract liabilities are recognised as revenue when the Group performs under the contract.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of the Company's Constitution grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Leases

Where the Group is the lessee,

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the years of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment and depreciation".

Operating leases

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

Where the Group is the lessor,

Operating leases

Assets are leased out under operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the bank if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss over the year of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The provision is based on the best estimate of the direct expenditures to be incurred which are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:
  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Income tax

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Income tax (Cont'd)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Pension obligations

The Company and the Group participate in the defined contribution national pension schemes as provided by the laws of the countries in which they have operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the profit or loss in the year to which the contributions relate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or and associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and senior managers are considered key management personnel.

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets, other than inventories and deferred tax assets, subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill.

Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued assets was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. If a performance obligation is satisfied over time, the revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied and the customer obtains control of the goods. Control of an asset refers to an entity's ability to direct the use of and obtain substantially all of the remaining benefits (that is, the potential cash inflows or savings in outflows) from the asset.

Transportation income related to delivery charges to customers is recognised upon the delivery of goods and acceptance by customers.

Revenue from membership fee received from retail customers is recognised over the membership year.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-apportionment basis using the effective interest rate method.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore Dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations are recognised in other comprehensive income and accumulated in the currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(d) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

When a foreign operation is disposed of, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other losses - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transaction.

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from Singapore Dollar are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
(ii) income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and
(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing net profit for the year attributable to the owners of the Company by the number of ordinary shares outstanding during the financial years.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

3 Revenue

The Group	2019 $	2018 $
Sale of goods	**28,804,435**	31,846,606
Contract revenue	**260,862**	-
	29,065,297	31,846,606

The Group	Sale of goods $	Contract revenue $	Total $
2019			
Goods transferred at a point in time	**28,804,435**	**-**	**28,804,435**
Services transferred over time	**-**	**260,862**	**260,862**
	28,804,435	**260,862**	**29,065,297**

	Sale of goods $	Contract revenue $	Total $
2018			
Goods transferred at a point in time	31,846,606	-	31,846,606
Services transferred over time	-	-	-
	31,846,606	-	31,846,606

4 Property, plant and equipment

The Company	Office equipment $
Cost	
At 1 April 2017	17,452
Additions	2,708
At 31 March 2018	**20,160**
Additions	**13,911**
At 31 March 2019	**34,071**
Accumulated depreciation	
At 1 April 2017	13,701
Depreciation	1,964
At 31 March 2018	**15,665**
Depreciation	**2,576**
At 31 March 2019	**18,241**
Net book value	
At 31 March 2019	**15,830**
At 31 March 2018	4,495
At 1 April 2017	3,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

4 Property, plant and equipment (Cont'd)

The Group	Leasehold properties $	Factory buildings $	Plant and equipment $	Motor vehicles $	Total $
Cost					
At 1 April 2017	7,461,883	13,708,151	16,268,137	2,593,262	40,031,433
Additions	-	-	558,027	-	558,027
Acquisition of subsidiary	-	-	144,310	-	144,310
Disposals	(733,577)	-	(810,968)	(650,191)	(2,194,736)
Disposal of subsidiary	-	(1,961,439)	(261,549)	-	(2,222,988)
Written-off	-	-	(903,050)	-	(903,050)
Reclassification (Note 5)	(2,142,029)	(12,105,138)	-	-	(14,247,167)
Translation differences	327,066	358,426	461,521	21,130	1,168,143
At 31 March 2018	**4,913,343**	**-**	**15,456,428**	**1,964,201**	**22,333,972**
Additions	**-**	**-**	**367,435**	**122,571**	**490,006**
Disposals	**-**	**-**	**(307,048)**	**(38,699)**	**(345,747)**
Translation differences	**(65,667)**	**-**	**(214,076)**	**(22,013)**	**(301,756)**
At 31 March 2019	**4,847,676**	**-**	**15,302,739**	**2,026,060**	**22,176,475**
Accumulated depreciation and impairment losses					
At 1 April 2017	1,415,520	5,424,712	14,705,828	2,218,714	23,764,774
Depreciation	129,718	587,260	533,921	106,605	1,357,504
Acquisition of subsidiary	-	-	43,383	-	43,383
Impairment losses (Note 21)	-	-	306,834	-	306,834
Disposals	(89,872)	-	(668,078)	(616,802)	(1,374,752)
Disposal of subsidiary	-	(1,246,567)	(235,394)	-	(1,481,961)
Written-off	-	-	(662,558)	-	(662,558)
Reclassification (Note 5)	(610,479)	(4,916,421)	-	-	(5,526,900)
Translation differences	56,012	151,016	442,467	24,403	673,898
At 31 March 2018	**900,899**	**-**	**14,466,403**	**1,732,920**	**17,100,222**
Depreciation	**80,859**	**-**	**357,989**	**159,551**	**598,399**
Impairment losses (Note 21)	**-**	**-**	**507,516**	**10,376**	**517,892**
Disposals	**-**	**-**	**(245,324)**	**(38,699)**	**(284,023)**
Translation differences	**(11,820)**		**(193,074)**	**(17,296)**	**(222,190)**
At 31 March 2019	**969,938**	**-**	**14,893,510**	**1,846,852**	**17,710,300**

	2019 $	2018 $	1 April 2017 $
Comprising:			
Accumulated depreciation	**15,139,237**	15,047,051	22,018,437
Accumulated impairment losses	**2,571,063**	2,053,171	1,746,337
	17,710,300	17,100,222	23,764,774

Net book value	Leasehold properties $	Factory buildings $	Plant and equipment $	Motor vehicles $	Total $
At 31 March 2019	**3,877,738**	**-**	**409,229**	**179,208**	**4,466,175**
At 31 March 2018	4,012,444	-	990,025	231,281	5,233,750
At 1 April 2017	6,046,363	8,283,439	1,562,309	374,548	16,266,659

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

4 Property, plant and equipment (Cont'd)

The Group	2019 $	2018 $
Depreciation charged to profit and loss under:		
Cost of sales (Note 21)	138,436	170,342
Other operating expenses (Note 21)	459,963	1,187,162
	598,399	1,357,504

As at 31 March 2019, the net book value of motor vehicles acquired under finance leases amounted to $Nil (2018 - $12,376, 1 April 2017 - $296,002).

As at 31 March 2019, the Group's leasehold properties and factory buildings with carrying amounts of $3,877,738 (2018 - $4,012,444, 1 April 2017 - $6,046,363) and $Nil (2018 - $Nil, 1 April 2017 - $771,316) respectively are mortgaged to financial institutions to secure bank borrowings (Note 14).

In the financial year ended 31 March 2018, part of the leasehold properties and factory building were reclassified and transferred to investment properties (Note 5) as the properties were tenanted out to third parties at the reporting date. Details of the leasehold properties reclassified as investment properties are disclosed in Note 5.

The details of the leasehold properties under property, plant and equipment are as follows:

	Location	Type	Floor Area
1.	No. 54, Jalan BT U5/BT, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	Leasehold 99 years expiring December 2096	948 sq m
2.	No. 33, Jalan BR U5/BR, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	Leasehold 99 years expiring December 2096	491 sq m
3.	No. 16-1, 16-2, 16-3, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring November 2100	460 sq m
4.	No. 18-1, 18-2, 18-3, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring November 2100	460 sq m
5.	No. 21, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan	Leasehold 99 years expiring March 2091	8,346 sq m
6.	No. 13, Jalan Bulan U5/BN, Section U5, Sungai Buloh, Batu 3, 40170 Shah Alam, Selangor Darul Ehsan	Leasehold 99 years expiring March 2096.	312 sq m
7.	No. 19, Jalan Tiara 2D/KU1, Bandar Baru Klang, 41150 Klang Selangor Darul Ehsan	Leasehold 99 years expiring May 2093	440 sq m
8.	No. 21, Jalan Tiara 2D/KU1, Bandar Baru Klang, 41150 Klang Selangor Darul Ehsan	Leasehold 99 years expiring May 2093	440 sq m
9.	No. 23, Jalan Tiara 2D/KU1, Bandar Baru Klang, 41150 Klang Selangor Darul Ehsan	Leasehold 99 years expiring May 2093	440 sq m

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

4 Property, plant and equipment (Cont'd)

Impairment testing of property, plant and equipment
The Group's cash-generating units ("CGUs") were identified according to the operating subsidiaries in the retail, export, licensing retail systems, leasing of properties and building materials businesses (namely the "Retail", "Leasing" and "Building Materials" businesses). The Retail business can be further segregated into the Retail CGU (Singapore), Retail CGU (Malaysia) and Retail CGU (Taiwan) since each of the CGU is able to generate cash inflows independently from its business in the three regions.

As at 31 March 2019, under the requirements of FRS 36, Impairment of Assets, the losses for the past few years and negative operating cash flows for the current year were indicators of impairment which requires management to perform impairment testing of the property, plant and equipment, investment property (Note 5), land use rights (Note 6) and cost of investments in subsidiaries (Note 7).

There was no indicator of impairment for Retail CGU (Taiwan).

The carrying amounts by CGU of property plant and equipment are as follows:

2019	Retail CGU Singapore $	Retail CGU Malaysia $	Retail CGU Taiwan $	Buildings Materials CGU $	Leasing CGU $	Total $
The Group						
Property, plant and equipment (net) (Note 4)	**15,830**	**4,049,434**	**398,335**	**-**	**2,576**	**4,466,175**
2018						
The Group						
Property, plant and equipment (net) (Note 4)	7,637	4,225,873	515,160	-	485,080	5,233,750

The recoverable amount is the higher of fair value less costs to sell and value-in-use. The review led to the recognition of an impairment loss of $517,892 (2018 - $306,834) mainly for plant and equipment at the Group level.

Impairment loss on the Building Materials CGU
Plant and equipment (other than leasehold properties)
As there were no indications that the impairment losses previously recognised for the Building Materials CGU no longer exist, and that the carrying value of the plant and equipment under the Building Materials CGU had been fully impaired, the management considered that the recoverable amount of $Nil determined for this CGU was still considered appropriate as at 31 March 2019 and 31 March 2018.

Impairment testing on the Retail CGU (Malaysia)
Plant and equipment (other than leasehold properties)
For the financial year ended 31 March 2018, the recoverable amounts for Retail CGU (Malaysia) have been estimated to be lesser than the carrying amounts of the operational CGU. An impairment loss of $8,005 on plant and equipment at the Group level was required as at 31 March 2018. No recoverable amount was determined for the plant and equipment (other than leasehold properties) based on the higher of fair value less costs to sell and the value in use computation for the financial years ended 31 March 2019 and 31 March 2018.

Leasehold properties
Management determined the recoverable amount for the leasehold properties using fair value less cost to sell. The fair value less cost to sell of the leasehold properties was determined based on the direct market comparison method. The valuation was determined by independent professional valuer with recognised and relevant professional qualifications and experience with the local market and category of properties to be valued. The determination of fair values includes the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

4 Property, plant and equipment (Cont'd)

Impairment testing on the Retail CGU (Malaysia) (Cont'd)

Leasehold properties (Cont'd)

The direct market comparison approach estimates the value of the properties by comparing it to the prices of similar properties in the same location. Appropriate adjustments have been made to account for any differences between the properties and the comparable in terms of location, time, size and other relevant factors. The recoverable amount of the leasehold properties at Group level have been estimated to be higher than its carrying amounts, therefore, no impairment was required for the financial years ended 31 March 2019 and 31 March 2018.

The fair value is a Level 3 in the hierarchy of the fair value measurement.

Impairment testing on the Retail CGU (Singapore)

Plant and equipment (other than leasehold properties)

The recoverable amounts for Retail CGU (Singapore) have been estimated to be lesser than the carrying amounts of the operational CGU. An impairment loss of $211,017 (2018 - $298,829) on plant and equipment at the Group level is required as at 31 March 2019. No recoverable amount was determined for the plant and equipment (other than leasehold properties) based on the higher of fair value less costs to sell and the value in use computation for the financial years ended 31 March 2019 and 31 March 2018.

Impairment testing on the Leasing CGU

Plant and equipment (other than leasehold properties)

The recoverable amounts for Leasing CGU have been estimated to be lesser than the carrying amounts of the operational CGU. An impairment loss of $306,875 (2018 - $Nil) on plant and equipment at the Group level is required as at 31 March 2019. No recoverable amount was determined for the plant and equipment (other than leasehold properties) based on the higher of fair value less costs to sell and the value in use computation for the financial years ended 31 March 2019 and 31 March 2018.

5 Investment properties

The Group	**2019 $**	2018 $	1 April 2017 $
Cost			
At beginning of year	**14,247,167**	-	
Additions	**185,488**	-	
Transfer from Property, Plant and Equipment (Note 4)	**-**	14,247,167	
Translation differences	**(372,466)**	-	
At beginning of year	**14,060,189**	14,247,167	-
Accumulated depreciation			
At beginning of year	**5,526,900**	-	
Depreciation (Note 21)	**573,446**	-	
Transfer from Property, Plant and Equipment (Note 4)	**-**	5,526,900	
Translation differences	**(153,260)**	-	
At end of year	**5,947,086**	5,526,900	-
Net book value			
At end of year	**8,113,103**	8,720,267	-

	2019 $	2018 $	1 April 2017 $
Comprising net book value of:			
Retail CGU (Singapore)	**1,649,421**	1,531,550	-
Leasing CGU	**6,463,682**	7,188,717	-
	8,113,103	8,720,267	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

5 Investment properties (Cont'd)

As at 31 March 2019, the Group's investment properties with carrying amounts of $8,113,103 (2018 - $1,531,550) is mortgaged to financial institutions to secure bank borrowings (Note 14).

The details of the investment properties are as follows:

	Location	Type	Floor Area
1.	27 Kaki Bukit Place, Singapore	Leasehold 60 years expiring November 2055	1,218 sq m
2.	9 Dongyuan Road, Dianshan Hu Town, Kunshan City, Jiangsu Province, People's Republic of China	Leasehold 50 years expiring March 2057	45,458 sq m

The fair value of the investment property located in Singapore (Retail CGU (Singapore)) is $5,000,000 (2018 - $5,250,000) based on the independent valuation by Knight Frank Petty Limited (2018 - Teho Property Consultants Pte Ltd) on 8 October 2018 (2018 - 28 August 2018).

The fair value of the investment property located in China (Leasing CGU) is $17,611,042 (2018 - $14,849,120) based on the independent valuation by Knight Frank Petty Limited (2018 - Justice Construction Consultation Real Estate Appraisal Co., Ltd) on 8 October 2018 (2018 - 20 August 2018).

The fair value is a Level 3 in the hierarchy of the fair value measurement.

Impairment testing of investment properties

Management determined the recoverable amount for the investment properties using fair value less cost to sell. The fair value less cost to sell of the investment properties was determined based on the direct market comparison method. The valuation was determined by independent professional valuer with recognised and relevant professional qualifications and experience with the local market and category of properties to be valued. The determination of fair values includes the use of unobservable inputs.

The direct market comparison approach estimates the value of the properties by comparing it to the prices of similar properties in the same location. Appropriate adjustments have been made to account for any differences between the properties and the comparable in terms of location, time, size and other relevant factors. The recoverable amount of the investment properties at Group level have been estimated to be higher than its carrying amounts of the operational CGU, therefore, no impairment was required for the financial years ended 31 March 2019 and 31 March 2018.

6 Land use rights

The Group	**2019** **$**	2018 $	1 April 2017 $
Cost:			
At beginning of year	**1,238,873**	1,535,809	
Disposal of subsidiary	**-**	(337,093)	
Translation differences	**(38,119)**	40,157	
At end of year	**1,200,754**	1,238,873	1,535,809
Accumulated amortisation:			
At beginning of year	**292,447**	416,887	
Amortisation (Note 21)	**24,110**	31,034	
Disposal of subsidiary	**-**	(166,861)	
Translation differences	**(9,094)**	11,387	
At end of year	**307,463**	292,447	416,887
Net book value:			
At end of year	**893,291**	946,426	1,118,922

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

6 Land use rights (Cont'd)

The Group	**2019** **$**	2018 $	1 April 2017 $
Represented by:			
Current	**24,015**	24,777	30,716
Non-current	**869,276**	921,649	1,088,206
	893,291	946,426	1,118,922

	2019 **$**	2018 $	1 April 2017 $
Comprising net book value of :			
Leasing CGU	**893,291**	946,426	1,118,922

As at 31 March 2019, the Group's land use rights with carrying amount of $893,291 (2018 - $Nil, 1 April 2017 - $172,465) is mortgaged to financial institutions to secure bank borrowings (Note 14).

The fair value of the land use rights located in China is $15,269,918 (2018 - $12,785,760) based on the independent valuation by Knight Frank Petty Limited (2018 - Justice Construction Consultation Real Estate Appraisal Co., Ltd) on 8 October 2018 (2018 - 20 August 2018).

The fair value is a Level 3 in the hierarchy of the fair value measurement.

Impairment testing of land use rights
Management determined the recoverable amounts for the land use rights using fair value less cost to sell.

The fair value less cost to sell of the land use rights were determined based on the direct market comparison method. The valuation was determined by independent professional valuer with recognised and relevant professional qualifications and experience with the local market and category of properties to be valued. The determination of fair values includes the use of unobservable inputs.

The direct market comparison approach estimates the value of the properties by comparing it to the prices of similar properties in the same location. Appropriate adjustments have been made to account for any differences between the properties and the comparable in terms of location, time, size and other relevant factors. The recoverable amount of the land use rights at Group level have been estimated to be higher than the carrying amounts of the operational CGU, therefore, no impairment was required for the financial years ended 31 March 2019 and 31 March 2018.

7 Subsidiaries

The Company	**2019** **$**	2018 $	1 April 2017 $
Unquoted equity investments, at cost	**34,988,360**	34,988,360	34,988,360
Accumulated impairment losses:			
At beginning of year	**(34,988,360)**	(9,616,732)	
Impairment loss	**-**	(25,371,628)	
At end of year	**(34,988,360)**	(34,988,360)	(9,616,732)
Net carrying amount	**-**	-	25,371,628
Comprising carrying amount of:			
Retail CGU (Singapore)	**-**	-	11,107,835
Leasing CGU	**-**	-	14,263,793
Building Materials CGU	**-**	-	-
	-	-	25,371,628

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

7 Subsidiaries (Cont'd)

Impairment testing of cost of investment in subsidiaries
The recoverable amount of the subsidiary, as a cash-generating unit, should be determined based on the higher of fair value less costs to sell and the value-in-use calculation. As at 31 March 2019 and 31 March 2018, however, no recoverable amount was determined by management for the Building Material CGU, Retail CGU (Singapore) and Leasing CGU based on the higher of fair value less cost to sell and the value-in-use computation for any possible reversal of accumulated impairment of $34,988,360 provided previously as at 31 March 2019 and 31 March 2018 respectively.

The subsidiaries are:

Name	Country of incorporation	Ownership interest			Principal activities
		2019 **%**	2018 %	1 April 2017 $	
Held by the Company					
Uhin Holding Pte Ltd #	Singapore	**100**	100	100	Investment holding and trading of sofa sets, wood-based furniture and accessories
Lorenzo International (Kunshan) Co., Ltd. ***	People's Republic of China	**100**	100	100	Manufacturing and sale of wood-based furniture
Builders Shop Pte Ltd #	Singapore	**100**	100	100	Investment holding and trading of building materials and contractors for construction
Held by Uhin Holding Pte Ltd					
Uhin Sofa Sdn. Bhd. *	Malaysia	**100**	100	100	Investment holding and manufacturing and sale of sofa sets
Supreme Furnishing Centre Pte Ltd #	Singapore	**100**	100	100	Retail sale of furniture
Uhin International Co., Ltd. **	Republic of China	**100**	100	100	Retail sale of furniture
Lorenzo Furniture (Shanghai) Co., Ltd. ***	People's Republic of China	**100**	100	100	Inactive
Held by Supreme Furnishing Centre Pte Ltd					
Supreme Furniture (Kunshan) Co., Ltd. (Note a)	People's Republic of China	**-**	-	100	Manufacturing and sale of sofa sets
Held by Uhin Sofa Sdn Bhd					
Ginova Furnishing Sdn. Bhd. *	Malaysia	**100**	100	100	Investment holding and provision of management services
Monica Design Sdn. Bhd. *	Malaysia	**100**	100	100	Inactive
Uhin Wood Industries Sdn. Bhd. *	Malaysia	**100**	100	100	Manufacturing and supply of wooden frames
Held by Ginova Furnishing Sdn. Bhd.					
Ginova Marketing Sdn. Bhd. *	Malaysia	**100**	100	100	Retail sale of furniture
Held by Ginova Marketing Sdn. Bhd.					
Brezza Living Sdn. Bhd. * (Note b)	Malaysia	**100**	100	-	Retail sale of furniture

Audited by Foo Kon Tan LLP
* Audited by other firms of auditors – Grant Thornton Malaysia
** Audited by other firms of auditors – Grant Thornton Taiwan
*** Audited by Foo Kon Tan LLP for consolidation purposes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

7 Subsidiaries (Cont'd)

(a) Disposal of subsidiaries

In March 2018, the group disposed of the 100% equity interest of Supreme Furniture (Kunshan) Co. Ltd to a third party purchaser, namely Kunshan Gao Er Garment Co., Ltd. Please refer to the company's announcement with respect to the Disposal of subsidiary dated 13 June 2017.

All the revenue and expenses of the subsidiary were accounted for in the financial year ended 31 March 2018. The subsidiary was de-consolidated from the group on 31 March 2018.

The sale consideration for the disposal was RMB19 million (equivalent to $3,890,915). The carrying amounts of identifiable assets and liabilities of the subsidiary as at 31 March 2018 were:

	2018 $
Property, plant and equipment (net of accumulated depreciation)	741,027
Land use rights (net of accumulated amortisation)	170,232
Trade and other receivables	703
Cash and cash equivalents	1,521
Trade and other payables	(4,652)
Net assets disposed (100%)	908,831
Realisation of foreign exchange translation reserve	(161,254)
Gain on disposal (Note 19)	3,143,338
Purchase consideration	3,890,915
Satisfied by:	
Cash	3,278,915
Consideration receivable (included in other receivables under Note 9)	612,000
	3,890,915
Analysis of net flow of cash and cash equivalent arising on disposal:	
Cash consideration received	3,278,915
Cash and cash equivalent on the disposed subsidiary	(1,521)
Net cash inflow on disposal of subsidiary	3,277,394

(b) Acquisition of subsidiary

On 23 November 2017, Ginova Marketing Sdn. Bhd. ("GMSB") entered into a Sales and Purchase Agreement to acquire Brezza Living Sdn. Bhd. ("Brezza") from a third party for a purchase consideration of RM1,200,000 (equivalent to $404,040). The payment consideration is to be payable in 3 instalments as follows.

(i) RM300,000 (equivalent to $97,679) within 12 months from the date of the acquisition;

(ii) RM450,000 (equivalent to $146,520) upon the GMSB and Brezza achieving a consolidated net profit after tax ("NPAT") of at least RM600,000 (equivalent to $195,360) in any financial year after the acquisition ("the 1st Achievement year"); and

(iii) RM450,000 (equivalent to $146,520) upon the GMSB and Brezza achieving a second year of consolidated NPAT of at least RM600,000 (equivalent to $195,360) which occurrence need not be consecutive 1st Achievement Year.

GMSB has recognised the cost of investment at fair value of RM300,000 (equivalent to $97,679) upon acquisition as the management was of the view that they are unable to achieve the consolidated results as mentioned above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

7 Subsidiaries (Cont'd)

(b) Acquisition of subsidiary (Cont'd)
The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	2018 $
Net assets acquired:	
Property, plant and equipment (net of accumulated depreciation)	100,927
Inventories	292,852
Group's share of net assets (100%) at date of acquisition	393,779
Negative goodwill on acquisition (Note 19)	(296,100)
Purchase consideration	97,679
Satisfied by:	
Cash	-
Consideration payable (included in other payables under Note 17)	97,679
	97,679
Analysis of net flow of cash and cash equivalent using on acquisition:	
Cash consideration paid	-
Cash and cash equivalent on the acquired subsidiary	-
Net cash inflow on acquisition of subsidiary	-

At the date of acquisition of the subsidiary, no intangible assets had been identified and recognised in the financial statements. Negative goodwill was measured as the excess of the carrying amount of net assets acquired over the purchase consideration. The finalisation of the purchase price allocation ("PPA") exercise was completed on 31 July 2019 with no further considerations due to the vendor. The amounts disclosed above approximate the fair value of the PPA exercise.

8 Inventories

The Group	2019 $	2018 $	1 April 2017 $
Raw materials, at cost	**919,428**	782,633	1,930,735
Work-in-progress, at cost	**366,200**	165,136	623,568
Finished goods, at cost	**7,221,241**	4,859,327	7,235,263
Finished goods, at net realisable value	**-**	1,359,042	2,140,946
	8,506,869	7,166,138	11,930,512

The cost of inventories recognised as an expense and included in cost of sales amounted to $8,479,089 (2018 - $9,379,322) (Note 21) for the year ended 31 March 2019.

During the current financial year, included in other operating expenses, was a reversal of allowance made for write-down of obsolete/slow-moving inventories of $228,815 (2018 - allowance made of $3,010,535) (Note 21). The reversal of allowance made for writedown of inventories was attributable to the ability to sell the inventories at a higher net realisable value.

During the current financial year, included in other operating expenses, was inventories written off that were no longer used in production amounted to $20,311 (2018 - $345,957) (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

9 Trade and other receivables

	The Company			The Group		
	2019	2018	1 April 2017	2019	2018 (restated)	1 April 2017 (restated)
	$	$	$	$	$	$
Current						
Trade receivables						
- third parties	-	-	-	**3,668,617**	7,345,636	8,002,119
Contract assets				**1,864**	9,459	10,689
Gross (A)	-	-	-	**3,670,481**	7,355,095	8,012,808
Less: Allowance for impairment						
At beginning of year	-	-	-	**(4,652,558)**	(2,891,833)	(2,690,953)
Allowance made during the year (Note 21)	-	-	-	**(1,918,751)**	(1,760,494)	(200,880)
Impairment loss written off				**4,444,482**	-	-
Translation differences	-	-	-	**-**	(231)	-
At end of year (B)	-	-	-	**(2,126,827)**	(4,652,558)	(2,891,833)
Net trade receivables (A)-(B)	-	-	-	**1,543,654**	2,702,537	5,120,975
Current						
Other receivables:						
Retention sums receivables (Note 10)	-	-	-	**81,596**	-	241,023
Amounts due from customers for contracts work-in-progress (Note 10)	-	-	-	**-**	-	21,288
Other receivables	**2,807,666**	2,806,509	2,840,222	**4,287,793**	5,833,504	4,060,316
Less: Allowance for impairment on other receivables						
At beginning of year	**(2,800,000)**	(2,800,000)	(2,800,000)	**(4,156,268)**	(3,658,642)	(2,800,000)
Impairment loss recognised (Note 21)	-	-	-	**-**	(916,571)	(876,902)
Reversal of allowance during the year	-	-	-	**51,217**	-	-
Amounts utilised	-	-	-	**-**	460,941	-
Translation differences	-	-	-	**72,298**	(41,996)	18,260
At end of year	**(2,800,000)**	(2,800,000)	(2,800,000)	**(4,032,753)**	(4,156,268)	(3,658,642)
Net other receivables	**7,666**	6,509	40,222	**336,636**	1,677,236	663,985
Lease deposits	**8,200**	8,200	107,200	**1,024,242**	955,051	1,063,955
Other deposits	**14,980**	14,980	16,910	**62,733**	94,109	169,690
Amounts due from subsidiaries (non-trade)	**1,058,290**	3,852,310	5,141,886	**-**	-	-
Total at amortised costs	**1,089,136**	3,881,999	5,306,218	**2,967,265**	5,428,933	7,018,605
Prepayments	**7,437**	18,658	40,281	**383,545**	326,309	464,283
Advances to suppliers	-	-	-	**264,390**	751,401	16,699
Tax recoverable	-	-	-	**495,756**	642,104	560,413
Total current trade and other receivables	**1,096,573**	3,900,657	5,346,499	**4,110,956**	7,148,747	8,060,000
Non-current						
Other receivables:						
Retention sums receivables (Note 10)	-	-	-	**-**	121,179	143,539
Total non-current other receivables	-	-	-	**-**	121,179	143,539

Trade and other receivables of $288,213 (2018 - $144,808, 1 April 2017 - $82,429) of the Group are amounts due from firms of which a director of the Company is a member.

Trade and other receivables of $Nil (2018 - $1,406,396, 1 April 2017 - $Nil) of the Group is in relation to outstanding proceeds from disposal of properties and motor vehicles.

Contract assets relates to unbilled receivables upon delivery of goods which have yet to be invoiced.

Non-trade amounts due from subsidiaries (the Company)
The balances, comprising mainly advances, are unsecured, interest-free and are to be settled in cash on demand.

As at the reporting date, there were indicators of impairment as the Company's subsidiaries incurred losses for the past few years. Management did not determine the amount and timing of future cash flows based on historical loss experiences for assets with similar credit risk using the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

9 Trade and other receivables (Cont'd)

Trade and other receivables are denominated in the following currencies:

	The Company			The Group		
	2019	2018	1 April 2017	**2019**	2018	1 April 2017
	$	$	$	**$**	$	$
Current						
Singapore Dollar	**1,096,573**	3,900,657	5,346,499	**804,123**	3,067,040	4,896,843
United States Dollar	**-**	-	-	**-**	50,479	288,166
Malaysian Ringgit	**-**	-	-	**1,979,543**	3,176,092	1,818,214
New Taiwan Dollar	**-**	-	-	**828,892**	777,840	804,672
Renminbi		-	-	**498,398**	77,296	252,105
	1,096,573	3,900,657	5,346,499	**4,110,956**	7,148,747	8,060,000
Non-current						
Singapore Dollar	**-**	-	-	**-**	121,179	143,539

Trade receivables are granted credit terms ranging from 30 to 60 days (2018 and 1 April 2017 - 30 to 60) days.

The credit risk for trade and other receivables (at net) based on the information provided by key management is as follows:

	The Company			The Group		
	2019	2018	1 April 2017	**2019**	2018	1 April 2017
	$	$	$	**$**	$	$
By geographical area						
Singapore	**1,086,118**	3,878,941	5,303,304	**775,466**	3,108,666	5,193,737
People's Republic of China	**-**	-	-	**233,487**	65,252	289,563
Malaysia	**3,018**	3,058	2,914	**1,346,150**	1,912,686	1,125,457
Other countries	**-**	-	-	**612,162**	463,508	553,387
	1,089,136	3,881,999	5,306,218	**2,967,265**	5,550,112	7,162,144

The ageing analysis of trade and other receivables are as follows:

The Company	Gross $	Impairment losses $	Net $
31 March 2019			
Not past due and not impaired	**30,846**	**-**	**30,846**
Past due less than 30 days	**-**	**-**	**-**
Past due 31 to 60 days	**-**	**-**	**-**
Past due over 60 days	**3,858,290**	**(2,800,000)**	**1,058,290**
	3,889,136	**(2,800,000)**	**1,089,136**
31 March 2018			
Not past due and not impaired	29,670	-	29,670
Past due less than 30 days	-	-	-
Past due 31 to 60 days	2,310	-	2,310
Past due over 60 days	6,650,019	(2,800,000)	3,850,019
	6,681,999	(2,800,000)	3,881,999
1 April 2017			
Not past due and not impaired	180,198	-	180,198
Past due less than 30 days	143,622	-	143,622
Past due 31 to 60 days	1,728,135	-	1,728,135
Past due over 60 days	6,054,263	(2,800,000)	3,254,263
	8,106,218	(2,800,000)	5,306,218

Expected credit loss – other receivables (the Company and the Group)
The Company paid a refundable deposit of $2.8 million to a third party (the "Vendor") for the proposed acquisition of a new medical business during the year ended 31 December 2015. The proposed acquisition plan did not materialise and as the Vendor was facing financial difficulties, the Company has provided for the entire deposit outstanding and recognised an impairment loss of $2.8 million since prior years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

9 Trade and other receivables (Cont'd)

The Group	Gross $	Impairment losses $	Net $
31 March 2019			
Not past due and not credit-impaired	**2,508,293**	**-**	**2,508,293**
Past due less than 30 days	**151,508**	**-**	**151,508**
Past due 31 to 60 days	**158,738**	**-**	**158,738**
Past due over 60 days	**6,308,306**	**(6,159,580)**	**148,726**
	9,126,845	**(6,159,580)**	**2,967,265**
31 March 2018			
Not past due and not credit-impaired	4,408,935	-	4,408,935
Past due less than 30 days	174,237	-	174,237
Past due 31 to 60 days	118,051	-	118,051
Past due over 60 days	9,657,715	(8,808,826)	848,889
	14,358,938	(8,808,826)	5,550,112
1 April 2017			
Not past due and not credit-impaired	3,225,821	-	3,225,821
Past due less than 30 days	2,569,932	-	2,569,932
Past due 31 to 60 days	92,637	-	92,637
Past due over 60 days	7,824,229	(6,550,475)	1,273,754
	13,712,619	(6,550,475)	7,162,144

Financial assets that are neither past due nor credit-impaired
As of 31 March 2019, trade and other receivables for the Company of $30,846 (2018 - $29,670, 1 April 2017 - $180,198) and for the Group of $2,508,293 (2018 - $4,408,935, 1 April 2017 - $3,225,821) are not past due and not impaired. Based on historical default rates, the Group believes that no expected credit losses is necessary in respect of trade and other receivables not past due as they mainly arise from customers that have a good credit record with the Group.

Financial assets that are past due but not credit-impaired
As of 31 March 2019, trade and other receivables for the Company of $1,058,290 (2018 - $3,852,329, 1 April 2017 - $5,126,020) and for the Group of $458,972 (2018 - $1,141,177, 1 April 2017 - $3,936,323) are past due but not impaired. Based on historical default rates, the Group believes that no expected credit losses is necessary in respect of trade and other receivables past due up to 60 days as they mainly arise from customers that have a good credit record with the Group.

Financial assets that are past due and credit-impaired
As of 31 March 2019, trade and other receivables for the Company of $2,800,000 (2018 and 1 April 2017 - $2,800,000) and for the Group of $6,159,580 (2018 - $8,808,826, 1 April 2017 - $6,550,475) are past due and impaired. For the year ended 31 March 2019, the Group assessed the recoverability of trade and other receivables past due and recognised an impairment loss of $1,918,751 (2018 - $1,760,494, 1 April 2017 - $200,880) for trade receivables and $Nil (2018 - $916,571, 1 April 2017 - $876,902) for other receivables respectively. The impaired trade and other receivables arise mainly due to those balances which are not considered to be collectible.

Please refer to Note 28 for details of credit risk and foreign currency risk exposures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

10 Contracts work-in-progress

The Group	Note	2019 $	2018 $	1 April 2017 $
Contracts work-in-progress at end of the reporting period:				
Contract costs incurred		**-**	5,879,299	4,300,774
Attributable profits		**-**	1,441,635	1,247,808
Less: Progress billings		**-**	(7,430,927)	(5,527,294)
		-	(109,993)	21,288
Presented as:				
Amounts due (to)/from customers (included in trade and other payables or receivables)	9, 17	**-**	(109,993)	21,288
Retentions on construction contracts				
- Current	9	**81,596**	-	241,023
- Non-current	9	**-**	121,179	143,539
		81,596	121,179	384,562
Contract revenue recognised during the year/period		**260,862**	-	2,004,146

11 Cash and bank balances

	The Company			The Group		
	2019 $	2018 $	1 April 2017 $	**2019 $**	2018 $	1 April 2017 $
Fixed deposits	**-**	-	-	**49,403**	49,156	49,156
Cash on hand	**1**	1	1	**73,336**	58,150	76,319
Cash at bank	**4,686**	3,159	8,121	**800,843**	1,478,907	4,467,439
Less: Cash deposit from an executive director	**-**	-	-	**-**	-	(3,000,000)
	4,687	3,160	8,122	**923,582**	1,586,213	1,592,914

Cash and bank balances are denominated in the following currencies:

	The Company			The Group		
	2019 $	2018 $	1 April 2017 $	**2019 $**	2018 $	1 April 2017 $
Singapore Dollar	**4,687**	3,160	8,122	**302,699**	186,123	82,547
United States Dollar	**-**	-	-	**-**	4,447	1,813
Malaysian Ringgit	**-**	-	-	**137,828**	76,414	364,709
New Taiwan Dollar	**-**	-	-	**240,448**	1,086,031	1,101,745
Renminbi	**-**	-	-	**242,607**	233,064	41,969
Other currencies	**-**	-	-	**-**	134	131
	4,687	3,160	8,122	**923,582**	1,586,213	1,592,914

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

11 Cash and bank balances (Cont'd)

The weighted average interest rates of fixed deposits are as follows:

The Group	**2019 % per annum**	2018 % per annum	1 April 2017 % per annum
Singapore Dollar	**0.3%**	0.3%	0.3%

Please refer to Note 28 for details of foreign currency risk exposures.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

The Group	**2019 $**	2018 $	1 April 2017 $
Fixed deposits	**49,403**	49,156	49,156
Cash on hand	**73,336**	58,150	76,319
Cash at bank	**800,843**	1,478,907	4,467,439
Less: Bank overdrafts (secured) (Note 14.3)	**(5,719,597)**	(5,917,086)	(6,003,176)
Less: Cash deposit from an executive director	**-**	-	(3,000,000)
As per statement of cash flows	**(4,796,015)**	(4,330,873)	(4,410,262)

In the financial period ended 31 March 2017, cash deposit from an executive director of the Company whose use was conditional upon matching cash advance from a controlling shareholder of the Company.

12 Share capital

The Company and the Group	**2019**	2018	1 April 2017	**2019 $**	2018 $	1 April 2017 $
	Number of ordinary shares					
Issues and fully paid, with no par value	**439,400,466**	439,400,466	439,400,466	**39,948,675**	39,948,675	39,948,675

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

13 Reserves

	The Company			The Group		
	2019	2018	1 April 2017	**2019**	2018	1 April 2017
	$	$	$	**$**	$	$
Translation reserve	**-**	-	-	**(5,160,943)**	(5,207,365)	(5,144,821)
Merger reserve	**-**	-	-	**(3,282,141)**	(3,282,141)	(3,282,141)
Statutory common reserve	**-**	-	-	**-**	-	68,256
Capital reserve	**-**	-	-	**838,050**	838,050	838,050
Accumulated losses	**(42,097,251)**	(39,939,285)	(12,113,006)	**(39,673,728)**	(33,846,124)	(23,102,753)
	(42,097,251)	(39,939,285)	(12,113,006)	**(47,278,762)**	(41,497,580)	(30,623,409)

Translation reserve
Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Merger reserve
Merger reserve arises from the difference between the nominal value of shares issued by the Company and the net asset values of the subsidiaries acquired under the restructuring exercise in 2006 involving a business combination under common control.

Statutory common reserve
The statutory common reserve represents the amount transferred from profit after taxation of the subsidiaries incorporated in the People's Republic of China ("PRC") in accordance with the PRC requirement. The statutory common reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

Capital reserve
Under the provisions of the Company Law of the Republic of China ("ROC"), companies in ROC are required to set aside a capital reserve equal to 10% of its annual net profit (less losses of prior years, if any), before it declares any part of such net profit as dividends and bonuses, until the accumulated reserve equals the total capital stock. This reserve shall be used exclusively to offset losses or, if the balance of the reserve exceeds 50% of paid-in capital, to increase capital not exceeding 50% of the reserve balance.

14 Borrowings

The Group	Note	**2019** **$**	2018 $	1 April 2017 $
Non-current				
Finance lease liabilities	14.1	**27,133**	35,707	75,525
Current				
Finance lease liabilities	14.1	**20,675**	51,314	121,328
Bank loans (secured)	14.2	**9,555,636**	3,740,630	4,388,298
Other borrowings (secured)	14.3	**9,347,860**	8,827,959	10,089,802
		18,924,171	12,619,903	14,599,428
Total		**18,951,304**	12,655,610	14,674,953

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 Borrowings (Cont'd)

14.1 Finance lease liabilities

The Group	2019 $	2018 $	1 April 2017 $
Future minimum lease payments:			
Due not later than one year	**23,045**	53,341	133,431
Due later than one year and not later than five years	**32,815**	41,472	75,141
Due later than five years	**-**	1,710	12,078
	55,860	96,523	220,650
Future finance charges on finance leases	**(8,052)**	(9,502)	(23,797)
Present value of minimum lease payments	**47,808**	87,021	196,853
Present value of minimum lease payments:			
Due not later than one year	**20,675**	51,314	121,328
Due later than one year and not later than five years	**27,133**	34,296	65,540
Due later than five years	**-**	1,411	9,985
	47,808	87,021	196,853
Represented by:			
Current liabilities	**20,675**	51,314	121,328
Non-current liabilities	**27,133**	35,707	75,525
	47,808	87,021	196,853

14.2 Bank loans (secured)

The Group

Loan	Currency	Year of maturity	2019 $	2018 $	1 April 2017 $
(a)	SGD	*2019	**421,651**	421,651	421,651
(b)	SGD	#2016	**3,000,000**	3,000,000	3,000,000
(c)	RM	*2022	**407,985**	318,979	358,547
(d)	RMB	2020	**5,726,000**	-	608,100
			9,555,636	3,740,630	4,388,298

(a) Interest is charged at the Local Enterprise Finance Scheme ("LEFS") lending rate of 2.84% (2018 - 2.84%, 1 April 2017 - 2.87%) per annum. The bank loan is secured by:

(i) a mortgage over the Group's investment properties (Note 5);
(ii) a corporate guarantee by the Company; and
(iii) a corporate guarantee by a subsidiary.

(b) Interest is charged at 2.45% (2018 - 2.45%, 1 April 2017 - 3.90%) per annum. The bank loan is secured by a joint guarantee by the Company and a subsidiary.

(c) Interest is charged at 4.50% (2018 - 4.50%, 1 April 2017 - 4.45%) per annum. The bank loan is secured by a corporate guarantee by a subsidiary and a mortgage over certain leasehold properties of the Group (Note 4).

(d) Interest is charged at 7.11% (2018 - Nil%, 1 April 2017 - 6.80%) per annum. The bank loan is secured by mortgage over one of the Group's investment properties (Note 5) and land use rights (Note 6).

The current interest rates charged by the lenders on the loans to subsidiaries are at market rates and are consistent with the borrowing costs of the subsidiaries without any corporate guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 Borrowings (Cont'd)

14.2 Bank loans (secured) (Cont'd)

* As at 31 March 2019, the Group's bank loans amounting to $174,361 (2018 - $402,680, 1 April 2017 - $448,412), comprising Loan (a) of $Nil (2018 - $153,139, 1 April 2017 - $153,139) and Loan (c) of $174,361 (2018 - $249,541, 1 April 2017 - $295,273), due to be settled more than 12 months after the end of the reporting period are included in current liabilities because the bank loan agreements incorporate an overriding repayment on demand clause, which gives the lenders the right to demand repayment at any time, at their sole discretion and irrespective of whether a default event has occurred.

\# The borrowings have expired on 31 December 2016. Consequently, the bank has sent out multiple payment reminders.

14.3 Other borrowings

The Group	2019 $	2018 $	1 April 2017 $
Trust receipts (secured)	**674,757**	1,160,033	1,966,344
# Bills payable (secured)	**2,953,506**	1,750,840	2,120,282
	3,628,263	2,910,873	4,086,626
# Bank overdrafts (secured) (Note 11)	**5,719,597**	5,917,086	6,003,176
	9,347,860	8,827,959	10,089,802

Other bank borrowings are secured by:

(a) a first legal mortgage of the Group's leasehold properties. (Note 4);
(b) a debenture over a subsidiary's present and future fixed and floating assets for $3,620,980 (2018 - $3,679,030, 1 April 2017 - $3,442,220);
(c) a guarantee given by a subsidiary; and
(d) a guarantee given by the Company.

\# The borrowings have expired on 31 December 2016. Consequently, the bank has sent out multiple payment reminders.

14.4 Currency risk

Borrowings are denominated in the following currencies:

The Group	2019 $	2018 $	1 April 2017 $
Singapore Dollar	**8,446,723**	8,683,478	8,693,548
United States Dollar	**408,515**	397,672	1,575,399
Euro	**102,229**	108,664	103,049
Malaysian Ringgit	**4,267,836**	3,465,796	3,694,857
Renminbi	**5,726,001**	-	608,100
	18,951,304	12,655,610	14,674,953

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 Borrowings (Cont'd)

14.5 Weighted average interest rates

The weighted average interest rates of borrowings at the reporting date are as follows:

The Group	2019 % per annum	2018 % per annum	1 April 2017 % per annum
Finance lease liabilities	**2.8%**	2.6%	2.4%
Bank loans (secured)	**6.3%**	5.5%	4.2%
Trust receipts (secured)	**2.8%**	3.8%	3.5%
Bills payable (secured)	**4.9%**	4.9%	4.6%
Bank overdrafts (secured)	**6.5%**	5.4%	5.3%

Please refer to Note 28 for details of liquidity, interest rate and foreign currency risks exposures.

14.6 Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:

The Group	Carrying amounts $	Fair values $
2019		
Finance lease liabilities	**27,133**	**17,794**
2018		
Finance lease liabilities	35,707	27,037
1 April 2017		
Finance lease liabilities	75,525	63,724

15 Contract liabilities

The Group	2019 $	2018 $ (restated)	1 April 2017 $ (restated)
Non-current liabilities			
Contract liabilities	**469,418**	1,765,098	41,535
Current liabilities			
Contract liabilities	**3,908,754**	3,574,470	3,026,941
	4,378,172	5,339,568	3,068,476

Contract liabilities relate primarily to
a) Advance consideration received from customers
b) Advance rental from the tenant for the leasing of investment property; and
c) Membership subscription fees received in advance

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

15 Contract liabilities (Cont'd)

The Group offers memberships to customers under the "Lorenzo Friends" membership program which enable the customers to purchase goods at a discount at its retail outlets. The memberships are valid for a period of five years. The membership subscription fees, recognised as deferred income, are being amortised over the qualifying year of the membership.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the year are as follows:

The Group	**2019** **$**	2018 $
Revenue recognised that was included in contract liabilities at the beginning of the year	**(2,039,217)**	(841,541)
Increases due to cash received, excluding amounts recognised as revenue during the year	**1,077,821**	3,112,633

The Company has contract liabilities of $Nil (2018 - $Nil, 1 April 2017 - $10,000) as at 31 March 2019.

16 Deferred taxation

The Group	**2019** **$**	2018 $	1 April 2017 $
Deferred tax assets			
Balance at beginning of year	**44,487**	12,169	
Translation differences	**(456)**	(410)	
Recognised in profit or loss (Note 22)	**(29,996)**	32,728	
Balance at end of year	**14,035**	44,487	12,169

The balances are attributable to the following:

The Group	**2019** **$**	2018 $	1 April 2017 $
Property, plant and equipment	**14,035**	44,487	12,169

The Group	**2019** **$**	2018 $	1 April 2017 $
Deferred tax liabilities			
Balance at beginning of year	**164,643**	159,352	
Translation differences	**-**	68	
Recognised in profit or loss (Note 22)	**(68,916)**	5,223	
Balance at end of year	**95,727**	164,643	159,352

The balances are attributable to the following:

The Group	**2019** **$**	2018 $	1 April 2017 $
Property, plant and equipment	**9,957**	9,957	12,168
Unremitted earnings of subsidiary	**85,770**	154,686	147,184
	95,727	164,643	159,352

Deferred tax assets and deferred tax liabilities are not expected to be recoverable/payable within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

17 Trade and other payables

	The Company			The Group		
	2019	2018	1 April 2017	**2019**	2018	1 April 2017
	$	$	$	**$**	$ (restated)	$ (restated)
Trade payables to third parties	**-**	-	-	**2,810,479**	3,225,222	4,118,515
Other payables	**1,229,707**	1,023,489	552,790	**5,205,596**	7,814,837	4,871,974
Amounts due to customers for contracts work-in-progress (Note 10)	**-**	-	-	**-**	109,993	-
Amounts due to subsidiaries - non-trade	**1,196,918**	2,190,082	1,858,258	**-**	-	-
Accrued employee benefits	**375,390**	177,814	57,443	**976,960**	1,114,489	1,173,305
Accrued expenses	**391,655**	507,537	415,840	**1,055,364**	1,535,314	1,205,250
Interest payables	**-**	-	-	**735,097**	427,642	147,665
	3,193,670	3,898,922	2,884,331	**10,783,496**	14,227,497	11,516,709

Non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Trade and other payables of $380,656 (2018 - $772,674, 1 April 2017 - $759,167) of the Group and $91,878 (2018 - $325,279, 1 April 2017 - $10,031) of the Company are amounts due from firms of which a director of the Company is a member.

Trade and other payables are denominated in the following currencies:

	The Company			The Group		
	2019	2018	1 April 2017	**2019**	2018	1 April 2017
	$	$	$	**$**	$ (restated)	$ (restated)
Singapore Dollar	**3,193,670**	3,898,922	2,884,331	**5,600,803**	6,032,254	5,885,134
United States Dollar	**-**	-	-	**720,511**	929,725	453,487
Euro	**-**	-	-	**10,169**	18,465	-
Malaysian Ringgit	**-**	-	-	**2,366,891**	2,691,310	1,926,247
New Taiwan Dollar	**-**	-	-	**707,487**	1,026,933	1,060,212
Renminbi	**-**	-	-	**1,377,635**	3,528,810	2,191,629
	3,193,670	3,898,922	2,884,331	**10,783,496**	14,227,497	11,516,709

Further details of liquidity risks and foreign currency risk on trade and other payables are disclosed in Note 28.

18 Amount due to directors

The amounts due to directors, comprise of amounts paid on behalf of the Company of $71,996 (2018 - $Nil, 1 April 2017 - $151,715) and advances of $Nil (2018 - $Nil, 1 April 2017 – $130,000) granted to certain subsidiaries of the Group. These amounts due to directors are denominated in Singapore Dollar, interest-free, unsecured and repayable on demand.

Further details of the Group's financial risk management of liquidity risk exposures are set out in Note 28.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

19 Other income

The Group	2019 $	2018 $
Government grants	**52,914**	22,401
Interest income	**4,086**	3,182
Rental income	**1,612,466**	1,557,182
Sundry income	**1,353,677**	196,358
Gain on disposal of property, plant and equipment	**11,111**	994,716
Gain on disposal of subsidiary (Note 7)	**-**	3,143,338
Transportation income	**139,370**	391,956
Exchange gain, net	**591,420**	290,100
Negative goodwill (Note 7)	**-**	296,100
Waiver of loans from Directors of subsidiary	**374,358**	-
Membership subscription fees	**22,315**	30,028
	4,161,717	6,925,361

20 Finance costs

The Group	2019 $	2018 $
Interest expense		
- finance leases	**2,106**	14,323
- bank loans	**641,900**	254,596
- trust receipts and bills payable	**236,882**	189,962
- bank overdrafts	**387,049**	386,711
	1,267,937	845,592
Trade financing charges	**26,236**	52,091
	1,294,173	897,683

21 Loss before taxation

The following items have been included in arriving at loss before taxation:

The Group	Note	2019 $	2018 $
Included under "cost of sales"			
Cost of inventories included in cost of sales	8	**8,479,089**	9,379,322
Depreciation of property, plant and equipment	4	**138,436**	170,342
Staff costs (A)		**1,034,587**	1,388,878
Included under "distribution cost and administrative expenses"			
Operating lease expense		**4,760,950**	6,332,589
Workers retrenchment cost		**-**	1,444,380
Directors' fees		**87,619**	81,300
Staff costs (A)		**6,805,004**	8,441,657
Audit fees:			
- auditors of the Company		**187,809**	302,020
- other auditors		**48,604**	47,961
Non-audit fees:			
- auditors of the Company		**23,500**	63,100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

21 Loss before taxation (Cont'd)

The following items have been included in arriving at loss before taxation (Cont'd):

The Group	Note	**2019** **$**	2018 $
Included under "other operating expenses"			
(Reversal of)/allowance for inventory obsolescence	8	**(228,815)**	3,010,535
Amortisation of land use rights	6	**24,110**	31,034
Bad debts written off		**-**	35,497
Depreciation of property, plant and equipment	4	**459,963**	1,187,162
Depreciation of investment properties	5	**573,446**	-
Inventories written off	8	**20,311**	345,957
Impairment loss on property, plant and equipment	4	**517,892**	306,834
Property, plant and equipment written off		**-**	240,492
Impairment loss on trade receivables	10	**1,918,751**	1,760,494
Impairment loss on other receivables	10	**-**	916,571
		1,918,751	2,677,065
A) Staff costs			
Key management personnel - directors:			
Directors' remuneration other than fees			
- salaries and other related costs		**280,406**	373,953
- Contributions to defined contribution plans		**9,360**	20,902
Key management personnel - other than directors			
- salaries and other related costs		**341,658**	248,873
- Contributions to defined contribution plans		**25,740**	16,010
		657,164	659,738
Other than key management personnel			
- salaries, wages and other related costs		**6,547,962**	8,122,384
- Contributions to defined contribution plans		**634,465**	1,048,413
		7,182,427	9,170,797
		7,839,591	9,830,535

22 Tax expense

The Group	**2019** **$**	2018 $
Current tax expense		
Current year	**155,278**	176,371
Adjustments for prior years	**41,503**	7
	196,781	176,378
Deferred tax credit		
Movements in temporary differences	**(38,920)**	(21,779)
Adjustment for prior years	**-**	(5,726)
	(38,920)	(27,505)
Withholding tax on overseas income	**235,193**	274,710
	393,054	423,583

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

22 Tax expense (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on loss before taxation as a result of the following:

The Group	**2019** **$**	2018 $
Loss before taxation	**(5,434,550)**	(10,388,044)
Tax at domestic rates applicable to individual group entities	**(993,890)**	(1,905,426)
Tax effect on non-deductible expenses	**1,656,622**	1,175,538
Tax effect on non-taxable income	**(76,278)**	(28,576)
Deferred tax assets on temporary differences not recognised	**272,368**	1,335,948
Utilisation of deferred tax assets on temporary differences not recognised in prior years	**(718,887)**	(418,392)
Adjustment for prior years for current tax	**41,503**	7
Adjustment for prior years for deferred taxation	**-**	(5,726)
Tax incentives	**(23,577)**	(4,500)
Withholding tax on overseas income	**235,193**	274,710
	393,054	423,583

The domestic tax rates applicable to the profit of the following companies are as follows:

	Country	Rate	Basis
Lorenzo International Limited	Singapore	17.0%	Full tax
Builders Shop Pte Ltd	Singapore	17.0%	Full tax
Uhin Holdings Pte Ltd	Singapore	17.0%	Full tax
Supreme Furnishing Centre Pte Ltd	Singapore	17.0%	Full tax
Lorenzo International (Kunshan) Co., Ltd.	People's Republic of China	25.0%	Full tax
Lorenzo Furniture (Shanghai) Co., Ltd.	People's Republic of China	25.0%	Full tax
Uhin Sofa Sdn. Bhd.	Malaysia	24.0%	Full tax
Uhin International Co., Ltd.	Republic of China (Taiwan)	20.0%	Full tax

Unrecognised deferred tax assets

At the reporting date the Group had unabsorbed tax losses of approximately $30 million (2018 - $33 million) attributable to certain subsidiaries.

These unabsorbed tax losses of the Group are available for carry forward and set-off against future taxable income, subject to agreement by the tax authorities and compliance with certain provisions of the tax legislations of the respective countries in which the subsidiaries operate. Unabsorbed tax losses of approximately $7.6 million (2018 - $10 million) related to certain subsidiaries expire from 2019 through 2024.

Deferred tax assets of approximately $5.9 million (2018 - $6.5 million and 1 April 2017 - $5.1 million) have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

22 Tax expense (Cont'd)

22.1 Other comprehensive income for the year, net of tax

Disclosure of tax effect relating to each component of other comprehensive income:	2019 Before tax $	2019 Tax expense $	2019 Net of tax $	2018 Before tax $	2018 Tax expense $	2018 Net of tax $
Currency translation differences	**46,422**	**-**	**46,422**	98,710	-	98,710
	46,422	**-**	**46,422**	98,710	-	98,710

23 Loss per share

The Group	2019 $	2018 $
Loss attributable to owners of the Company	**(5,827,604)**	(10,811,627)
Weighted average number of ordinary shares issued during the year	**439,400,466**	439,400,466
Loss per share (cents):		
- basic	**(1.33)**	(2.46)
- diluted	**(1.33)**	(2.46)

Basic and diluted loss per share are calculated by dividing the loss for the year from continuing operations attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

There is no dilutive loss per share as the Group incurred losses; the Company did not have any stock options or dilutive potential ordinary shares during the financial years ended 31 March 2019 and 31 March 2018.

24 Related party transactions

Other than those disclosed elsewhere in the financial statements, the following are related party transactions entered into by the Group with related parties on terms agreed between the parties during the financial year:

The Group	2019 $	2018 $
Purchases from a firm of which a director of the Company is a member	**19,218**	140,278
Sales to		
- a firm of which a director of the Company is a member	**20,550**	40,498
Expenses charged to a firm of which a director of the Company is a member	**559**	4,030
Expenses charged by a firm of which a director of the Company is a member	**27,107**	408,415
Rental expense paid and payable to a firm of which a director of the Company is a member	**-**	1,957,873

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

25 Commitments

Operating lease commitments (non-cancellable)

A Where the Group is a lessee

At the end of the reporting period, the Group was committed to making the following payments in respect of non-cancellable operating leases of showrooms and warehouse premises:

The Group	2019 $	2018 $
Not later than one year	**2,453,212**	2,598,794
Later than one year and not later than five years	**1,186,002**	1,224,633
Later than five years	**-**	-

These operating leases expire between December 2019 and July 2021 and contain renewal options.

B Where the Group is a lessor

At the reporting date, the Group had the following rental receivables under non-cancellable operating lease in respect of rental of office premise:

The Group	2019 $	2018 $
Not later than one year	**264,000**	300,000
Later than one year and not later than five years	**77,000**	-
Later than five years	**-**	-

This non-cancellable lease has remaining lease terms expires on 14 July 2020 and contains renewal options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

26 Operating segments

In the last financial period, the Group decided to monitor the operating results based on the nature of its business. Consequently, the Group has changed its presentation of segment reporting into 2 main segments, which the Group is primarily engaged in:

(i) Furniture business; and
(ii) Building Materials

The Group Chief Executive Officer ("Group CEO"), who is designated as the Chief Operating Decision Maker, monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group CEO.

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 Group CEO.

26 Operating segments (Cont'd)

	Furniture business		Building materials		Unallocated		Total	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Revenue	**28,156**	31,085	**909**	761	**-**	-	**29,065**	31,846
Gross profit	**13,203**	14,036	**366**	379	**-**	-	**13,569**	14,415
Segment results	**2,169**	(5,262)	**(1,582)**	(1,794)	**(4,728)**	(2,434)	**(4,141)**	(9,490)
Finance costs	**(1,102)**	(700)	**(192)**	(177)	**-**	(21)	**(1,294)**	(898)
Loss before taxation	**1,067**	(5,962)	**(1,774)**	(1,971)	**(4,728)**	(2,455)	**(5,435)**	(10,388)
Tax expense							**(393)**	(424)
Loss for the year							**(5,828)**	(10,812)
Other information								
Segment assets	**25,932**	27,897	**527**	4,507	**59**	3,908	**26,518**	36,312
Segment liabilities	**27,006**	25,162	**4,907**	6,157	**2,271**	3,899	**34,184**	35,218
Additions of property, plant and equipment	**477**	555	**-**	-	**13**	3	**490**	558
Additions of investment property	**185**	-	**-**	-	**-**	-	**185**	-
Depreciation of property, plant and equipment	**598**	1,356	**-**	-	**-**	2	**598**	1,358
Depreciation of investment properties	**573**	-	**-**	-	**-**	-	**573**	-
Amortisation of land use rights	**24**	31	**-**	-	**-**	-	**24**	31
Gain on disposal of property, plant and equipment	**(11)**	(995)	**-**	-	**-**	-	**(11)**	(995)
Impairment loss on property, plant and equipment	**518**	307	**-**	-	**-**	-	**518**	307
(Reversal of)/allowance for inventory obsolescence	**(229)**	2,171	**-**	840	**-**	-	**(229)**	3,011
Inventory written off	**20**	346	**-**	-	**-**	-	**20**	346
Property, plant and equipment written off	**-**	240	**-**	-	**-**	-	**-**	240
Impairment loss on trade and other receivables	**71**	2,612	**1,848**	65	**-**	-	**1,919**	2,677
Gain on disposal of subsidiary	**-**	(3,143)	**-**	-	**-**	-	**-**	(3,143)
Negative goodwill on acquisition	**-**	(296)	**-**	-	**-**	-	**-**	(296)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

26 Operating segments (Cont'd)

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

The Group	2019 $'000	2018 $'000
Revenue		
Singapore	**2,439**	4,144
Malaysia	**13,072**	11,067
Taiwan	**13,403**	15,147
China	**151**	589
Others	**-**	899
	29,065	31,846

The Group	2019 $'000	2018 $'000
Non-current assets		
Singapore	**1,666**	1,657
Malaysia	**4,049**	4,225
Taiwan	**412**	560
China	**7,336**	8,599
	13,463	15,041

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

The Group	2019 $'000	2018 $'000
Revenue		
Total revenue for reportable segments	**29,065**	31,846
Consolidated revenue	**29,065**	31,846
Profit or loss		
Total loss for reportable segments	**(4,141)**	(9,490)
Finance costs	**(1,294)**	(898)
Consolidated loss before tax	**(5,435)**	(10,388)

The Group	2019 $'000	2018 $'000
Segment assets		
Total assets for reportable segments	**26,518**	36,312
Elimination	**-**	(6,031)
Tax recoverable	**496**	642
Deferred tax assets	**14**	44
Consolidated total assets	**27,028**	30,967
Segment liabilities		
Total liabilities for reportable segments	**34,184**	35,218
Elimination	**-**	(2,996)
Current tax payable	**78**	129
Deferred tax liabilities	**96**	165
Consolidated total liabilities	**34,358**	32,516

There is no revenue from any single customer contributing over 10% of total sales of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

27 Contingencies

The Company

Contingent liability
In August 2013, a suit was brought against the Company's subsidiary, Builders Shop Pte Ltd, together with several other defendants, including the main contractor and sub-contractor of the subsidiary, in respect of injuries allegedly caused by debris from a fallen granite slab from a building in 2011. The subsidiary's main contractor and sub-contractor completed installation of granite slabs on the facade of the building in 1997. The plaintiff is seeking damages of $2.4 million from the subsidiary and other defendants jointly and severally. In accordance with the agreement, the main contractor and sub-contractor should be responsible for work defects. The Company is contesting the claim rigorously. The former shareholder of the subsidiary has provided an undertaking in writing to the Company for an amount of up to $5 million for all actual and proven damages arising from the claim by the plaintiff. Based on the confirmation received from the legal counsel of the Company, the legal case has been concluded. The sum of damages to be paid and the timing of the liability has yet to be determined by the court.

Based on a review of the matter and in the light of the advice of the Company's legal counsel, the directors are of the view that no material losses will arise in respect of the legal suit on the amount of undertaking of $5 million would be sufficient to cover for any loss.

28 Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, interest rate risk, foreign currency risk, market price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial asset, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Credit exposure to an individual corporate counterparty is restricted by credit limits that are approved by the executive directors based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the group level by the executive directors. In addition, receivable balances and payment profile of the debtors are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group applies the SFRS(I) 9 expected credit losses which uses either a 12-month or a lifetime expected credit losses depending on the level of credit risk to measuring loss allowance for all trade receivables, and other financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 Financial risk management (Cont'd)

Credit risk (Cont'd)

The Group and Company apply the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For all other financial assets, the Group and Company apply the general approach.

As at the reporting date, there were indicators of impairment as the Company's subsidiaries incurred losses for the past few years. Management did not perform an assessment of impairment to determine the expected credit losses on net the amounts due from subsidiaries of $1,058,290 (2018 - $3,852,310, 1 April 2017 - $5,141,886).

While cash and cash equivalents are also subject to the impairment requirements, the identified impairment loss was immaterial.

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers who are internationally dispersed. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held.

The Group has no significant debtor (2018 and 1 April 2017 - 2 debtors that represent 71% and 79% of trade receivables respectively).

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

(i) At 31 March 2019, the Company has provided guarantees to banks in respect of loan facilities granted to subsidiaries amounting to $7 million (2018 - $7.3 million, 1 April 2017 - $6.2 million).

(ii) At 31 March 2019, the Company and a subsidiary have provided a joint guarantee to a bank in respect of a loan facility granted to subsidiaries amounting to $6.1 million (2018 - $5.3 million, 1 April 2017 - $6.1 million).

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is if the facility is drawn down by the subsidiary in the amount of $13.2 million (2018 - $12.6 million, 1 April 2017 - $12.3 million). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

The Company's and the Group's major classes of financial assets are bank deposits and trade and other receivables. The cash and cash equivalents are held with banks of good credit ratings. Further details of credit risks on trade and other receivables are disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 Financial risk management (Cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its variable rate bank balances, fixed deposits and borrowings which are contractually repriced at intervals of less than 6 months (2018 - less than 6 months).

The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

Sensitivity analysis for interest rate risk

A 30 (2018 - 30) basis points (bp) change in the interest rate of variable rate bank balances and fixed deposits and a 75 (2018 - 75) basis points (bp) change in the interest rate of variable rate borrowings at the reporting date would have increased/decreased equity and profit or loss before tax by the amounts shown below. The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group	Loss before tax - (increase)/decrease 30bp/75bp Increase $	Loss before tax - (increase)/decrease 30bp/75bp Decrease $	Equity - increase/(decrease) 30bp/75bp Increase	Equity - increase/(decrease) 30bp/75bp Decrease $
31 March 2019				
Variable rate fixed deposits	**148**	**(148)**	**148**	**(148)**
Variable rate borrowings	**(71,667)**	**71,667**	**(71,667)**	**71,667**
	(71,519)	**71,519**	**(71,519)**	**71,519**
31 March 2018				
Variable rate fixed deposits	147	(147)	147	(147)
Variable rate borrowings	(28,055)	28,055	(28,055)	28,055
	(27,908)	27,908	(27,908)	27,908

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group is exposed to foreign currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

28 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

The Group	US Dollar			Euro			Malaysian Ringgit			New Taiwan Dollar			Renminbi			Total		
	2019 $'000	2018 $'000	1 April 2017 $'000	**2019 $'000**	2018 $'000	1 April 2017 $'000	**2019 $'000**	2018 $'000	1 April 2017 $'000	**2019 $'000**	2018 $'000	1 April 2017 $'000	**2019 $'000**	2018 $'000	1 April 2017 $'000	**2019 $'000**	2018 $'000	1 April 2017 $'000
Financial Assets																		
Trade and other receivables	**-**	50	288	**-**	-	-	**1,346**	1,913	1,123	**612**	464	554	**233**	61	229	**2,191**	2,488	2,194
Cash and bank balances	**-**	4	2	**-**	-	-	**138**	76	365	**240**	1,086	1,102	**243**	233	42	**621**	1,399	1,511
	-	54	290	**-**	-	-	**1,484**	1,989	1,488	**852**	1,550	1,656	**476**	294	271	**2,812**	3,887	3,705
Financial Liabilities																		
Trade and other payables	**721**	930	453	**10**	18	-	**2,367**	2,691	1,926	**707**	1,027	1,061	**1,378**	3,529	2,192	**5,183**	8,195	5,632
Borrowings	**409**	398	1,575	**102**	109	103	**4,268**	3,466	3,695	**-**	-	-	**5,726**	-	608	**10,505**	3,973	5,981
	1,130	1,328	2,028	**112**	127	103	**6,635**	6,157	5,621	**707**	1,027	1,061	**7,104**	3,529	2,800	**15,688**	12,168	11,613
Net currency exposure on financial assets and (financial liabilities)	**(1,130)**	(1,274)	(1,738)	**(112)**	(127)	(103)	**(5,151)**	(4,168)	(4,133)	**145**	523	595	**(6,628)**	(3,235)	(2,529)	**(12,876)**	(8,281)	(7,908)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)
Sensitivity analysis for foreign currency risk

A 5% strengthening of the above currencies against the respective functional currencies of the Group entities at year ended would have increased/decreased loss before tax and increased/decreased equity by the amounts shown below. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

	Increase/(Decrease)			
	---------2019--------		---------2018--------	
	Loss before tax $'000	**Equity $'000**	Loss before tax $'000	Equity $'000
The Group				
United States dollar	**56**	**(56)**	64	(64)
Euro	**6**	**(6)**	6	(6)
Malaysian Ringgit	**258**	**(258)**	208	(208)
New Taiwan Dollar	**(7)**	**7**	(26)	26
Renminbi	**331**	**(331)**	162	(162)

Similarly, a 5% weakening would have the equal but opposite effect.

Market price risk
Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

Liquidity risk
Liquidity risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Company's and the Group's and financial liabilities based on contractual undiscounted cash flows, including estimated interest payments:

		-----------Contractual undiscounted cash flows----------			
The Group	**Carrying amount $**	**Total $**	**Less than 1 year $**	**Between 1 and 5 years $**	**Over 5 years $**
31 March 2019					
Trade and other payables	**10,783,496**	**10,783,496**	**10,783,496**	**-**	**-**
Amount owing to Directors	**71,996**	**71,996**	**71,996**	**-**	**-**
Borrowings	**18,951,304**	**18,959,356**	**18,752,181**	**207,175**	**-**
	29,806,796	**29,814,848**	**29,607,673**	**207,175**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The Group	Carrying amount $	-----------Contractual undiscounted cash flows---------- Total $	Less than 1 year $	Between 1 and 5 years $	Over 5 years $
31 March 2018					
Trade and other payables	14,227,497	14,227,497	14,227,497	-	-
Borrowings	12,655,610	12,701,618	12,379,128	320,780	1,710
	26,883,107	26,929,115	26,606,625	320,780	1,710
1 April 2017					
Trade and other payables	11,516,709	11,516,709	11,516,709	-	-
Amount due to directors	281,715	281,715	281,715	-	-
Borrowings	14,674,953	14,771,739	14,351,101	408,560	12,078
	26,473,377	26,570,163	26,149,525	408,560	12,078

The Company	Carrying amount $	-----------Contractual undiscounted cash flows---------- Total $	Less than 1 year $	Between 1 and 5 years $	Over 5 years $
31 March 2019					
Financial guarantee contracts	**13,200,000**	**13,200,000**	**13,200,000**	-	-
Trade and other payables	**3,193,670**	**3,193,670**	**3,193,670**	-	-
	16,393,670	**16,393,670**	**16,393,670**	-	-
31 March 2018					
Financial guarantee contracts	12,600,000	12,600,000	12,600,000	-	-
Trade and other payables	3,898,922	3,898,922	3,898,922	-	-
	16,498,922	16,498,922	16,498,922	-	-
1 April 2017					
Financial guarantee contracts	12,300,000	12,300,000	12,300,000	-	-
Trade and other payables	2,884,331	2,884,331	2,884,331	-	-
	15,184,331	15,184,331	15,184,331	-	-

Subject to the going concern assumption in Note 2(a), the Company and the Group ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Company and the Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

29 Financial instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Note	2019 $	2018 $	1 April 2017 $
Financial assets				
At amortised cost/ loan and receivables				
Trade and other receivables (current)	9	**2,967,265**	5,428,933	7,018,605
Other receivables (non-current)	9	**-**	121,179	143,539
Cash and bank balances	11	**923,582**	1,586,213	1,592,914
		3,890,847	7,136,325	8,755,058
Financial liabilities				
At amortised cost/ loan and receivables				
Borrowings	14	**18,951,304**	12,655,610	14,674,953
Amount due to directors	18	**71,996**	-	281,715
Trade and other payables	17	**10,783,496**	14,227,497	11,516,709
		29,806,796	26,883,107	26,473,377
The Company				
Financial assets				
At amortised cost/ loan and receivables				
Other receivables	9	**1,089,136**	3,881,999	5,306,218
Cash and bank balances	11	**4,687**	3,160	8,122
		1,093,823	3,885,159	5,314,340
Financial liabilities				
At amortised cost				
Trade and other payables	17	**3,193,670**	3,898,922	2,884,331

Reclassification of financial instruments on adoption of SFRS(I) 9

On date of initial application, 1 April 2018, the "Loans and receivables" of the Group and the Company are now classified as "financial assets at amortised cost" under SFRS(I) 9.

30 Fair value measurement

Definition of fair value
FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments

Fair value hierarchy
Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and

Level 3 : inputs for the asset or liability that are not based on observable market date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

30 Fair value measurement (Cont'd)

Financial instruments measured at amortised cost

Borrowings
The carrying amounts of borrowings approximate their fair values as they bear interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements, refer to Note 14.5.

Other financial assets and liabilities
The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances and trade and other payables) approximate their fair values because of the short year to maturity.

Fair value measurement of non-financial assets

Investment properties (Note 5) , leasehold properties (Note 4) and land-use-rights (Note 6)
The fair value of non-financial assets included in (Level 3 hierarchy) is determined as follows:-

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct comparison method	- Price per square meter - Expected average rental growth - Capitalisation rate	The estimated fair value would increase /(decrease) if: - Price per square meter was higher/(lower); - Expected average rental growth was higher/(lower); - Capitalisation rate was lower/(higher).

31 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;
(b) To support the Group's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group defines capital as shareholders' equity. The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the year.

Except for compliance with the statutory common reserve and capital reserve requirement by subsidiaries in PRC and ROC (Note 13), the Company and its subsidiaries are not subject to externally imposed capital requirements.

The directors monitor capital based on the net debt to total equity ratio. Net debt comprises total external borrowings less cash and bank balances. Net asset comprises total equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

31 Capital management (Cont'd)

The Group	2019 $	2018 $	1 April 2017 $
Total external borrowings	**18,951,304**	12,655,610	14,674,953
Less: Cash and bank balances	**(923,582)**	(1,586,213)	(1,592,914)
Net debt	**18,027,722**	11,069,397	13,082,039
Total equity	**(7,330,087)**	(1,548,905)	9,325,266
Net debt to total equity ratio (times)	**n.m.**	n.m.	1.40

n.m. – not meaningful

32 Adoption of new accounting standards

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) SFRS(I) which became effective from annual periods beginning on or after 1 January 2018. The application of SFRS(I) has no material effect on the financial statements for the financial year ended 31 March 2019, except as described below:

(1) Adoption of SFRS(I) 15, Revenue from Contracts with Customers

SFRS(I) 15 Revenue from Contracts with Customers establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The application of SFRS(I) 15 has no material effect and does not require adjustments to the financial statements for the financial year ended 31 March 2019.

Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following the Group and the Company's adoption of the SFRS(I)s that became effective during the year.

As a result, certain line items relating to contract liabilities have been amended in the statements of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation arising from the adoption of SFRS(I) 15.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

32 Adoption of new accounting standards (Cont'd)

(1) Adoption of SFRS(I) 15, Revenue from Contracts with Customers (Cont'd)

Reclassifications and comparative figures (Cont'd)

Statement of financial position	Note	2018 as reported $	Reclassification $	2018 as restated $
The Group				
Current assets				
Trade and other receivables	9			
Trade receivables – third parties		7,355,095	(9,459)	7,345,636
Contract assets		-	9,459	9,459
Non-current liabilities				
Deferred income		1,765,098	(1,765,098)	-
Contract liabilities	15	-	1,765,098	1,765,098
Current liabilities				
Deferred income		1,119,344	(1,119,344)	-
Trade and other payables	17	16,682,623	(2,455,126)	14,227,497
Contract liabilities	15	-	3,574,470	3,574,470

Statement of financial position	Note	1 April 2017 as reported $	Reclassification $	1 April 2017 as restated $
The Group				
Current assets				
Trade and other receivables	9			
Trade receivables – third parties		8,012,808	(10,689)	8,002,119
Contract assets		-	10,689	10,689
Non-current liabilities				
Deferred income		41,535	(41,535)	-
Contract liabilities	15	-	41,535	41,535
Current liabilities				
Deferred income		40,766	(40,766)	-
Trade and other payables	17	14,502,884	(2,986,175)	11,516,709
Contract liabilities	15	-	3,026,941	3,026,941

Adjustments relate to:

(i) Reclassification of advances from customers and deferred income being unearned revenue arising from contract with customers as "contract liabilities"

(ii) Reclassification of unbilled receivables upon delivery of goods which have yet to be invoiced to customers as "contract assets"

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

32 Adoption of new accounting standards (Cont'd)

(2) Adoption of SFRS(I) 9, Financial Instruments

SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

The application of SFRS(I) 9 has no material effect and does not require adjustments to the financial statements for the financial year ended 31 March 2019.

(3) Reclassification of comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Statement of financial position	Note	2018 as reported $	Reclassification $	2018 as restated $
The Group				
Trade and other payables	17			
Accrued expenses		1,962,956	(427,642)	1,535,314
Interest payables		-	427,642	427,642

Statement of financial position		1 April 2017 as reported $	Reclassification $	1 April 2017 as restated $
The Group				
Trade and other payables	17			
Accrued expenses		1,352,915	(147,665)	1,205,250
Interest payables		-	147,665	147,665

Statement of cash flows	2018 as reported $	Reclassification $	2018 as restated $
The Group			
Cash Flows from Operating Activities			
Inventories written off	-	345,957	345,957
Allowance for inventory obsolescence	-	3,010,535	3,010,535
Change in inventories	5,376,458	(3,356,492)	2,019,966
Change in trade and other payables	4,055,381	(3,038,514)	1,016,867
Change in contract liabilities	-	2,758,537	2,758,537
Interest paid	(845,592)	279,977	(565,615)

33 Events after end of reporting period

On 15 July 2019, the Group entered into a conditional sale and purchase agreement for the disposal of its entire shareholding in Lorenzo International (Kunshan) Co., Ltd to its existing tenant, Shanghai Kunhao Wood Industry Co. Ltd for a consideration of RMB 88 million. The proposed disposal is conditional upon the approval of the relevant authority and shareholders.

SHAREHOLDING STATISTICS

AS OF 31 JANUARY 2020

ISSUED AND FULLY PAID CAPITAL: $41,737,570
TOTAL NUMBER OF SHARES IN ISSUE: 439,400,466
CLASS OF SHARES: Ordinary shares fully paid
VOTING RIGHTS: One vote for each ordinary share
NO. OF TREASURY SHARES AND PERCENTAGE: There are no treasury shares held in the issued share capital of the Company.
NO. OF SUBSIDIARY HOLDINGS HELD AND PERCENTAGE: Nil

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-99	130	11.26	1,739	0.00
100-1,000	105	9.09	87,012	0.02
1,001-10,000	218	18.87	1,320,546	0.30
10,001-1,000,000	668	57.84	83,057,804	18.90
1,000,001 and above	34	2.94	354,933,365	80.78
TOTAL	1155	100.00	439,400,466	100.00

Top 20 largest shareholders as at 31 December 2019

No.	Name	No. of Shares	%
1	DING LEI	125,600,000	28.59
2	BD CORPORATION PTE LTD	45,579,800	10.37
3	CHIANG TIN TIAH	21,000,000	4.78
4	HUANG SHUZHEN	21,000,000	4.78
5	CHUNG KIM YEW	20,493,200	4.66
6	PHILLIP SECURITIES PTE LTD	19,271,150	4.39
7	LYE KIM CHYE	17,933,800	4.08
8	GOH SOON KHIAN	8,695,600	1.98
9	RAFFLES NOMINEES (PTE) LTD	6,691,400	1.52
10	JI YANPENG	6,200,000	1.41
11	TOH SOON HUAT	5,923,000	1.35
12	TAN KENG KOK	5,815,000	1.32
13	CHENG YE	5,309,200	1.21
14	GOH AH LEE	4,217,000	0.96
15	CHEN MEI YING	3,548,054	0.81
16	SIOW CHEE MENG	3,450,500	0.79

SHAREHOLDING STATISTICS
AS OF 31 JANUARY 2020

No.	Name	No. of Shares	%
17	SEE MEI LI	3,305,900	0.75
18	CHUNG YOOK FONG	3,248,000	0.74
19	YAN XIU YUN	2,812,600	0.64
20	CHUNG KAM SENG	2,695,000	0.61
	TOTAL	**332,789,204**	**75.74**

Substantial Shareholders (other than Directors)

No.	Name	No. of Shares	%	Deemed Interest (No. of shares)	%
1	DING LEI	125,600,000	28.59	-	-
2	BD CORPORATION PTE LTD	45,579,800	10.37	-	-
3	LIM PANG HERN[(i)]	959,500	0.22	45,579,800	10.37

Notes:
i. Lim Pang Hern is deemed to be interested in the 45,579,800 Shares held by BD Corporation Pte Ltd as he holds 100% shareholding interest in BD Corporation Pte Ltd.

Shareholdings held in the hand of public

Based on information available to the Company at 31 January 2020, approximately 55.35% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the SGX-ST Listing Manual has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at **23 Neythal Road Blk B #04-03 Singapore 628588** on **3 March 2020, Tuesday** at **10.30a.m** to transact the following business:

No.	Ordinary Businesses	Resolution
1.	To receive and adopt the Audited Accounts for the financial year ended 31 March 2019 together with the Directors' Statement and the Auditors' Report of the Company.	**Resolution 1**
2.	To re-elect as a Director, Mr Ding Lei, who is retiring under Article 90 of the Company's Constitution: *Mr Ding Lei will, upon re-election as a Director of the Company, remain as an Executive Director, Chairman of the Board and member of the Nominating Committees.*	**Resolution 2**
3.	To re-elect as a Director, Mr Marcelo Mora, who is retiring under Article 90 of the Company's Constitution. *Mr Marcelo Mora will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.*	**Resolution 3**
4.	To re-elect as a Director, Mr Jimmy Soh King Bin who is retiring under Article 96 of the Company's Constitution and who, being eligible, is offering himself for re-election as a Director. *Mr Jimmy Soh King Bin will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees.*	**Resolution 4**
5.	To re-elect as a Director, Mr Soh Chun Bin who is retiring under Article 96 of the Company's Constitution and who, being eligible, is offering himself for re-election as a Director. *Mr Soh Chun Bin will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Nominating Committee and member of the Audit and Remuneration Committees.*	**Resolution 5**
6.	To approve the payment of directors' fees of S$81,000 for the financial year ending 31 March 2020 to be paid quarterly in arrears.	**Resolution 6**
7.	To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.	**Resolution 7**
8.	To transact any other business that may be transacted at an Annual General Meeting.	

NOTICE OF
ANNUAL GENERAL MEETING

	Special Business	Resolution
9.	To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications: "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to: (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that: (i) the aggregate number of shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below); (ii) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the Company at the time of the passing of this Resolution, after adjusting for: (aa) new shares arising from the conversion or exercise of any convertible securities;	

NOTICE OF
ANNUAL GENERAL MEETING

	Special Business (Cont'd)	Resolution
9	(bb) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and (cc) any subsequent bonus issue, consolidation or subdivision of shares; (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles in the Company's Constitution; and (iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanation Note 1]	**Resolution 8**

By Order of the Board
Ding Lei
Executive Director and Chairman
17 February 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

   For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1) A member entitled to attend and vote at the Fourteenth Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf, save that no limit shall be imposed on the number of proxies for nominee companies. A proxy need not be a member of the Company.

2) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

3) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 23 Neythal Road Block B #04-03 Singapore 628588 at least forty-eight (48) hours before the time fixed for the Fourteenth Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or by attending the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ding Lei, Mr Marcelo Mora, Mr Jimmy Soh King Bin and Mr Soh Chun Bin are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 3 March 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	MR DING LEI	MR MARCELO MORA	MR JIMMY SOH KING BIN	MR SOH CHUN BIN
Date of Appointment	20 January 2017	23 January 2017	18 January 2019	18 January 2019
Date of last re-appointment	25 October 2017	25 October 2017	-	-
Age	47	56	49	45
Country of principal residence	Australia	Australia	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Ding Lei for re-appointment as Executive Director and Chairman of the Company. The Board has reviewed and concluded that Mr Ding Lei possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Marcelo Mora for re-appointment as an Independent Director of the Company. The Board has reviewed and concluded that Mr Marcelo Mora possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Jimmy Soh King Bin for re-appointment as Lead Independent Director of the Company. The Board has reviewed and concluded that Mr Jimmy Soh King Bin possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Soh Chun Bin for re-appointment as an Independent Director of the Company. The Board has reviewed and concluded that of Mr Soh Chun Bin possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for the presentation of the Company's aims and policies, and to take the chair in board meetings and shareholder meetings. He is also responsible to take a leading role in determining the composition and structure of the Board.	Non-Executive	Non-Executive	Non-Executive

ADDITIONAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

	MR DING LEI	MR MARCELO MORA	MR JIMMY SOH KING BIN	MR SOH CHUN BIN
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chairman and member of the Remuneration Committee	Independent Director, Chairman of the Remuneration Committee and member of the Audit and Nominating Committees	Lead Independent Director, Chairman of the Audit Committee and member of the Remuneration and Nominating Committees	Independent Director, Chairman of the Nominating Committee and member of the Audit and Nominating Committees
Working experience and occupation(s) during the past 10 years	February 2016 to August 2016 Executive Director - Bisan Limited August 2016 to Present Chairman - Bisan Limited October 2009 to Present Director - RICT Pty Ltd	To present Chartered Secretary Non-executive Director since 20 May 2016 to Present. Company Secretary since 31 May 2014 to Present GPS Alliance Holdings Limited Company Secretary Dome Gold Mines Ltd since 8 July 2011 to Present Non-Executive Director and Company Secretary of China Magnesium Corporation Limited from 26 February 2019 to 29 November 2019	2018 to present Chief Executive Officer and Managing Director - Sol Group of Companies 2017 to present Chief Executive Officer and Managing Director - Asian Food Network Pte Ltd 1997 to 2017 Group Managing Director - Chye Choon Group of Companies	November 2018 to present Director - ZICO Insights Law January 2017 to October 2018 Director - Fortis Law Corporation October 2015 to December 2016 Executive Director - Victoria Medical Beauty Group Pte Ltd October 2014 to September 2015 Chief Executive Officer of Changjiang Fertilizer Holdings Limited (now known as Olive Tree Estates Limited) July 2012 to September 2014 Chief Executive Officer of Cedar Strategic Holdings Ltd (now known as Emerging Towns & Cities Singapore Ltd) March 2001 to May 2012 Equity Partner of Stamford Law Corporation (now known as Morgan Lewis Stamford LLC).
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 125,600,000	No	No	No
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No	No
Conflict of Interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

ADDITIONAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

	MR DING LEI	MR MARCELO MORA	MR JIMMY SOH KING BIN	MR SOH CHUN BIN
Other Principal Commitments* Including Directorships# (for the last 5 years) * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the past 5 years): None Present: RICT Pty Ltd Bisan Limited	Past (for the past 5 years): None Present: GPS Alliance Holdings Limited China Magnesium Corporation Limited from 26 February 2019 to 26 November 2019	Past (for the past 5 years): Chye Choon Foods Pte Ltd Chye Choon Marketing & Distributions Pte Ltd P. T. Chye Choon Indonesia Present: Asian Food Network Pte. Ltd. Sol Agri Resources Pte Ltd Sol Foods Marketing Pte Ltd.	Past (for the past 5 years): 7Five Capital Pte. Ltd. Chosen Holdings Limited DORR Global Healthcare Fund Pte Ltd Jiangxi Jiangling Chassis Co., Ltd. MNC Energy Pte Ltd Victoria Medical Beauty Group Pte Ltd XORO Capital Pte Ltd Present: Asia East Africa Pte Ltd Cloudzen Alpha Pte Ltd Cloudzen Pte Ltd Geo Energy Resources Limited ISOTeam Ltd. Seven5 Capital Pte Ltd Triyards Holdings Limited
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.-				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	Yes A winding up application was filed against Victoria Medical Beauty Group Pte Ltd, being a company of which Mr Soh Chun Bin was a director.

ADDITIONAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

	MR DING LEI	MR MARCELO MORA	MR JIMMY SOH KING BIN	MR SOH CHUN BIN
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No

ADDITIONAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

	MR DING LEI	MR MARCELO MORA	MR JIMMY SOH KING BIN	MR SOH CHUN BIN
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No

ADDITIONAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

	MR DING LEI	MR MARCELO MORA	MR JIMMY SOH KING BIN	MR SOH CHUN BIN
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
Disclosure applicable to the appointment of Director only				
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.	N.A.

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Proxy Form No.
OF

PROXY FORM
FOURTEENTH ANNUAL GENERAL MEETING

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

I/We ______________________________
(Name) of ______________________________
(Address) ______________________________
being a member/ members of Lorenzo International Limited (the "**Company**") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of my/ our shareholding (%)	
			No. of Shares	%

and/ or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of my/ our shareholding (%)	
			No. of Shares	%

or failing *him/her, the Chairman of the Fourteenth Annual General Meeting (the "**Meeting**"), as my/our proxy/ proxies to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company, to be held at **23 Neythal Road Blk B #04-03 Singapore 628588** on **3 March 2020, Tuesday** at **10.30a.m.**, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolutions Relating To:	For	Against
	Ordinary Businesses		
1	Adoption of Accounts		
2	Re-election of Mr Ding Lei		
3	Re-election of Mr Marcelo Mora		
4	Re-election of Mr Jimmy Soh King Bin		
5	Re-election of Mr Soh Chun Bin		
6	Approval of directors' fees		
7	Re-appointment of Auditors		

PROXY FORM
FOURTEENTH ANNUAL GENERAL MEETING

No.	Ordinary Resolutions Relating To:	For	Against
	Special Business		
8	Authority to allot and issue new shares		

(If you wish to exercise all your votes "For" or "Against", please indicate your vote "For" or "Against" with "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

Dated this _______ day of ______________ 2020.

Number of Shares held in	
CDP Register	
Member's Register	
TOTAL	

____
Signature of Shareholder(s) or Common Seal
Important: Please read notes overleaf

IMPORTANT:

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore, not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. If you are **a member of this company having a share capital who is a relevant intermediary (a nominal company)**, you may appoint more than 2 proxies to attend or vote in your stead. If you wish to appoint more than 2 proxies, you may complete, number and attach additional copies of this form. You must on each form state the number of shares the proxy is representing. If no number is inserted, the appointment would be considered to be invalid.

PROXY FORM
FOURTEENTH ANNUAL GENERAL MEETING

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. (a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

   (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **23 Neythal Road Block B #04-03 Singapore 628588**, not less than forty-eight (48) hours before the time set for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the Annual General Meeting if he is able to do so.

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

11. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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LORENZO INTERNATIONAL LIMITED

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SINGAPORE

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Supreme Furnishing Centre Pte Ltd
Lorenzo Concept Pte Ltd
23 Neythal Road Blk B #04-03 Singapore 628588
Tel: +65 6861 1949   Fax: +65 6846 0770

Builders Shop Pte Ltd
23 Neythal Road Blk B #04-03 Singapore 628588
Tel: +65 6841 6636   Fax: +65 6545 5665

MALAYSIA

Uhin Sofa Sdn Bhd
Uhin Wood Industries Sdn Bhd
Ginova Furnishing Sdn Bhd
Monica Design Sdn Bhd
Ginova Marketing Sdn Bhd
Brezza Living Sdn Bhd
21 Jalan TSB 8 Taman Industri Sg. Buloh 47000
Sg. Buloh Selangor Darul Ehsan, Malaysia
Tel: +603 6157 1591   Fax: +603 6157 1931

TAIWAN

Uhin International Co., Ltd
93-33 Lane 136 Zhonggang W. Road
Taishan District, New Taipei City 243 Taiwan (R.O.C.)
Tel: +886 2 2900 0001   Fax: +886 2 2900 0002

CHINA

Lorenzo International (Kunshan) Co., Ltd
Lorenzo Furniture Trading (Shanghai) Co., Ltd
9 Dongyuan Road, Dianshan Hu Town
Kunshan City, Jiangsu Province, P.R.C. 215345

LORENZO INTERNATIONAL LIMITED
Reg. No.: 200508277C

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