LORENZO INTERNATIONAL LIMITED

(Co. Reg. No.: 200508277C)

Q1 Financial Statements and Dividend Announcement
For the year ended 30 June 2015

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

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

	Group		
	Half-Year ended 30 Jun 2015	**Half-Year ended 30 Jun 2014**	**Increase/ (Decrease)**
	S$'000	**S$'000**	**%**
Revenue	29,982	35,684	(16.0)
Cost of sales	(17,503)	(20,053)	(12.7)
Gross Profit	**12,479**	**15,631**	(20.2)
Other operating income	1,344	1,356	(0.9)
Administrative expenses	(11,970)	(12,770)	(6.3)
Distribution and marketing costs	(3,897)	(3,759)	3.7
Other operating expenses	(1,121)	(1,271)	(11.8)
Finance costs	(468)	(458)	2.2
Loss before tax	**(3,633)**	**(1,271)**	185.8
Taxation	(313)	(195)	60.5
Loss after tax	**(3,946)**	**(1,466)**	169.2
Loss attributable to:			
Equity holders of the Company	(3,946)	(1,466)	

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

	Year ended		Increase/
	30/06/2015	**30/06/2014**	**(Decrease)**
	S$'000	**S$'000**	**%**
Interest income	(36)	(32)	12.5
Interest expense	468	458	2.2
Depreciation of property, plant & equipment	1,541	1,637	(5.9)
Amortisation of land use rights	16	15	6.7
Foreign exchange (gain)/ loss	(321)	153	nm
Impairment loss on trade receivables	34	-	nm

Inventories written off	10	79	(87.3)
Impairment of property, plant and equipment	189	112	68.8

nm – not meaningful

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

	Year ended	
	30/06/2015	**30/06/2014**
	S$'000	**S$'000**
Loss for the period	(3,946)	(1,466)
Exchange differences on translation of foreign operations	(312)	(345)
Total comprehensive loss for the period	**(4,258)**	**(1,811)**
Attributable to:		
Equity holders of the Company	(4,258)	(1,811)
Minority interest	-	-
	(4,258)	**(1,811)**

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

	Group		Company	
	As at 30 Jun 2015	**As at 31 Dec 2014**	**As at 30 Jun 2015**	**As at 31 Dec 2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
ASSETS:				
Non-Current Assets				
Land use rights	1,240	1,217	-	-
Property, plant and equipment	22,563	24,273	1	1
Other receivables	529	486	-	-
Investment in subsidiaries	-	-	30,254	30,254
Deferred tax assets	211	266	-	-
	24,543	26,242	30,255	30,255
Current Assets:				
Land use rights	33	32	-	-
Inventories, at cost	20,275	21,666	-	-
Amount due from subsidiaries	-	-	3,794	-
Trade and other receivables	14,401	19,679	3,012	4,728
Fixed deposits with banks	716	1,305	-	-
Cash and cash equivalents	1,906	6,787	4	2
	37,331	49,469	6,810	4,730
Total assets	**61,874**	**75,711**	**37,065**	**34,985**
EQUITY AND LIABILITIES:				
Capital and Reserve				
Share capital	36,554	32,982	36,554	32,982
Reserves	(5,157)	(899)	(1,477)	144
	31,397	32,083	35,077	33,126
Non-current liabilities				
Borrowings	414	638	-	-

Deferred tax	180	222	-	-
Deferred income	37	43	-	-
	631	903	-	-
Current Liabilities				
Trade and other payables	13,370	17,290	363	1,859
Deferred income	43	37	-	-
Amount due to a subsidiary	-	-	1,625	-
Provision for taxation	135	368	-	-
Borrowings	16,298	25,030	-	-
	29,846	42,725	1,988	1,859
Total equity and liabilities	**61,874**	**75,711**	**37,065**	**34,985**

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

Amount repayable in one year or less, or on demand

As at 30 June 2015 (S$'000)		As at 31 December 2014 (S$'000)	
Secured	**Unsecured**	**Secured**	**Unsecured**
16,298	-	25,030	-

Amount repayable after one year

As at 30 June 2015 (S$'000)		As at 31 December 2014 (S$'000)	
Secured	**Unsecured**	**Secured**	**Unsecured**
414	-	638	-

Details of any collateral

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

(a) a guarantee given by the Company;

(b) a guarantee given by a subsidiary;

(c) first legal mortgage of the Group's leasehold properties;

(d) debenture over a subsidiary's present and future fixed and floating assets.

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

	Group	
	Year ended 30/06/2015	**Year ended 30/06/2014**
	S$'000	**S$'000**
Cash Flows from operating activities		
Loss before taxation	(3,633)	(1,271)
Adjustments for:-		
Amortisation of land use rights	16	15
Depreciation of property, plant and equipment	1,500	1,637
Provision for diminution in investment	-	-
Loss/ (Gain) on disposal of plant and equipment	169	(126)
Interest expense	468	447
Interest income	(36)	(32)
Operating profit before working capital changes	**(1,516)**	**670**
Decrease in inventories	1,015	2,521
Decrease in trade and other receivables	5,389	758
Decrease in trade and other payables	(3,605)	(2,708)
Net cash generated from operations	**1,283**	**1,241**
Interest expense	(468)	(447)
Income tax paid	(577)	(589)
Net cash generated from operating activities	**238**	**205**
Cash Flows used in investing activities		
Purchase of property, plant and equipment	(173)	(863)
Acquisition of land used rights	-	-
Proceeds from disposal of property, plant and equipment	-	20
Interest received	36	32
Net cash used in investing activities	**(137)**	**(811)**
Cash Flows used in financing activities		
Proceeds from Issue of new shares	3,773	2,810
Issue shares related expenditure	(200)	(86)
Repayment from bank loans	(203)	(1,119)
Repayment of bill payable	(9,504)	(1,111)
Repayment from finance lease creditors	(935)	(69)
Net cash generated (used in) / from financing activities	**(7,069)**	**425**
Net decrease in cash & cash equivalents	**(6,968)**	**(181)**
Cash & cash equivalents at beginning of the period	2,766	(1,202)
Net effect of exchange rate changes on balance of cash and cash equivalents at beginning of the year	(166)	(12)
Cash and cash equivalents at end of the period	**(4,368)**	**(1,395)**

Note 1:

Cash and cash equivalents at end of the period	**S$**	**S$**
Cash and bank balances	1,906	2,591
Fixed deposit	716	1,331
Bank overdraft	(6,990)	(5,317)
	(4,368)	**(1,395)**

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

	Attributable to equity holders of the company							
	Share capital	**Exchange fluctuation reserves**	**Statutory Common Reserve**	**Capital reserve**	**Merger reserve**	**FV reserve**	**Retained earnings**	**Total equity**
Group	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**
Balance as at 1 Jan 2015	**32,982**	**(3,355)**	**68**	**838**	**(3,282)**	**(11)**	**4,843**	**32,083**
Issue of new shares	3,773	-	-	-	-	-	-	3,773
Share expenses	(200)	-	-	-	-	-	-	(200)
Loss for the year	-	-	-	-	-	-	(3,947)	(3,947)
Other comprehensive income	-	(312)	-		-	-	-	(312)
Balance at 30 Jun 2015	**36,555**	**(3,667)**	**68**	**838**	**(3,282)**	**(11)**	**896**	**31,397**
Balance as at 1 Jan 2014	**30,258**	**(2,802)**	**68**	**838**	**(3,282)**	**6**	**1,372**	**26,458**
Profit for the year	-	-	-	-	-	-	3,471	3,471
Other comprehensive loss	-	(553)	-	-	-	(17)	-	(570)
Issue of new shares	2,810							2,810
Share expenses	(86)							(86)
Balance at 31 Dec 2014	**32,982**	**(3,355)**	**68**	**838**	**(3,282)**	**(11)**	**4,843**	**32,083**

Company	**Share capital** S$	**Retained profits** S$	**Total Equity** S$
Balance as at 1 Jan 2015	32,982	144	33,126
Issue of new shares	3,773	-	3,773
Less share expenses	(200)	-	(200)
Loss for the period	-	(1,622)	(1,622)
Balance as at 30 Jun 2015	**36,555**	**(1,478)**	**35,077**
Balance as at 1 Jan 2014	30,258	(1,766)	28,492
Issue of new shares	2,810	-	2,810
Less share expenses	(86)		(86)
Loss for the year	-	1,910	1,910
Balance as at 31 Dec 2014	**32,982**	**144**	**33,126**

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

On 27 April 2015, the Company issued 53,894,308 rights at $0.07 per share pursuant to the rights issue exercise.

Issue and fully paid	**Ordinary Shares**
Balance as at 1 January 2015	259,906,158
Rights Issue	53,894,308
Balance as at 30 June 2015	**313,800,466**

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

The Company	**As at 30 June 2015**	**As at 31 December 2014**
Total number of issued shares	259,906,158	216,588,465
Issue of ordinary shares	53,894,308	43,317,693
Total number of issued shares excluding treasury shares	313,800,466	259,906,158

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

The Company has no treasury shares as at 30 June 2015 and 31 December 2014.

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

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

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

Not applicable.

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

Except as disclosed in the Note 5 below, the same accounting policies and methods of computation as in the Group and Company's audited financial statements for the year ended 31 December 2014 have been applied.

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

The Group and Company adopted the new/ revised Financial Reporting Standards (FRS) that are effective for annual periods beginning on and after 1 January 2015. Changes to the Group's and Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of new/ revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies or any material impact on the Group's financial statements.

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

	Group	
Loss per ordinary share:	**Period ended 30/06/2015**	**Period ended 30/06/2014**
- Based on weighted average number of ordinary shares in issue	(1.44) cents	(0.62) cents
- On fully diluted basis	(1.44) cents	(0.62) cents

The loss per share of the Group for the year ended 30 June 2015 was computed based on the weighted average number of shares in issue of 273,379,735 (30 June 2014: 238,247,312).

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

	Group		Company	
	30/06/2015	**31/12/2014**	**30/06/2015**	**31/12/2014**
Net asset value per share for the year based on the number of shares in issue.	10.01 cents	12.34 cents	11.18 cents	12.75 cents

The net assets value per ordinary share is based on the number of shares in issue of 313,800,466 as at 30 June 2015 (31 December 2014: 259,906,158).

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

8.1 <u>Review commentary on income statement for year ended 30 June 2015</u>

8.1.1 Revenue

Revenue decreased by S$5.7 million or 16.0% from S$35.7 million in HY2014 to S$30.0 million in HY2015 with Builders Shop Pte Ltd (BSPL) contributing $2.8 million to the overall revenue. Our key retail business segment registered a decrease of 10.3% from S$26.8 million in HY2014 to S$24.0 million in HY2015. Our export markets remained weak and competitive; this resulted in the decline by 18.7% from S$2.1 million in HY2014 to S$1.7 million in HY2015. The revenue from LRS stores decreased by 39.0% from S$2.5 million in HY2014 to S$1.6 million in HY2015.

Revenue by Business Segment:

Group	Half-Year ended 30/06/2015	Half-Year ended 30/06/2014	Increase / (Decrease)
	S$'000	S$'000	%
Retail Segment	24,000	26,755	(10.3)
Export Segment	1,672	2,056	(18.7)
LRS Licensing	1,553	2,544	(39.0)
Others (BSPL)	2,757	4,329	(36.3)
Total Revenue	**29,982**	**35,684**	**(16.0)**

Number of Stores:

Group	Half-Year 30/06/2015	Half-Year 30/06/2014	Increase / (Decrease)
Retail Stores:			
Malaysia	18	19	(1)
Taiwan	17	14	3
Singapore	4	4	-
China	2	7	(5)
Total retail store	**41**	**44**	**(3)**
LRS Stores:			
China	7	9	(2)
Malaysia	6	8	(2)
Taiwan	2	-	2
Other Countries	2	4	(2)
Total LRS store	**17**	**21**	**(4)**
Total Number of Stores	**58**	**65**	**(7)**

Cost of Goods Sold and Gross Profit

As a result of decline in sales, our cost of sales decreased by 12.7% from S$20.1 million in HY2014 to S$17.5 million in HY2015. Gross profit decrease by 20.2% from S$15.6 million in HY2014 to S$12.5 million in HY2015. Gross profit margin also decreased from 43.8% in HY2014 to 41.6% in HY2015.

Profit before and after Taxation

Poorer performance in the retail segment resulted in higher loss before taxation of S$3.6 million in HY2015 from a loss of S$1.3 million in HY2014.

Other Operating Income

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

Other operating income decreased slightly from S$1.4 million in HY2014 to S$1.3 million in HY2015, mainly due lesser sundry income recorded in HY2015.

Administrative Expenses

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

The administrative expenses decreased by 6.3% or $0.8 million from S$12.8 million in HY2014 to S$12.0 million in HY2015 mainly due to decrease in rental expenses.

Distribution and Marketing Costs

The distribution and marketing costs increased slightly by 3.7% or S$0.1 million to S$3.9 million in HY2015 as compared to HY2014 mainly due to increase in advertisement expenses of S$0.3 million in HY2015.

Other Operating Expenses

Other operating expenses decreased by S$0.2 million or by 11.8% from S$1.3 million in HY2014 to S$1.1 million in HY2015 mainly due to lower in foreign exchanges loss and depreciation of property, plant and equipment.

Finance Costs

Finance costs increased marginally by 2.2% from S$0.46 million in HY2014 to $0.47 million in HY2015 mainly due to increase in interest expenses for utilization of trade financing.

Taxation

The Group's income tax expenses increased from S$0.2 million in HY2014 to S$0.3 million in HY2015 as a result of higher profit generated from the profitable segments.

Net profit after Tax

As a result of the above, the Group reported a net loss after tax of S$3.9 million for HY2015 as compared to a net loss after tax of S$1.5 million for HY2014.

Balance Sheet

Non-Current Assets

The Group's non-current assets decreased by S$1.7 million from S$26.2 million as at 31 December 2014 to S$24.5 million as at HY2015 due to depreciation of property, plant and equipment.

Inventories

Inventories decreased by approximately by 6.4% or S$1.4 million from S$21.7 million as at 31 December 2014 to S$20.3 million as at HY2015. Decreased in inventories was mainly due to seasonal demand. The inventory turnover increased to 211 days as compared to FY2014's 195 days.

	Group		
	As at 30 Jun 2015	As at 31 Dec 2014	Increase / (Decrease)
	S$'000	S$'000	%
Finished Goods – Inventories	8,767	9,124	(3.9)
Finished Goods – Showroom display	3,187	3,371	(5.5)
Raw Materials	5,704	6,369	(10.4)
Work-in-Progress	556	790	(29.6)
Stock-in-transit	710	499	42.3
Sub-total Inventories	**18,924**	**20,153**	**(6.1)**
Finished Goods – Building Materials	1,351	1,513	(10.7)
Total Inventories	**20,275**	**21,666**	**(6.4)**

Current Liabilities: Borrowings

Current portion of the bank borrowings decreased from S$25.0 million as at 31 December 2014 to S$16.3 million as at HY2015 primarily due to repayment of the bank bills payables.

Liquidity

The Group's current ratio improved from 1.16 times to 1.25 times for the period under review. The net current assets of the Group also increased from $6.7 million as at 31 December 2014 to S$7.5 million as at HY2015.

As at 30 June 2015, the Group's net gearing ratio (defined as the borrowings to shareholder's equity) stood at 0.53 times as compared to 31 December 2014's 0.80 times.

Shareholders' Equity

Shareholders' equity of the Group decreased by S$0.7 million from S$32.1 million as at 31 December 2014 to S$31.4 million as at HY2015 as a result of S$3.6 million from the issuing of new ordinary shares for the rights issue exercise and current negative performance during the period.

Cashflow Statement

Net cash generated from the operating activities was S$0.2 million for both periods under review.

Net cash used in investing activities was S$0.1 million in HY2015 as compared to S$0.8 million in HY014.

Net cash outflow used in the financing activities was S$7.1 million in HY2015 as compared to S$0.4 million generated in HY2014 mainly due to repayment of bills payable of S$9.5 million, there was a net proceeds from issue of ordinary shares of S$2.7 million in HY2014 and S$3.6 million in HY2015.

Hence, the cash and cash equivalents decreased by S$7.0 million in HY2015.

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

Business Segment

Revenue from retail business segment remained as the main contributor, contributing 80.0% or S$24.0 million of total revenue in HY2015. Export market contributed 5.6% or S$1.7 million, LRS contributed 5.2% or $1.6 million and BSPL contributed 9.2% or S$2.8 million.

Revenue from retail segment which enjoyed the highest gross margin compared to other business segments decreased by 10.3% in HY2015 as compared to HY2014.

Geographical Segment
The revenue from Malaysia remained as the main contributor, contributing 44.6% of total revenue in HY2015 and followed by revenue from Taiwan which contributed 21.0% of total revenue. Other countries consist of overseas corporate customers for trading of sofa and other furniture.

Revenue by geographical segments:

S$'000	30 June 2015		30 June 2014	
Malaysia	13,359	44.6%	17,581	49.3%
Singapore	5,242	17.5%	4,826	13.5%
Taiwan	6,309	21.0%	5,174	14.5%
China	574	1.9%	503	1.4%
Other Countries	1,741	5.8%	3,271	9.2%
Others- BSPL	2,757	9.2%	4,329	12.1%
Total Revenue	**29,982**	**100.0%**	**35,684**	**100.0%**

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

The result announced today is in line with the announcement made on 27 July 2015.

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

The Board of Directors is cautious about the Company's forthcoming second half prospects.

In our core Malaysian market, demand for furniture is likely to remain weak due to the challenging environment such as the negative consumer sentiment with the political uncertainty and the recent implementation of Goods and Service Tax. In Singapore, the demand for residential property remains weak which drives the furniture demand in the industry we operate. European economy is unstable and the Chinese economy shows signs of slowing down. There are other operational challenges such as the rising raw material prices and rising labor costs.

As a result, the Group will continue to explore new opportunities to improve its future income stream.

12. Interested Person Transactions

Name of interested person	Aggregate value of all interested party transactions during the year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	6 months ended 30 June 2015 $'000	6 months ended 30 June 2014 $'000
Chung Kim Yew (Rental of Property)	**(113)**	**(108)**

13. Update on the use of rights issue proceeds.

Pursuant to the rights issue exercise, the Company issued 53,894,308 new ordinary shares at S$0.07 per share on 27 April 2015. The remaining net proceeds of approximately S$0.550 million from the rights issue have been utilised for working capital purposes by the Company as follows:

Working capital purpose	**S$ million**
Supplier payment	S$0.550
Total	**S$0.550 million**

14. Confirmation pursuant to Rule 705(5) of the listing manual

The Board of Directors has confirmed that to the best of its knowledge, nothing has come to the attention which may render the Group's first half ended 30 June 2015 unaudited financial statements to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Teoh Jin Thean
Executive Director/
Chief Executive Officer
14 August 2015