



**LORENZO**

ANNUAL REPORT 2015

LORENZO

LORENZO



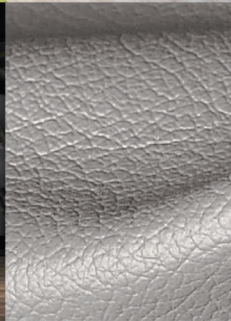


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## VISION

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

## MISSION

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




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**SINCE  
1983**

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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' brand. Evolving to meet the varied needs of today's consumers, Lorenzo acquired Builders Shop Pte Ltd ("Builders Shop"), a leading importer, retailer, distributor, supplier and installer of building materials at the end of 2011. Builders Shop specialises in the supply and installation of exquisite granite, marble, limestones, travertine, quartz, onyx and tiles to both individual retail customers and large scale project and property developments.

Together, 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.

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## MESSAGE FROM THE DEPUTY CHAIRMAN

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**Lim Pang Hern**

Executive Director and  
Deputy Chairman

### Dear Shareholders

2015 was a most challenging year, resulting in a 34.7% fall in group revenue to S\$53.752 million and a net loss of S\$18.679 million compared to a net profit after tax of S\$3.5 million for FY2014. Our business performance deteriorated owing to the confluence of several factors which a new leadership at Lorenzo has identified and begun to address, where possible.

Since I was appointed Deputy Chairman and Executive Director in March 2015, the board and management (including Teoh Jin Thean, who was appointed CEO in March 2015 also) have stepped up our quest for long-term solutions to improve Lorenzo's fundamentals.

I will elaborate on these so you may direct your vision to the road ahead instead of the rear-view mirror. There are new channels of sales that we are getting into, reflecting our determination to broaden our business beyond retail.

### China Factory

Let's start with our very large fully-owned factory that sits on about 500,000 sq ft of land in Kunshan on the outskirts of Shanghai which we opened in 2009. We identified that its low utilisation rate in the past, resulting in significant operating losses, must be addressed. We are happy to report that it is already seeing much better utilisation rates. That, in part, comes from producing and installing leather covers for the sofa sets of a well-known high-end Italian brand. This attests to the high quality of our production hardware as well as our production process.

### OEM

To further boost the rate of utilisation not only of our China factory but also the one in Malaysia, we target to produce furniture under third party labels. For example, we can produce furniture for the many furniture retailers in Malaysia. This is a revenue stream that we want to develop, although in the past our factories had produced furniture largely for our Lorenzo retail stores.

### Fresh Designs

In the latter part of 2015, Lorenzo management directed a lot of effort into sourcing for new designs from Europe for our furniture range. We seek designs that will appeal to younger customers, a major consumer segment which we have not paid sufficient attention to in the past few years. Some of these designs first became available recently in our wholly-owned stores in Singapore. Even our advertisements are taking on a refreshed look!

This is not a one-off matter: We are serious about constantly sourcing for fresh designs for our sofa, dining and bedding range.

To further push sales to the younger customers, especially in Malaysia, our biggest retail market, we will convert some stores into the factory outlet concept. There, we will sell more affordable furniture. Malaysia is also where we want to expand the number of licensed stores (owned by third parties) under our LRS Scheme, which does not require our capital to set up.

## Exports

We will also push sales to overseas markets such as South Asia (India and Bangladesh), Myanmar and the United States. To that end, we recently appointed new external sales agents, established business connections, and boosted our in-house business development staff.

We will also be participating in several key furniture fairs in the region, the United States and Milan to secure orders. In other words, we are renewing our emphasis on exports, a segment which has seen revenue fall to only S\$2.5 million in FY2015 (from S\$10.1 million in FY2014).

Also, reflecting a hungrier mindset, we have been actively doing road shows in shopping malls in Malaysia to reach out to consumers. We have also been in talks with some property developers in Malaysia to strike deals whereby the developers buy Lorenzo vouchers to offer as sales incentives to buyers of their new property developments. The developers' response has been encouraging and we are hopeful that this will become a new and meaningful revenue stream for Lorenzo.

## Projects

We are targeting turnkey projects overseas to fit out property showrooms, new condominiums and student accommodation. We have developed business connections which will help us in this effort. With this in mind, the Company has incorporated a new wholly-owned subsidiary in Singapore - Lorenzo Concept Pte Ltd.

Aside from our furniture, our wholly-owned subsidiary, Builders Shop, aims to supply building materials such as tiles and wood strips, to these projects. This is a very promising space, where the revenue per contract is significant and gives us income visibility.

In April 2016, the Group raised S\$1.2 million for general working capital purposes through the placement of 60,000,000 new shares.

Such are the initiatives that underpin a clear plan we are developing to re-shape Lorenzo and enable it to recover progressively. The Lorenzo brand, nurtured since 1983, is a well-recognised one among consumers in many countries and, though it has lost some lustre in recent years, it can shine brighter again.

## 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, which have undergone some renewal, also deserve appreciation for their professionalism in their work.

I would also like to thank Ms Lie Chin Chin, who has stepped down as an independent director, for her invaluable contributions in the past 10 years.



OUR DIFFERENT  
PERSPECTIVES ENERGISE  
THE LORENZO RETINUE  
AND WE AGREE TO  
DISAGREE AS A COLLECTIVE  
ORGANISATION. WE BELIEVE  
THAT WE CAN ACHIEVE  
BETTER RESULTS AS A TEAM  
THAN WE CAN INDIVIDUALLY.



## OUR 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 And 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.



## 33 YEARS OF ACHIEVEMENTS

1983

First retail store was established in Singapore.

1989

Entered into a joint venture in Malaysia.

Lorenzo acquires trademark registration to protect the goodwill associated with the brand and moving towards the direction of worldwide recognition.



1995-98

Expanded into global distribution and sale of furniture to Asia, Australia, Europe and with retail outlets under the Lorenzo brand spanning across Singapore, Malaysia and Taiwan.

Uhin Holding Pte Ltd was incorporated to consolidate all related companies under one corporation to provide better services and commitment to customers.

Uhin International Co., Ltd was incorporated to hold operations in Taiwan.

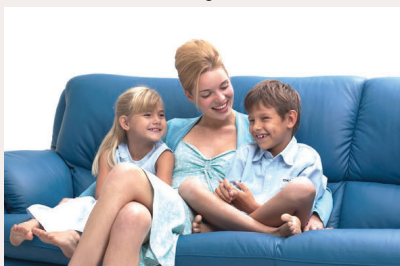
Commenced manufacturing production in rented premises in Kunshan, PRC.

2003-04

Singapore Promising Brand Award 2003 and finalist for "The Furniture Retailer Award".

Singapore Promising Brand Award 2004.

Acquired its own building to host its Singapore HQ operation.



Successfully established Lorenzo retail stores in Taiwan.

Established Supreme Furniture (Kunshan) Co., Ltd in PRC.

Incorporated all manufacturing facilities under one roof at its 8000 m<sup>2</sup> factory in Kuala Lumpur, Malaysia.

1992-94

Malaysian International Furniture Fair 1999 (Best Presentation)

- 1st Position.

Expanded its manufacturing plant in Kunshan, PRC to meet growing demands.

Malaysian International Furniture Fair 2002 (Best Display Award)

- 2nd Merit.

1999-2000

## 2006

Successfully listed on the SGX-SESDAQ (Currently known as CATALIST).

The Furniture Manufacturer Award – Bronze Award Winner.

Awarded The BrandLaureate, the grammy awards for the Best Brands Consumer Home Furnishing category.

Supreme Furniture (Kunshan) Co., Ltd has obtained ISO9001:2000 for Design, Development and Production of Sofa.

Merit Award – Best Presentation for booths 101 m<sup>2</sup> and above.

Awarded Bronze in the 16th International Famous Furniture Fair, Dongguan, PRC – Living Furniture Category.



Established wood-based furniture manufacturing plant in Kunshan, PRC.

Winner of Singapore Promising Brand Award 2005.

Silver Award 3 consecutive years' winner of Singapore Promising Brand Award 2003, 2004 & 2005.

Awarded at the 14th Famous Furniture Fair, Dongguan, PRC:

- Soft Furniture, Winner Award
- Bedroom Furniture, Winner Award
- Booth Design, Winner Award
- Soft Furniture, Creativity Award

Accredited Enterprise 50 Award.

Golden Bull Award 2005 - The 3rd Malaysia 100 Outstanding Award.



## 2005

## 33 YEARS OF ACHIEVEMENTS

### 2007

Set up first self-owned retail store in Shanghai.

Commencement of construction for our production facility at Dianshan Lake in PRC.



### 2010-11

LORENZO achieved brand recognition in its key markets with the honor to receive the Singapore Business Superbrands (2010) award.

Awarded the Service GEM (Furniture and Furnishing/ Electrical and Electronics).

Awarded the Circle of Excellence Singapore for 2011 and 2012.

Awarded the PREMIUM GEM (Furniture and Furnishing) 2011



Collaborated with Swarovski on the use of CRYSTALLIZED™ Swarovski Elements/Crystals in our upholsteries and other furniture pieces.

Shifted to our new 40, 978 m<sup>2</sup> production facility at Dianshan Lake in PRC.

Winner of the Asian Furniture Leadership Award (AFLA) 2009.

### 2009



Achieved Singapore Service Class (S-Class) certification administrated by SPRING Singapore.

Awarded 2012/2013 Successful Entrepreneur  
• Top 30 Respected Enterprises

Awarded at the 28th Famous Furniture Fair, Dongguan, PRC:

- Bedroom Category, Gold Award
- Living Room Category, Silver Award
- Living Room Category, Creativity Award

Awarded the PREMIUM GEM (Furniture and Furnishing) 2012.

### 2012

## 2013

LORENZO (MALAYSIA) achieved brand recognition in its key markets with the honor to receive the Malaysia Business Superbrands (2013) award.

Winner of the International Furniture Leadership Award (IFLA) 2013.

Awarded at the 29th Famous Furniture Fair, Dongguan, PRC:

- Living Room Furniture, Gold Winner
- Living Room Furniture, Gold Medal
- Living Room Furniture, Creative Award
- Bedroom Furniture, Gold Medal
- Bedroom Furniture, Winner Award



Established  
Lorenzo Concept Pte Ltd.

## 2016

The Official Sponsorship of WTA Finals Ball Kids  
- an opportunity for the community to get involved with the WTA Finals.



Sponsorship of LORENZO STA Junior Championship 2015.  
Sponsorship of LORENZO STA Intermediate Singles & Doubles IV 2015.

## 2014-15

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## BOARD OF DIRECTORS

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**Lim Pang Hern**

Executive Director and  
Deputy Chairman



Mr Lim was appointed Deputy Chairman of the Board on 6 March 2015. 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.

**Teoh Jin Thean**

Executive Director and  
Chief Executive Officer



Mr Teoh was appointed Executive Director of the Board on 23 September 2014. He was appointed Chief Executive Officer of the Company ("CEO") on 6 March 2015 and is responsible for the strategic investment initiatives of the Group.

Mr Teoh has many years of working experience in the Financial & Investment Advisory arena before joining our Group. He started his career as an auditor with Coopers & Lybrand in New Zealand. Following that, he ventured into the stockbroking industry as an Equity Analyst and has worked for the likes of DBS Investment Research and Kleinwort Benson. He was also an Executive Director and Co-Founder of New Independent Pte Ltd (formerly a Licensed Financial Adviser) from 2001 to August 2012. From September 2012 to March 2013, he was a Licensed Financial Adviser Representative with Raffles Health Insurance (RHI), wholly-owned subsidiary of Raffles Medical Group. His responsibilities involved advising and marketing of medical and life insurance plans and investment advisory. In addition, he also served as a Director (Business Development) of 1Sports from July 2013 to September 2014.

Mr Teoh is a member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors.

**Goh Ah Lee**  
Executive Director



Mr Goh was the co-founder of the business in Singapore in 1983 and has led the Group in establishing itself as the leading sofa retailer in the furniture industry. He was appointed Executive Chairman on 16th June 2005 and Group Managing Director on 24th June 2009. He was later re-designated as Executive Director on 6th March 2015 as part of a succession plan. As Executive Director, Mr Goh will be responsible for the general administration of the Company and work together with the CEO in business development.

Mr Goh has been instrumental in the development and running of our retail operations in Singapore. Together with his fellow directors and key executives, he is also involved in progress reviews and implementation of workflow initiatives for the furtherance of business competitiveness.

He served as the President of the Singapore Furniture Industries Council (SFIC) from 2010 to 2012 before taking on the position of Presidential Advisor in the Executive Committee in 2012.

**Lee Fut Hua**  
Executive Director and  
Finance Director



Mr Lee was the Group Financial Controller since 2004 before being appointed as Finance Director on 24 June 2009. He is primarily responsible for the Group's accounting and financial operations, overseeing its financial reporting requirements and ensuring compliance with relevant regulations.

Mr Lee has over 15 years of experience in accounting and finance before joining our Group in February 2001. Previously, he was a Corporate Development manager with HL Cement Co Pte Ltd, a position he held since April 1998. His responsibilities there included overseeing the corporate finance and accounts division. From 1986 to 1998, he held the position of Accounting Manager with Sintat Rent-A-Car (Pte) Limited and was in charge of the finance and accounting activities for Singapore and Malaysia. He is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr Lee is also a member of the Singapore Institute of Directors.

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## INDEPENDENT DIRECTORS

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**Yeow See Onn**

Lead Independent Director



Mr Yeow was appointed to our Board as an Independent Director on 3 October 2014. He is a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants and a CPA Australia, with more than 25 years of hands-on and leadership experience across multiple finance disciplines, project management and general management with Asia-Pacific wide exposure.

Mr Yeow has held several key appointments in various organizations. From September 2013 to September 2014 he was an Executive Director of Global2Res Pte Ltd, a company which he started and to which he provided general management direction. Prior to this, he held several senior business leadership positions in Visa Worldwide Pte Ltd/Visa International, where he was most recently a Senior Business Leader - Controllership (Asia Pacific and Central Eastern Europe, Middle East and Africa) from December 2011 to March 2013. His main responsibilities were to oversee the financial controls, local statutory financial reporting and consolidated group financial reporting for AP and CEMEA. He is currently working as the Chief Financial Officer of Red Dot Payment Pte Ltd.

**Choo Yong Fee**

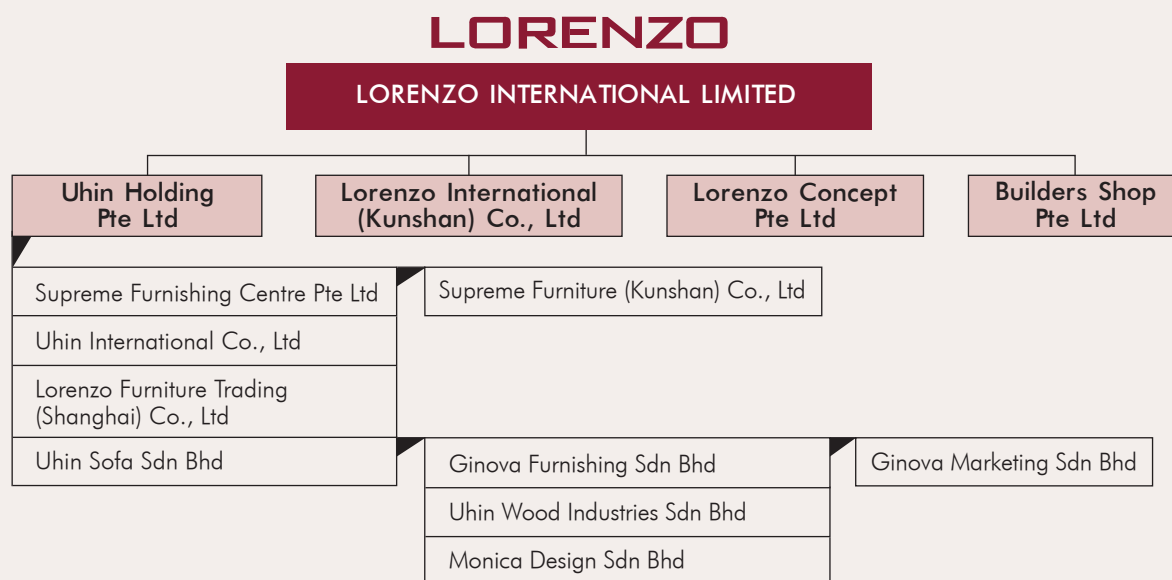
Independent Director



Mr Choo was re-appointed to our Board as an Independent Director on 1 February 2012.

He is the Chairman of Cheng Meng Decoration & Furniture (Su Zhou) Co Ltd, and Deputy Managing Director of Cheng Meng Furniture Co Pte Ltd. Both companies specialize in interior fit-out works and custom furniture manufacturing. Mr Choo has served on various furniture related committees of educational institutions and government statutory boards. He was the president of Singapore Furniture Industries Council from 1994 to 1998, and currently serves as Presidential Advisor in the Executive Committee.

# CORPORATE STRUCTURE



## Board of Directors

Lim Pang Hern (Executive Director/Deputy Chairman)  
 Teoh Jin Thean (Executive Director/Chief Executive Officer)  
 Lee Fut Hua (Executive Director/Finance Director)  
 Goh Ah Lee (Executive Director)  
 Yeow See Onn (Independent Director)  
 Choo Yong Fee (Independent Director)

## Company Secretary

Ong Beng Hong, LLB (Hons)

## Registered Office

27 Kaki Bukit Place, Eunos Techpark, Singapore 416205

## Share Registrar

B.A.C.S. Private Limited  
 8 Robinson Road, #03-00, ASO Building, Singapore 048544

## Auditors

Foo Kon Tan LLP  
 Public Accountants and Chartered Accountants  
 47 Hill Street #05-01 Singapore Chinese Chamber  
 of Commerce & Industry Building Singapore 179365

Partner-in-charge: Shirley Ang  
 (since financial year 2014)  
 (a member of the Institute of Certified Public Accountants in Singapore)

## Bankers

United Overseas Bank Limited  
 DBS Bank Ltd  
 Malayan Banking Berhad  
 RHB Bank Berhad

## Audit Committee

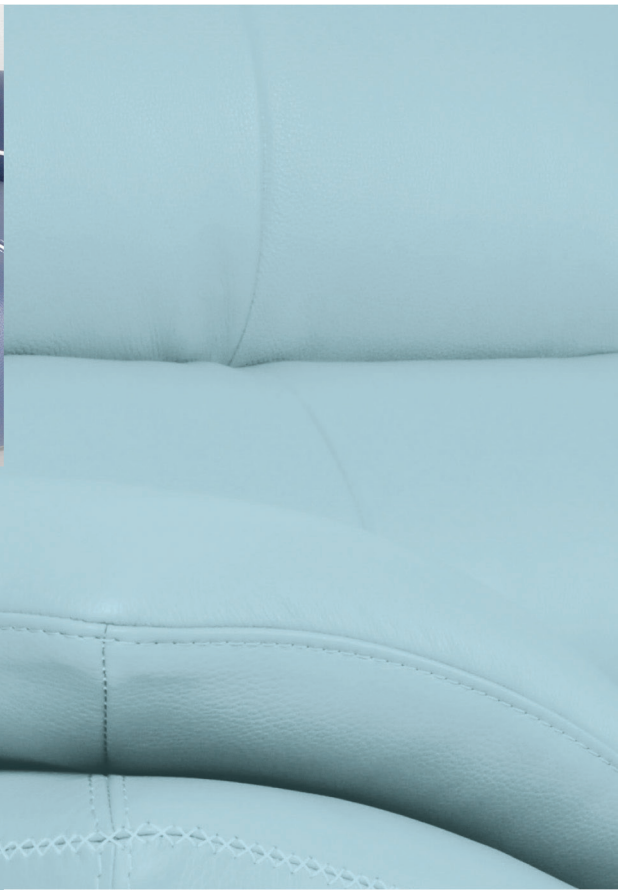
Yeow See Onn (Chairman)  
 Choo Yong Fee

## Remuneration Committee

Choo Yong Fee (Chairman)  
 Yeow See Onn

## Nominating Committee

Yeow See Onn  
 Choo Yong Fee



# CORPORATE GOVERNANCE

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. 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 Board reviews the Company’s governance practices, processes and structures regularly using the Governance and Transparency Index launched by The Business Times and the Singapore Corporate Governance & Financial Reporting Centre. This report outlines the main corporate governance practices, processes and structures, with specific reference to the guidelines of the Code that were put in place during the year. The Company has generally complied with the spirit and intent of the Code.

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 is 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 with 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.**

As at the date of this Annual Report, the Board comprises four Executive Directors and two 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 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
- x. establishing a framework of prudent and effective controls which enables risks to be assessed and managed.

## CORPORATE GOVERNANCE

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee (collectively referred herein as “**Director Committees**”). The Director Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Director Committee is also monitored. The Board accepts that while these Director 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 reduce 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 comprising 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:

- i. review of the annual budget and the performance of the Group;
- ii. review of the key activities and business strategies;
- iii. approval of the corporate strategy and direction of

- the Group;
- iv. approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;
- v. material acquisitions and disposals;
- vi. corporate or financial restructuring and share issuances;
- vii. declaration of dividends and other returns to shareholders; and
- viii. 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 at least once every quarter and ad-hoc meetings (including but not limited to the meetings of the Director 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<sup>(1)</sup>:

| Director                     | Board of Directors |            | Audit Committee |             | Remuneration Committee |             | Nominating Committee |             |
|------------------------------|--------------------|------------|-----------------|-------------|------------------------|-------------|----------------------|-------------|
|                              | No. of Meetings    | Attendance | No. of Meetings | Attendance  | No. of Meetings        | Attendance  | No. of Meetings      | Attendance  |
| Goh Ah Lee                   | 6                  | 6          | 5               | 5 (invited) | 1                      | 1 (invited) | 1                    | 1 (invited) |
| Lee Fut Hua                  | 6                  | 6          | 5               | 5 (invited) | 1                      | 1 (invited) | 1                    | 1 (invited) |
| Teoh Jin Thean               | 6                  | 5          | 5               | 5 (invited) | 1                      | 1           | 1                    | 1           |
| Lim Pang Hern <sup>(2)</sup> | 6                  | 5          | 5               | 4 (invited) | 4                      | 0           | 1                    | 0           |
| Lie Chin Chin <sup>(3)</sup> | 6                  | 6          | 5               | 5           | 1                      | 1           | 1                    | 1           |
| Choo Yong Fee                | 6                  | 5          | 5               | 5           | 1                      | 1           | 1                    | 1           |
| Yeow See Onn                 | 6                  | 6          | 5               | 5           | 1                      | 1           | 1                    | 1           |

# CORPORATE GOVERNANCE

## Notes:

1. The attendance of the Directors, including those also acting as the members of the respective Director Committees, at the meetings of the Board and the Director 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.
2. Mr Lim Pang Hern was appointed as an Executive Director of the Company on 6 March 2015. Pursuant to his appointment, Mr Lim Pang Hern was also appointed as Deputy Chairman of the Board. The announcement relating to Mr Lim Pang Hern's appointment was released via SGXNET on 6 March 2015. As Mr Lim Pang Hern was appointed after the Board of Directors meeting on 16 February 2015, he did not attend the first meeting of the Board for the financial year under review. Additionally, the Audit, Remuneration and Nominating Committee meetings took place prior to his appointment.
3. Ms Lie Chin Chin resigned as a Director of the Company on 10 March 2016. Pursuant to her cessation, Ms Lie Chin Chin also ceased to be an Independent Director of the Company, the Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee. The announcement relating to Ms Lie Chin Chin's cessation as a Director of the Company was released via SGXNET on 15 March 2016.

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 sessions with the Chief Executive Officer, the Finance Director, the head of the Company's Malaysia operations, the Audit 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. Mr Lim Pang Hern was appointed during the financial year ended 31 December 2015 on 6 March 2015. Pursuant to his appointment as a Director of the Company, arrangements were made for Mr Lim Pang Hern to attend orientation and training sessions to familiarise him with the roles and responsibilities of a director of a listed company as well as the business of the Group.

The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. New 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 December 2015 include but are not limited to courses organised by Singapore Institute of Directors.

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 six Directors, of which two are Independent Directors. The composition of the Board is as follows:

### Executive Directors

Lim Pang Hern  
(Executive Director and Deputy Chairman)  
(appointed and re-designated with effect from 29 April 2015)

Teoh Jin Thean  
(Executive Director and Chief Executive Officer)  
(re-designated with effect from 29 April 2015)

Goh Ah Lee (Executive Director)  
(re-designated with effect from 29 April 2015)

Lee Fut Hua (Finance Director)

### Independent Directors

Choo Yong Fee  
(Independent Director)

Yeow See Onn  
(Independent Director)

## CORPORATE GOVERNANCE

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 Nominating Committee, 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.

As at least one-third 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 Deputy Chairman after such meetings.

As at the date of this Annual Report, the Chairman of the Board has not been appointed. The Nominating Committee and the Board are in the process of identifying and appointing a new Director of the Company who shall also be the Chairman of the Board. Once an appropriate candidate is identified and appointed, the necessary announcement relating to such appointment will be made.

The composition of the Board is also reviewed on an annual basis by the Nominating Committee 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 Nominating Committee 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 set out in page 12 of this Annual Report.

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### Deputy Chairman and Chief Executive Officer

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**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 Chairman of the Board has not been appointed. The Nominating Committee and the Board are in the process of identifying and appointing a new Director of the Company who shall also be the Chairman. As the Chairman has not been appointed, the duties of the Chairman are currently undertaken by the Deputy Chairman, Mr Lim Pang Hern.

The clear division of responsibilities between the Deputy Chairman and the Chief Executive Officer ensures proper balance of power and authority in the Group. The positions of Deputy Chairman and Chief Executive Officer are kept separate and are held by Mr Lim Pang Hern and Mr Teoh Jin Thean respectively.

As the Deputy Chairman, Mr Lim Pang Hern 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 Deputy 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.

Mr Teoh Jin Thean, as an Executive Director and the Chief Executive Officer, is 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.

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

## CORPORATE GOVERNANCE

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 Director 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.**

During the financial year ended 31 December 2015, the Nominating Committee comprised the Company's three then existing Independent Directors, namely Ms Lie Chin Chin (Chairman of the Nominating Committee), Mr Yeow See Onn (Member of the Nominating Committee) and Mr Choo Yong Fee (Member of the Nominating Committee). Pursuant to Ms Lie Chin Chin's resignation as a Director on 10 March 2016, she also relinquished her position as the Chairman of the Nominating Committee. As such, the Nominating Committee currently comprises Mr Yeow See Onn and Mr Choo Yong Fee, and does not have a Chairman.

Following Ms Lie Chin Chin's resignation as a Director of the Company, the Company had immediately commenced searches for potential candidates to fill her vacated position. The Board is still in the process of identifying, recruiting and appointing a new Independent Director who shall also be a member of the Director Committees. Once the appropriate candidate has been identified, recruited and appointed, the necessary announcement(s) relating to such appointment will be made.

The Nominating Committee is responsible for:

- i. ensuring the Directors contribute a right blend of relevant experiences to the Board and have the core competencies to effectively manage the Company;
- ii. nominating suitable candidates to fill up any core competencies and expertise which is lacking in the Board;
- iii. 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;
- iv. evaluating the performance and effectiveness of the Board and each Director against the proposed performance criteria which the Board set out and approved of;
- v. 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;
- vi. determining the independence of each Independent Director annually; and
- vii. re-nominating any Director to the Board, taking into account that Director's effectiveness, performance and contribution to the Board.

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 Director Committees, the Nominating Committee would also review the change to be implemented and make recommendations to the Board accordingly. For the appointment of new Directors, the Nominating Committee 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 Nominating Committee will take into account the future needs of the Group and, together with the Board, it will seek candidates who are able to contribute to the Group.

The Nominating Committee 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 Nominating Committee 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 Nominating Committee is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

## CORPORATE GOVERNANCE

The Nominating Committee seeks candidates widely and beyond persons directly known to the existing Directors. Further to the above, the Nominating Committee 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 Nominating Committee 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/<br>Re-appointment |
|-------------------|------------------------------------------------|-----------------------------|---------------------------------------------|
| Lim Pang Hern     | Executive Director and Deputy Chairman         | 6 March 2015                | 29 April 2015                               |
| Teoh Jin Thean    | Executive Director and Chief Executive Officer | 23 September 2014           | 29 April 2015                               |
| Goh Ah Lee        | Executive Director                             | 16 June 2005                | 29 April 2015                               |
| Lee Fut Hua       | Executive Director and Finance Director        | 24 June 2009                | 29 April 2014                               |
| Choo Yong Fee     | Independent Director                           | 1 February 2012             | 29 April 2015                               |
| Yeow See Onn      | Independent Director                           | 3 October 2014              | 29 April 2015                               |

Note:

1. Pursuant to Article 86 of the Company's Constitution, a Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken in account in determining the rotation by retirement of Directors. Prior to his re-designation from Executive Chairman and Managing Director to Executive Director on 6 March 2015, Mr Goh Ah Lee was not subject to retirement by rotation.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee 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 Nominating Committee 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 Nominating Committee is of the view that Mr Yeow See Onn and Mr Choo Yong Fee are independent of the Group and the Management.

The Nominating Committee 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 Nominating Committee reviews the Management's performance on an annual basis to determine if they have

met the key performance indicators which have been set.

The Nominating Committee also reviews the performance of the Directors as well as their contribution to the Board. After conducting reviews, the Nominating Committee 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 |
|-------------------|------------------------------------------|---------------------------------------|
| Lim Pang Hern     | GPS Alliance Holdings Limited            | -                                     |
| Teoh Jin Thean    | -                                        | -                                     |
| Goh Ah Lee        | -                                        | -                                     |
| Lee Fut Hua       | -                                        | -                                     |
| Choo Yong Fee     | -                                        | -                                     |
| Yeow See Onn      | -                                        | -                                     |

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 Nominating Committee). Pursuant to his re-designation from Executive Chairman and Managing Director to Executive Director on 6 March 2015, Mr Goh Ah Lee (who was previously not subject to retirement by rotation due to his position as Managing Director) will now be subject to retirement by rotation under Article 90.

The Directors standing for re-election at the forthcoming Annual General Meeting pursuant to Article 90 of the Company's Constitution are Mr Lee Fut Hua and Mr Teoh Jin Thean. After assessing each of their contributions and performance, the Nominating Committee is recommending Mr Lee Fut Hua and Mr Teoh Jin Thean for re-election at the forthcoming Annual General Meeting.

Further to the above, it should also be noted that our Nominating Committee 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 December 2015 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 Nominating Committee 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 Nominating Committee 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 Nominating Committee 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 Nominating Committee, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Directors.

To assess the effectiveness of the Board as a whole, the factors evaluated by the Nominating Committee 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

## CORPORATE GOVERNANCE

- 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 Nominating Committee 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 Nominating Committee have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

### 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.

In addition, the Directors have, at all times:

- i. unrestricted access to the Company's records and information; and
- ii. separate and independent unlimited access to the Company Secretary and the Management.

The attendance of the Company Secretary and/or her representatives at all the meetings held by the Board and/or the Director Committees ensures that procedures for these meetings (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 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.**

During the financial year ended 31 December 2015, the Remuneration Committee comprised the Company's three then existing Independent Directors, namely Mr Choo Yong Fee (Chairman of the Remuneration Committee), Mr Yeow See Onn (Member of the Remuneration Committee) and Ms Lie Chin Chin (Member of the Remuneration Committee). Pursuant to Ms Lie Chin Chin's resignation as a Director on 10 March 2016, she also relinquished her position as a member of the Remuneration Committee. As such, the Remuneration Committee currently comprises Mr Yeow See

# CORPORATE GOVERNANCE

Onn and Mr Choo Yong Fee.

As mentioned above, the Board is still in the process of identifying, recruiting and appointing a new Independent Director who shall also be a member of the Director Committees. Once the appropriate candidate has been identified, recruited and appointed, the necessary announcement(s) relating to such appointment will be made. The Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee will submit its recommendations to the entire Board for endorsement.

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

If necessary, the Remuneration Committee may seek expert advice inside and/or outside the Company on remuneration of the Directors and key management personnel. The Remuneration Committee 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 December 2015.

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## 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 Remuneration Committee 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 Remuneration Committee 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 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 agreements with each of Mr Goh Ah Lee, Mr Lee Fut Hua, Mr Teoh Jin Thean, 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 Remuneration Committee on an annual basis.

## CORPORATE GOVERNANCE

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.

At an Extraordinary General Meeting of the Company held in 2009, the Company, having obtained majority votes from the then existing Shareholders, implemented a share performance plan ("**Share Performance Plan**") as a compensation scheme to promote higher performance goals and recognise exceptional achievement by individuals who well-contributed to the Group's growth. The Share Performance Plan was also extended to the Non-Executive Directors who have made and who continue to make significant contributions to the long-term growth of the Group. The Share Performance Plan was renewed at the Annual General Meeting of the Company for its financial year period ended 31 December 2014. The Share Performance Plan will be renewed at the forthcoming Annual General Meeting of the Company.

### 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.

The breakdown of remuneration (rounded off to the nearest thousand dollars) of the Directors for the financial year ended 31 December 2015 is set out below:

| Name Of Directors <sup>(1)</sup> | Fees      | Salary     | Bonus     | Benefits-In-Kind | Allowances | Total      |
|----------------------------------|-----------|------------|-----------|------------------|------------|------------|
| Lie Chin Chin <sup>(2)</sup>     | S\$34,320 | -          | -         | -                | -          | S\$34,320  |
| Choo Yong Fee                    | S\$34,320 | -          | -         | -                | -          | S\$34,320  |
| Yeow See Onn                     | S\$42,900 | -          | -         | -                | -          | S\$42,900  |
| Goh Ah Lee                       | -         | S\$273,500 | S\$12,577 | -                | -          | S\$286,057 |
| Lee Fut Hua                      | -         | S\$211,200 | S\$10,109 | -                | -          | S\$221,309 |
| Teoh Jin Thean                   | -         | S\$280,000 | S\$10,951 | -                | -          | S\$290,951 |
| Lim Pang Hern <sup>(3)</sup>     | -         | -          | -         | -                | -          | -          |

#### Notes:

1. No shares were issued to the Directors under the Company's Share Performance Plan for the financial year ended 31 December 2015.
2. Ms Lie Chin Chin resigned as a Director of the Company with effect from 10 March 2016.
3. Mr Lim Pang Hern was appointed as a Director of the Company with effect from 6 March 2015.

# CORPORATE GOVERNANCE

The Company had two Key Management Personnel for the financial year in review. The breakdown of remuneration

of the top Key Management Personnel for the financial year ended 31 December 2015 is set out below.

| Name Of Executive Officers <sup>(1)</sup> | Fees | Salary     | Bonus     | Benefits-In-Kind | Allowances | Total      |
|-------------------------------------------|------|------------|-----------|------------------|------------|------------|
| Chong See Keong <sup>(2)</sup>            | -    | S\$33,899  | S\$Nil    | -                | -          | S\$33,889  |
| Ng Siong Lin <sup>(3)</sup>               | -    | S\$154,299 | S\$56,904 | -                | -          | S\$211,203 |

Notes:

1. No shares were issued to the Executive Officers under the Company's Share Performance Plan for the financial year ended 31 December 2015.
2. Mr Chong See Keong resigned as an Executive Officer of the Company with effect from 23 June 2015.
3. Mr Ng Siong Lin resigned as the Deputy Chief Executive Officer with effect from 2 April 2015 and as an Executive Officer of the Company with effect from 8 September 2015.

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

During the financial year ended 31 December 2015, 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.

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 (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. For its annual reports, the Company also reviews the relevant documents against the documents using the Governance and Transparency Index launched by The Business Times and the Singapore Corporate Governance & Financial Reporting Centre.

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, 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

## CORPORATE GOVERNANCE

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, 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 Audit Committee 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 Audit Committee 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 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, Audit Committee 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 Audit Committee.

Based on the internal controls and risk management functions established and maintained by the Group, the Audit Committee 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 December 2015. This is supported by the assurance from the Chief Executive Officer and the Finance Director 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 external and internal 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 legal department, a member of the Group's human resource department, a member of the Group's internal audit department or through local grievance procedures.

# CORPORATE GOVERNANCE

## Audit Committee

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

During the financial year ended 31 December 2015, the Audit Committee comprised the Company's three then existing Independent Directors, namely, Mr Yeow See Onn (Chairman of the Audit Committee), Ms Lie Chin Chin (Member of the Audit Committee) and Mr Choo Yong Fee (Member of the Audit Committee). Pursuant to Ms Lie Chin Chin's resignation as a Director on 10 March 2016, she also relinquished her position as a member of the Audit Committee. As such, the Audit Committee currently comprises Mr Yeow See Onn and Mr Choo Yong Fee.

As mentioned above, the Board is still in the process of identifying, recruiting and appointing a new Independent Director who shall also be a member of the Director Committees. Once the appropriate candidate has been identified, recruited and appointed, the necessary announcement(s) relating to such appointment will be made.

The Company has appointed Mr Yeow See Onn as the Chairman of the Audit Committee as he has strong accounting and financial management expertise, being, amongst others, a fellow of the Institute of Chartered Public Accountants of Singapore and a Certified Practising Accountant of Australia. Mr Yeow See Onn is also currently the chief financial officer of a private company in Singapore.

The Audit Committee 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 Audit Committee's duties include the review of:

- i. audit plans of the External Auditors and their evaluation of the Group's system of internal accounting controls;
- ii. the External Auditors' reports;
- iii. co-operation given by the Group's officers to the External Auditors;
- iv. the financial statements and announcements before their submission to the Board;

- v. nomination of the External Auditors for reappointment;
- vi. interested person transactions, if any; and
- vii. the scope and adequacy of the Group's internal control procedures.

For the financial year ended 31 December 2015, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The Audit Committee is also satisfied with the adequacy of the Company's accounts and financial reporting resources and the performance of the Finance Director Mr Lee Fut Hua and all other senior management in the Finance Department of the Company.

Apart from the duties listed above, the Audit Committee 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 Audit Committee is entitled to obtain independent professional advice to execute its duties.

The Audit Committee 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 and internal auditors.

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

The Audit Committee 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

## CORPORATE GOVERNANCE

on an anonymous basis) to the Chairman of the Audit Committee and/or the officer designated by the Audit Committee, who will proceed to investigate the complaint. Complaints which should be reported pursuant to the 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;
- i. significant deficiencies in or deliberate non-compliance with the Group's internal accounting controls;
- ii. 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;
- iii. fraud against investors, or the making of fraudulent statements to the SGX, members of the investing public and government or state authorities;
- iv. violation of existing legislation, rules and regulations applicable to the Group relating to its accounting, financial reporting, internal controls and auditing matters;
- v. 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;
- vi. improper actions or omissions which are likely to endanger colleagues, customers and suppliers of the Group and/or members of the public;
- vii. improper or abuse of Company position/ appointment for personal gain; and
- viii. 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 Audit Committee 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 Audit Committee 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 Audit Committee 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.

The Audit Committee 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 Audit Committee 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

## CORPORATE GOVERNANCE

Singapore Accounting & Corporate Regulatory Authority and was appointed on 11 October 2005. The Audit Committee noted that Messrs Foo Kon Tan LLP was not engaged to provide non-audit services in the financial year ended 31 December 2015. The audit fees paid to the External Auditors for their audit services in the financial year ended 31 December 2015 are S\$300,465 (excluding disbursements and GST).

Messrs Foo Kon Tan LLP was also appointed in the financial year ended 31 December 2015 to audit the accounts of the Company, its subsidiaries and its significant associated companies. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual.

The Audit Committee and External Auditors have, at all times, unrestricted access to each other. The Audit Committee 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 has appointed the external audit firm Nexia TS Risk Advisory Pte Ltd to perform such internal audit functions ("**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.

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

The role of the Internal Auditors is to support the Audit Committee 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 Audit Committee.

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

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The Audit Committee reviewed and approved the internal audit plan proposed by the Internal Auditors. The Audit Committee also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard the Shareholders' investment and the Company's assets.

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

- i. reviewing the revenue policies and procedures established;
- ii. checking invoices raised to sales order and/or contracts;
- iii. reviewing discrepancies of billing and receipts;
- iv. reviewing monitoring system for unfulfilled sales order procedures;
- v. reviewing processing and banking-in of receipts;
- vi. reviewing customer complaints and respective corrective action taken;
- vii. reviewing sales-related deductions and adjustments to ensure that they were supported with documentary evidence and were authorised;
- viii. reviewing the timeliness of revenue recognition;
- ix. checking the debtors aging report, the customer invoices and recording of debts in terms of amount period;
- x. reviewing documentation and evidence supporting the monitoring of overdue balances and ensure that continuous monitoring is undertaken;
- xi. reviewing overdue balances and determining whether provisions or write-offs were required based on evidence collected during the monitoring stage;

## CORPORATE GOVERNANCE

- xii. reviewing credit evaluation procedures and credit management and commenting on its effectiveness;
- xiii. checking that provision for bad debts and write offs were approved in accordance with policies and procedures;
- xiv. reviewing stock take procedures and stock take report;
- xv. reviewing the top-up level for essential spares and inventory;
- xvi. reviewing movements of inventory;
- xvii. reviewing obsolete or slow moving items;
- xviii. inquiring and observing the adequacy of physical security and control;
- xix. reviewing turnover of major inventory items and assessing the Group's ability to manage inventory;
- xx. reviewing stock take procedures and stock take report;
- xxi. reviewing the performance of reconciliation of stock take variance to ensure that it was conducted as approved and taken up in the accounts; and
- xxii. reviewing stock returned and rejected by customers and the reasons given for such returns;
- xxiii. reviewing key management/corporate information such as organisation charts, policies and procedures, systems and authorisation limits;
- xxiv. interviewing key process owners (managers and employees) on the operating processes and controls;
- xxv. performing walkthrough of processes to understand key controls in place;
- xxvi. carrying out control testing through verification and reviewing of relevant documents; and
- xxvii. reviewing employee job functions and responsibilities to assess whether incompatible duties were properly segregated.

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

The Audit Committee is satisfied with the adequacy and effectiveness of the current internal audit function and will assess the same regularly.

### (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 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 (all issued within the mandatory period) is disseminated through SGXNET.

The Company communicates regularly through the following channels:

- i. the SGXNET;
- ii. news and press releases;
- iii. the annual report; and
- iv. if it receives any email queries from Shareholders, replies by email.

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

- i. the Company's announcement of periodic financial results on the SGXNET;

## CORPORATE GOVERNANCE

- ii. notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;
- iii. press releases for the Group's half-year and full-year results as well as other briefings, as appropriate;
- iv. 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 releases such as PowerPoint slides are also attached to these announcements; and
- v. 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. In the investor relation section of the corporate website, we maintain website links to the latest announcements released on SGXNET by the Company, latest financial results released on SGXNET by the Company and latest annual report of the Company. 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.

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.

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### 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 days before the Annual General Meeting if ordinary resolutions are to be transacted at the meeting or at least 21 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. Votes at the forthcoming Annual General Meeting and all General Meetings going forward will be taken by poll so that shareholders are accorded rights proportionate to their shareholding and all votes are counted.

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

## CORPORATE GOVERNANCE

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 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 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 going forward will be taken by poll so that Shareholders are accorded rights proportionate to their shareholdings and all votes are counted.

The Chairmen of the Director 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 Audit Committee 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.

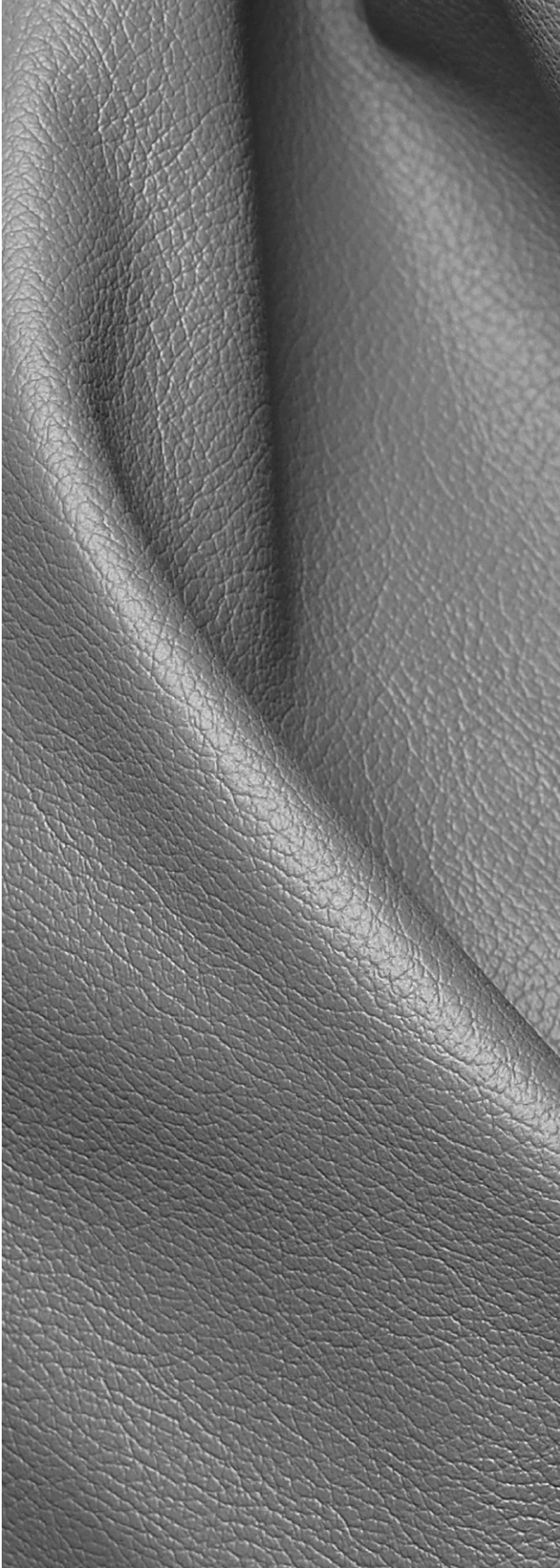
If the Company does enter into an interested party transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

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.

During the financial year ended 31 December 2015, the Company did not enter into any interested person transactions of a value amounting to S\$100,000 or more.

### (G) Material Contracts

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



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## FINANCIAL REPORT

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## Directors' statement for the financial year ended 31 December 2015

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

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 December 2015 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, having regard to Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors (the "Board") 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:

Goh Ah Lee  
Teoh Jin Thean  
Lee Fut Hua  
Lim Pang Hern (Appointed on 6 March 2015)  
Yeow See Onn (Independent director)  
Choo Yong Fee (Independent director)

### 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:

|                                                        | <u>Holdings registered<br/>in the name of director</u>      |                                                               | <u>Holdings in which<br/>director is deemed<br/>to have an interest</u> |                                                               |
|--------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------|
|                                                        | As at<br>1.1.2015 or<br>date of<br>appointment,<br>if later | <b>As at<br/>31.12.2015<br/>and<br/>21.1.2016<sup>#</sup></b> | As at<br>1.1.2015 or<br>date of<br>appointment,<br>if later             | <b>As at<br/>31.12.2015<br/>and<br/>21.1.2016<sup>#</sup></b> |
| <u>The Company -<br/>Lorenzo International Limited</u> |                                                             | <b>Number of ordinary shares</b>                              |                                                                         |                                                               |
| Goh Ah Lee <sup>1</sup>                                | 4,217,000                                                   | <b>4,217,000</b>                                              | 246,000                                                                 | <b>246,000</b>                                                |
| Teoh Jin Thean                                         | 317,693                                                     | <b>476,539</b>                                                | -                                                                       | -                                                             |
| Lee Fut Hua                                            | 965,000                                                     | <b>1,024,500</b>                                              | -                                                                       | -                                                             |
| Choo Yong Fee                                          | -                                                           | <b>250,000</b>                                                | -                                                                       | -                                                             |
| Lim Pang Hern <sup>2</sup>                             | -                                                           | <b>381,500</b>                                                | 75,579,800                                                              | <b>87,579,800</b>                                             |
| Yeow See Onn                                           | -                                                           | <b>400,000</b>                                                | -                                                                       | -                                                             |

#### Directors' interest in shares or debentures (Cont'd)

Note:

1. Mr Goh Ah Lee is deemed to be interested in shares held by spouse, Lee Lee Wah, and shares held by his nominees, Hong Leong Finance Nominees Pte. Ltd.
2. Mr Lim Pang Hern is deemed to be interested in shares held by BD Corporate Pte. Ltd.

There are no changes to the above shareholdings as at 21 January 2016.

#### 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, including the Chairman, are independent.

Yeow See Onn (Chairman)  
Lie Chin-Chin (Resigned on 10 March 2016)  
Choo Yong Fee

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 committee 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 quarterly 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 December 2015 as well as the auditor's report thereon;
- (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;

**Audit Committee (Cont'd)**

- (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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LEE FUT HUA

.....  
LEE FUT HUA

Dated: 16 May 2016

# Independent auditor's report to the members of Lorenzo International Limited

## Report on the financial statements

We have audited the accompanying 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 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility 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 Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

# Independent auditor's report to the members of Lorenzo International Limited (Cont'd)

## Basis for qualified opinion

### Valuation of non-financial assets (Retail CGU)

We draw your attention to Notes 4, 5, 6 and 9 to the financial statements:

- (a) The carrying values of investments in subsidiaries and amounts due from subsidiaries of the Retail Cash-Generating Unit (CGU) at the Company level amounted to \$25,371,628 (2014: \$25,371,628) and \$3,209,270 (2014: \$4,542,480) respectively as at 31 December 2015.
- (b) The aggregate carrying values of property, plant and equipment and land use rights of the Group relating to Retail CGU amounted to \$22,281,040 (2014: \$24,515,523) as at 31 December 2015.

Management determined the recoverable amounts for the cost of investments in subsidiaries, amounts due from subsidiaries, property, plant and equipment and land use rights (collectively the Assets) of the Retail CGU at the end of the reporting period using the higher of the fair value less cost to sell and value-in-use basis of computation. The value-in-use is computed based on their estimated future cash flows discounted to the present values using pre-tax discount rates as determined by management. An impairment loss is required based on the value-in-use basis of computation of the recoverable amounts of the Assets but management did not recognise any impairment losses in the profit or loss for the financial year ended 31 December 2015.

The management is of the opinion that the fair value less cost to sell of the Assets will be higher than the respective carrying values of the Assets at the reporting date and concluded that no impairment loss is required on the Assets.

As of the date of this report, we have yet to receive the valuation reports on the Retail CGU's property, plant and equipment whereby the recoverable amounts of the Assets will be prepared based on the fair value less cost to sell method. In the absence of any alternative evidence available to us, we are unable to determine if any adjustments will be required to the Assets at the reporting date.

## Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the consolidated financial statements of the Group and the statement of financial position of the Company as at 31 December 2015 are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

## Emphasis of matter

The Group incurred a net loss of \$18.8 million (2014: profit of \$3.5 million) and has net operating cash outflows of \$1.2 million (2014: \$4.1 million) for the financial year ended 31 December 2015; and as at that date, the Group's and the Company's accumulated losses amounted to \$13.9 million (2014: retained earnings of \$4.8 million) and \$10.3 million (2014: retained earnings of \$143,935) respectively. In addition, the Group's current liabilities exceeded the current assets by \$6.6 million (2014: positive working capital of \$6.7 million) as at 31 December 2015.

# Independent auditor's report to the members of Lorenzo International Limited (Cont'd)

## Emphasis of matter (Cont'd)

The total equity of the Company of \$26.2 million as at 31 December 2015 was also higher than the total equity of the Group of \$15.6 million, and as of that date, the Group had a negative cash and cash equivalents of \$3.8 million in the consolidated statement of cash flows.

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. On the basis that

- (a) the Group has cash balances of \$2.7 million which can be used for daily working capital purposes;
- (b) the liabilities owing to the banks totalling \$18.9 million will be partially repaid from the possible sale of certain properties of the Group with a carrying value totalling \$16.1 million;
- (c) subsequent to the reporting date, the Company has completed the placement of 60,000,000 ordinary shares of the Company at a price of \$0.02 each share, resulting in additional funds of \$1.2 million; and
- (d) the Group has prepared a profit and cash flow forecast for the next 12 months after the reporting date indicating that there will be sufficient cash balances taking into account the above factors.

The directors are, therefore, of the view that the going concern assumption is appropriate for the preparation of these financial statements and that debts owing will be paid as and when they fall due as the directors believe that the Group and the Company will be able to generate sufficient operating cash flows. Our opinion is not qualified in respect of this matter.

The accompanying financial statements do not include any adjustments relating to the realisation and classification of asset amounts that may be necessary if the Group and the Company are unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No adjustments have been made in the financial statements in respect of these.

## **Report on other legal and regulatory requirements**

In our opinion, 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.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore, 16 May 2016

# Statements of financial position as at 31 December 2015

|                                     |      | The Company         |                     | The Group           |                     |
|-------------------------------------|------|---------------------|---------------------|---------------------|---------------------|
|                                     |      | 31 December<br>2015 | 31 December<br>2014 | 31 December<br>2015 | 31 December<br>2014 |
|                                     | Note | \$                  | \$                  | \$                  | \$                  |
| <b>ASSETS</b>                       |      |                     |                     |                     |                     |
| <b>Non-Current Assets</b>           |      |                     |                     |                     |                     |
| Property, plant and equipment       | 4    | 61,071              | 679                 | 21,038,081          | 24,272,901          |
| Land use rights                     | 5    | -                   | -                   | 1,209,970           | 1,216,696           |
| Subsidiaries                        | 6    | 25,371,628          | 30,254,360          | -                   | -                   |
| Intangible assets                   | 7    | -                   | -                   | -                   | -                   |
| Other receivables                   | 9    | -                   | -                   | 574,726             | 486,386             |
| Deferred tax assets                 | 16   | -                   | -                   | 7,145               | 265,713             |
|                                     |      | <b>25,432,699</b>   | <b>30,255,039</b>   | <b>22,829,922</b>   | <b>26,241,696</b>   |
| <b>Current Assets</b>               |      |                     |                     |                     |                     |
| Land use rights                     | 5    | -                   | -                   | 32,989              | 32,292              |
| Inventories                         | 8    | -                   | -                   | 16,426,005          | 21,666,181          |
| Trade and other receivables         | 9    | 3,385,290           | 4,727,510           | 9,129,426           | 19,679,442          |
| Cash and cash equivalents           | 11   | 7,946               | 2,236               | 2,733,755           | 8,091,791           |
|                                     |      | <b>3,393,236</b>    | <b>4,729,746</b>    | <b>28,322,175</b>   | <b>49,469,706</b>   |
| <b>Total assets</b>                 |      | <b>28,825,935</b>   | <b>34,984,785</b>   | <b>51,152,097</b>   | <b>75,711,402</b>   |
| <b>EQUITY AND LIABILITIES</b>       |      |                     |                     |                     |                     |
| <b>Capital and Reserves</b>         |      |                     |                     |                     |                     |
| Share capital                       | 12   | 36,554,325          | 32,981,933          | 36,554,325          | 32,981,933          |
| Reserves                            | 13   | (10,345,483)        | 143,935             | (20,938,684)        | (898,734)           |
| <b>Total equity</b>                 |      | <b>26,208,842</b>   | <b>33,125,868</b>   | <b>15,615,641</b>   | <b>32,083,199</b>   |
| <b>Non-Current Liabilities</b>      |      |                     |                     |                     |                     |
| Borrowings                          | 14   | -                   | -                   | 347,312             | 638,062             |
| Deferred income                     | 15   | -                   | -                   | 39,828              | 42,640              |
| Deferred tax liabilities            | 16   | -                   | -                   | 190,422             | 222,459             |
|                                     |      | -                   | -                   | <b>577,562</b>      | <b>903,161</b>      |
| <b>Current Liabilities</b>          |      |                     |                     |                     |                     |
| Trade and other payables            | 17   | 2,617,093           | 1,858,917           | 15,952,321          | 17,290,259          |
| Deferred income                     | 15   | -                   | -                   | 30,766              | 37,313              |
| Borrowings                          | 14   | -                   | -                   | 18,914,448          | 25,029,496          |
| Current tax payable                 |      | -                   | -                   | 61,359              | 367,974             |
|                                     |      | <b>2,617,093</b>    | <b>1,858,917</b>    | <b>34,958,894</b>   | <b>42,725,042</b>   |
| <b>Total liabilities</b>            |      | <b>2,617,093</b>    | <b>1,858,917</b>    | <b>35,536,456</b>   | <b>43,628,203</b>   |
| <b>Total equity and liabilities</b> |      | <b>28,825,935</b>   | <b>34,984,785</b>   | <b>51,152,097</b>   | <b>75,711,402</b>   |

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 December 2015

|                                                                                                 | Note | Year ended<br>31 December 2015<br>\$ | Year ended<br>31 December 2014<br>\$ |
|-------------------------------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| Revenue                                                                                         | 3    | 53,752,348                           | 82,343,043                           |
| Cost of sales                                                                                   |      | (32,236,952)                         | (45,929,524)                         |
| <b>Gross profit</b>                                                                             |      | <b>21,515,396</b>                    | <b>36,413,519</b>                    |
| Other income                                                                                    | 18   | 2,011,020                            | 4,351,072                            |
| Distribution costs                                                                              |      | (6,278,464)                          | (7,913,408)                          |
| Administrative expenses                                                                         |      | (23,023,548)                         | (24,832,135)                         |
| Other operating expenses                                                                        |      | (11,370,196)                         | (2,459,657)                          |
| Finance costs                                                                                   | 19   | (909,104)                            | (922,542)                            |
| <b>(Loss)/Profit before taxation</b>                                                            | 20   | <b>(18,054,896)</b>                  | <b>4,636,849</b>                     |
| Tax expense                                                                                     | 21   | (710,612)                            | (1,165,663)                          |
| <b>(Loss)/Profit after taxation</b>                                                             |      | <b>(18,765,508)</b>                  | <b>3,471,186</b>                     |
| <b>(Loss)/Profit for the year attributable to owners<br/>of the Company</b>                     |      | <b>(18,765,508)</b>                  | <b>3,471,186</b>                     |
| <b>Other comprehensive income:</b>                                                              |      |                                      |                                      |
| <i>Items that may be reclassified subsequently to<br/>profit or loss:</i>                       |      |                                      |                                      |
| Available-for-sale financial assets:                                                            |      |                                      |                                      |
| - Reclassification and adjustment for gains to profit<br>or loss                                |      | -                                    | (17,057)                             |
| Foreign currency translation differences - foreign<br>operations, at nil tax                    |      | (1,274,442)                          | (552,439)                            |
| <b>Other comprehensive loss for the year, net of tax</b>                                        |      | <b>(1,274,442)</b>                   | <b>(569,496)</b>                     |
| <b>Total comprehensive (loss)/income for the<br/>year attributable to owners of the Company</b> |      | <b>(20,039,950)</b>                  | <b>2,901,690</b>                     |
| <b>(Loss)/Earnings per share (cents)</b>                                                        |      |                                      |                                      |
| - basic                                                                                         | 22   | (6.38)                               | 1.42                                 |
| - diluted                                                                                       | 22   | (6.38)                               | 1.42                                 |

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 December 2015

|                                                | Share<br>capital<br>\$ | Translation<br>reserve<br>\$ | Statutory<br>common<br>reserve<br>\$ | Capital<br>reserve<br>\$ | Merger<br>reserve<br>\$ | Fair value<br>reserve<br>\$ | Retained<br>earnings<br>\$ | Total<br>equity<br>\$ |
|------------------------------------------------|------------------------|------------------------------|--------------------------------------|--------------------------|-------------------------|-----------------------------|----------------------------|-----------------------|
| <b>At 1 January 2014</b>                       | 30,258,120             | (2,802,383)                  | 68,256                               | 838,050                  | (3,282,141)             | 5,589                       | 1,372,205                  | 26,457,696            |
| <b>Total comprehensive income for the year</b> |                        |                              |                                      |                          |                         |                             |                            |                       |
| Profit for the year                            | -                      | -                            | -                                    | -                        | -                       | -                           | 3,471,186                  | 3,471,186             |
| Other comprehensive loss                       | -                      | (552,439)                    | -                                    | -                        | -                       | (17,057)                    | -                          | (569,496)             |
| <b>Total comprehensive income for the year</b> | -                      | (552,439)                    | -                                    | -                        | -                       | (17,057)                    | 3,471,186                  | 2,901,690             |
| Issue of ordinary shares (Note 12)             | 2,723,813              | -                            | -                                    | -                        | -                       | -                           | -                          | 2,723,813             |
| <b>Transactions with owners</b>                | 2,723,813              | -                            | -                                    | -                        | -                       | -                           | -                          | 2,723,813             |
| <b>At 31 December 2014</b>                     | 32,981,933             | (3,354,822)                  | 68,256                               | 838,050                  | (3,282,141)             | (11,468)                    | 4,843,391                  | 32,083,199            |
| <b>At 1 January 2015</b>                       | 32,981,933             | (3,354,822)                  | 68,256                               | 838,050                  | (3,282,141)             | (11,468)                    | 4,843,391                  | 32,083,199            |
| <b>Total comprehensive loss for the year</b>   |                        |                              |                                      |                          |                         |                             |                            |                       |
| Loss for the year                              | -                      | -                            | -                                    | -                        | -                       | -                           | (18,765,508)               | (18,765,508)          |
| Other comprehensive loss                       | -                      | (1,274,442)                  | -                                    | -                        | -                       | -                           | -                          | (1,274,442)           |
| <b>Total comprehensive loss for the year</b>   | -                      | (1,274,442)                  | -                                    | -                        | -                       | -                           | (18,765,508)               | (20,039,950)          |
| Issue of ordinary shares (Note 12)             | 3,572,392              | -                            | -                                    | -                        | -                       | -                           | -                          | 3,572,392             |
| <b>Transactions with owners</b>                | 3,572,392              | -                            | -                                    | -                        | -                       | -                           | -                          | 3,572,392             |
| <b>At 31 December 2015</b>                     | 36,554,325             | (4,629,264)                  | 68,256                               | 838,050                  | (3,282,141)             | (11,468)                    | (13,922,117)               | 15,615,641            |

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 December 2015

|                                                                                       | Note | Year ended<br>31 December 2015<br>\$ | Year ended<br>31 December 2014<br>\$ |
|---------------------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>Cash Flows from Operating Activities</b>                                           |      |                                      |                                      |
| (Loss)/Profit before taxation                                                         |      | (18,054,896)                         | 4,636,849                            |
| Adjustments for:                                                                      |      |                                      |                                      |
| Depreciation of property, plant and equipment                                         | 4    | 2,940,607                            | 3,372,823                            |
| Amortisation of land use rights                                                       | 5    | 32,989                               | 32,292                               |
| Impairment loss on property, plant and equipment                                      | 4    | 425,999                              | -                                    |
| Property, plant and equipment written off                                             | 4    | 212,738                              | -                                    |
| (Gain)/Loss on disposal of property, plant and equipment                              | 18   | (9,627)                              | 255,443                              |
| Gain on disposal of available-for-sale financial assets                               | 18   | -                                    | (20,322)                             |
| Interest income                                                                       | 18   | (113,725)                            | (47,562)                             |
| Interest expense                                                                      | 19   | 897,836                              | 897,846                              |
| <b>Operating (loss)/profit before working capital changes</b>                         |      | <b>(13,668,079)</b>                  | <b>9,127,369</b>                     |
| Change in inventories                                                                 |      | 5,240,176                            | 2,109,674                            |
| Change in operating receivables                                                       |      | 10,529,376                           | (10,970,203)                         |
| Change in operating payables                                                          |      | (1,337,937)                          | (2,032,459)                          |
| <b>Cash generated from/(used) in operations</b>                                       |      | <b>763,536</b>                       | <b>(1,765,619)</b>                   |
| Interest paid                                                                         |      | (897,836)                            | (897,846)                            |
| Income tax paid                                                                       |      | (1,082,975)                          | (1,434,809)                          |
| <b>Net cash used in operating activities</b>                                          |      | <b>(1,217,275)</b>                   | <b>(4,098,274)</b>                   |
| <b>Cash Flows from Investing Activities</b>                                           |      |                                      |                                      |
| Acquisition of property, plant and equipment (A)                                      |      | (1,093,310)                          | (1,757,508)                          |
| Proceeds from disposal of property, plant and equipment                               |      | 16,949                               | 557,424                              |
| Proceeds from disposal of available-for-sale financial assets                         |      | -                                    | 23,030                               |
| Interest received                                                                     |      | 113,725                              | 47,562                               |
| <b>Net cash used in investing activities</b>                                          |      | <b>(962,636)</b>                     | <b>(1,129,492)</b>                   |
| <b>Cash Flows from Financing Activities</b>                                           |      |                                      |                                      |
| Proceeds from share issued, net                                                       |      | 3,572,392                            | 2,723,813                            |
| Repayments of finance lease liabilities                                               |      | (398,337)                            | (754,872)                            |
| (Repayment)/Proceeds of trust receipts and bills payable                              |      | (6,900,099)                          | 8,464,260                            |
| Repayments of bank loans                                                              |      | (287,812)                            | (1,206,149)                          |
| <b>Net cash (used in)/ generated from financing activities</b>                        |      | <b>(4,013,856)</b>                   | <b>9,227,052</b>                     |
| Net (decrease)/ increase in cash and cash equivalents                                 |      | (6,193,767)                          | 3,999,286                            |
| Cash and cash equivalents at beginning of year                                        |      | 2,766,113                            | (1,202,028)                          |
| Exchange differences on translation of cash and cash equivalents at beginning of year |      | (344,720)                            | (31,145)                             |
| <b>Cash and cash equivalents at end of year</b>                                       | 11   | <b>(3,772,374)</b>                   | <b>2,766,113</b>                     |

Note A:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$1,093,310 (2014: \$2,131,676) of which \$Nil (2014: \$374,168) were acquired by means of finance leases. Cash payments of \$1,093,310 (2014: \$1,757,508) were made to purchase property, plant and equipment.

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 December 2015

## 1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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

The registered office and principal place of business is located at 27 Kaki Bukit Place, Eunos Techpark, Singapore 416205.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are stated in Note 6.

## 2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”), including related Interpretations promulgated by the Accounting Standards Council. 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 dollars which is the Company’s functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

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

### **Going concern basis at 31 December 2015**

The Group incurred a net loss of \$18.8 million (2014: profit of \$3.5 million) and has net operating cash outflows of \$1.2 million (2014: \$4.1 million) for the financial year ended 31 December 2015; and as at that date, the Group’s and the Company’s accumulated losses amounted to \$13.9 million (2014: retained earnings of \$4.8 million) and \$10.3 million (2014: retained earnings of \$143,935) respectively. In addition, the Group’s current liabilities exceeded the current assets by \$6.6 million (2014: positive working capital of \$6.7 million) as at 31 December 2015.

The total equity of the Company of \$26.2 million as at 31 December 2015 was also higher than the total equity of the Group of \$15.6 million, and as of that date, the Group had a negative cash and cash equivalents of \$3.8 million in the consolidated statement of cash flows.

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. On the basis that

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

**Going concern basis at 31 December 2015 (Cont'd)**

- (a) the Group has cash balances of \$2.7 million which can be used for daily working capital purposes;
- (b) the liabilities owing to the banks totalling \$18.9 million will be partially repaid from the possible sale of certain properties of the Group with a carrying value totalling \$16.1 million;
- (c) subsequent to the reporting date, the Company has completed the placement of 60,000,000 ordinary shares of the Company at a price of \$0.02 each share, resulting in additional funds of \$1.2 million; and
- (d) the Group has prepared a profit and cash flow forecast for the next 12 months after the reporting date indicating that there will be sufficient cash balances taking into account the above factors.

the directors are, therefore, of the view that the going concern assumption is appropriate for the preparation of these financial statements and that debts owing will be paid as and when they fall due as the directors believe that the Group and the Company will be able to generate sufficient operating cash flows.

On 18 April 2016, the Board of Directors of the Company announced on SGX that the Company has completed the placement of 60,000,000 ordinary shares at an issue price of \$0.02 for each share based on the announcement dated 18 April 2016 (See Note 31).

The accompanying financial statements do not include any adjustments relating to the realisation and classification of asset amounts that may be necessary if the Group and the Company are unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No adjustments have been made in the financial statements in respect of these.

**Significant accounting estimates and judgements**

The preparation of the financial statements in conformity with FRS 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 SGD, 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.

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

**Significant accounting estimates and judgements (Cont'd)**

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

Determination of functional currency (Cont'd)

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 period in which such determination is made. The Group's current tax payable and deferred tax liabilities as at 31 December 2015 amounted to \$61,359 (2014: \$367,974) and \$190,422 (2014: \$222,459) 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.

During 2015, the Group recognised shareholdings of certain group entities, for which a deferred tax asset amounting to \$7,145 (2014: \$265,713) 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 31 December 2013, 2014 and 2015 in view of the existence of a letter of undertaking by the previous shareholder of the subsidiary.

Further details are given in Note 26 to the financial statements.

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

**Significant accounting estimates and judgements (Cont'd)**

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

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 \$1,242,959 (2014: \$1,248,988).

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.

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

Depreciation of property, plant and equipment

Property, plant and equipment 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 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 as at 31 December 2015 are \$61,071 (2014: \$679) and \$21,038,081 (2014: \$24,272,901) 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 increase/decreases by 10% (2014: 10%) by management, the Group's profit for the year will decrease/increase by approximately \$294,061 (2014: \$337,282).

Impairment of non-financial assets

Property, plant and equipment and 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.

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)**

**Impairment of non-financial assets (Cont'd)**

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

**Amortisation of intangible assets**

The Group performs annual reviews on whether the assumptions made on useful lives of intangible asset continue to be valid. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. The carrying amount of the Group's intangible assets as at 31 December 2015 is disclosed in Note 7 to the financial statements.

No sensitivity analysis is disclosed as the carrying amount of intangible assets is \$Nil at 31 December 2014 and 2015.

**Impairment of loans and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 9 to the financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by \$740,091 (2014: \$1,842,000).

**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 profit will increase/decrease by \$1,643,000 (2014: \$2,167,000). The carrying amount of the Group's inventory is disclosed in Note 8 to the financial statements.

**Construction contracts**

The Group recognises profits from construction contracts using the percentage of completion method based on the stage of completion. The stage of completion is measured by reference to the architect's certification of value of work done to-date, and the contract costs incurred to-date to the estimated total costs for the contract, as may be applicable.

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)**

**Construction contracts (Cont'd)**

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and architect's certificate of value of work done to-date.

If the revenue on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$139,000 (2014: \$459,000).

Significant assumptions are required in determining provision for foreseeable losses where the contract costs incurred for any project exceed its contract revenue sum. In estimating the foreseeable losses, management makes reference to information such as: (i) current quotes from sub-contractors and suppliers; (ii) recent quotes agreed with sub-contractors and suppliers; (iii) estimates on contract costs; and (iv) stages of completion of the contracts. The carrying amount of the Group's contract work-in-progress at the reporting date is disclosed in Note 10.

2(b) Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Group:

| Reference                                                   | Description                                  |
|-------------------------------------------------------------|----------------------------------------------|
| Amendments to FRS 19<br>Improvements to FRSs (January 2014) | Defined Benefit Plan: Employee Contributions |
| FRS 24                                                      | Related Party Disclosures                    |
| FRS 108                                                     | Operating Segments                           |

The directors do not anticipate that the adoption of the above FRSs in the current period will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

**Improvements to FRSs (January 2014) FRS 24 Related Party Disclosures**

Improvements to FRSs (January 2014) FRS 24 Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2015) FRS 24 Related Party Disclosures are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and the Group when implemented in the current year.

2(b) Interpretations and amendments to published standards effective in 2015  
(Cont'd)

Improvements to FRS (January 2014) FRS 108 Operating Segments

The Improvements to FRSs (January 2014) FRS 108 Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. The improvements to FRSs (January 2014) FRS 108 Operating Segments are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented in the current year.

2(c) FRS not yet effective

The following are the relevant new or amended FRS and INT FRS issued in 2015 that are not yet effective but may be early adopted for the current financial year:

| Reference                               | Description                                               | Effective date<br>(Annual periods<br>beginning on<br>or after) |
|-----------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------|
| Improvements to FRSs<br>(November 2014) |                                                           |                                                                |
| - FRS 19                                | Employee Benefits                                         | 1 January 2016                                                 |
| - FRS 107                               | Financial Instruments: Disclosures                        | 1 January 2016                                                 |
| FRS 1                                   | Amendments to FRS 1: Presentation of Financial Statements | 1 January 2016                                                 |
| FRS 115                                 | Revenue Contract from Customers                           | 1 January 2018                                                 |
| FRS 109                                 | Financial Instruments                                     | 1 January 2018                                                 |
| FRS 7                                   | Amendments to FRS 7: Statement of Cash Flows              | 1 January 2017                                                 |

FRS 115 Revenue Contracts from Customers

FRS 115 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. 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.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the financial statements.

FRS 109 Financial Instruments

FRS 109 Financial Instruments replaces the FRS 39 and it is a package of improvements introduced by FRS 109 which includes a logical model for:

- Classification and measurement;
- A single, forward-looking "expected loss" impairment model and
- A substantially reformed approach to hedge accounting

## 2(c) FRS not yet effective (Cont'd)

### FRS 109 Financial Instruments (Cont'd)

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the financial statements.

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group or the Company in the period of their initial adoption.

## 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 intragroup 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 interest even if that results in a deficit balance.

If the Group loses control over 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;
- recognises any surplus or deficit 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 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:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- 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.

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

### **Consolidation (Cont'd)**

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 voting rights relative to the size and dispersion of holdings of the 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 activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 the 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.

When the Group loses control of a subsidiary, 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 FRSs).

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 the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, 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 Company. Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### **Goodwill**

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents 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 net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and architect's certificate of value of work done to-date.

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

### **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 period of lease |
| Factory buildings              | 20 years                           |
| Plant, machinery and 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.

### **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 period of 50 years.

### **Intangible assets**

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

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

### **Intangible assets (Cont'd)**

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to rise.

#### Customer lists and relationships

Costs relating to customer lists and relationships which are acquired are capitalised and amortised on the straight-line basis over their useful life of 6 years.

### **Financial assets**

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. 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.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for 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.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group and the Company do not have held-to-maturity financial assets or financial assets at fair value through profit or loss.

#### Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the profit or loss for the period.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the profit or loss even though the financial asset has not been derecognised.

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

### Financial assets (Cont'd)

#### Available-for-sale financial assets (Cont'd)

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of the reporting period.

#### Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active or is unquoted, the Company 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, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

#### 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.

Impairment losses are reversed in subsequent periods 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.

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

### **Construction work-in-progress**

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, sub-contractors' cost and an appropriate proportion of overheads.

The percentage of completion is based on architects' certification of construction work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

The aggregate costs incurred and the profit/(loss) recognised on each contract are compared against progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts under 'construction work-in-progress'. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts under 'trade and other payables'. Customer advances are presented as "trade and other payables" in the statement of financial position.

### **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, excluding deferred income and advances from customers.

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.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

### **Financial liabilities (Cont'd)**

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 period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period 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 are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

### **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 association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### **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 periods 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".

#### 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.

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

### Leases (Cont'd)

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 period 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.

### 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.

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

### Provisions (Cont'd)

#### Contingencies (Cont'd)

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 periods 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.

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.

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

### **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 period to which the contributions relate.

#### 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.

### **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.

### **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); or
  - (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).

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

### **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.

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 asset 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 the reporting period.

A reversal of an impairment loss is recognised as income in profit or loss.

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

### **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 Dollars, 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.

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 translations.

#### 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 Dollars 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.

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

### 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.

### Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from contracts is recognised using the percentage of completion method. The stage of completion is measured by reference to professional surveys of work performed. As soon as the outcome of a contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Revenue from post-sale services is recognised over the period in which the services are rendered.

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 period.

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

## 3 Revenue

| The Group          | 2015<br>\$        | 2014<br>\$        |
|--------------------|-------------------|-------------------|
| Sale of goods      | 48,494,593        | 77,442,164        |
| Contract revenue   | 5,257,755         | 4,761,662         |
| Post-sale services | -                 | 139,217           |
|                    | <b>53,752,348</b> | <b>82,343,043</b> |

## 4 Property, plant and equipment

|                          |                            |                         |                                      |                      | Office equipment |
|--------------------------|----------------------------|-------------------------|--------------------------------------|----------------------|------------------|
|                          |                            |                         |                                      |                      | \$               |
| The Company              |                            |                         |                                      |                      |                  |
| Cost                     |                            |                         |                                      |                      |                  |
| At 1 January 2014        |                            |                         |                                      |                      | 42,179           |
| Additions                |                            |                         |                                      |                      | -                |
| At 31 December 2014      |                            |                         |                                      |                      | 42,179           |
| Additions                |                            |                         |                                      |                      | 63,878           |
| Disposal                 |                            |                         |                                      |                      | (2,067)          |
| At 31 December 2015      |                            |                         |                                      |                      | 103,990          |
| Accumulated depreciation |                            |                         |                                      |                      |                  |
| At 1 January 2014        |                            |                         |                                      |                      | 40,860           |
| Depreciation             |                            |                         |                                      |                      | 640              |
| At 31 December 2014      |                            |                         |                                      |                      | 41,500           |
| Depreciation             |                            |                         |                                      |                      | 1,534            |
| Disposal                 |                            |                         |                                      |                      | (115)            |
| At 31 December 2015      |                            |                         |                                      |                      | 42,919           |
| Net book value           |                            |                         |                                      |                      |                  |
| At 31 December 2015      |                            |                         |                                      |                      | 61,071           |
| At 31 December 2014      |                            |                         |                                      |                      | 679              |
| The Group                | Leasehold properties<br>\$ | Factory buildings<br>\$ | Plant, machinery and equipment<br>\$ | Motor vehicles<br>\$ | Total<br>\$      |
| Cost                     |                            |                         |                                      |                      |                  |
| At 1 January 2014        | 8,414,061                  | 14,140,969              | 17,949,652                           | 4,233,086            | 44,737,768       |
| Additions                | 219,298                    | -                       | 1,244,318                            | 668,060              | 2,131,676        |
| Disposals                | -                          | -                       | (1,440,539)                          | (750,953)            | (2,191,492)      |
| Translation differences  | (121,992)                  | 270,511                 | 38,955                               | (17,784)             | 169,690          |
| At 31 December 2014      | 8,511,367                  | 14,411,480              | 17,792,386                           | 4,132,409            | 44,847,642       |
| Additions                | -                          | -                       | 875,981                              | 217,329              | 1,093,310        |
| Disposals                | -                          | -                       | (456,164)                            | (151,719)            | (607,883)        |
| Translation differences  | (820,383)                  | 311,088                 | (839,762)                            | (172,582)            | (1,521,639)      |
| At 31 December 2015      | 7,690,984                  | 14,722,568              | 17,372,441                           | 4,025,437            | 43,811,430       |
| Accumulated depreciation |                            |                         |                                      |                      |                  |
| At 1 January 2014        | 1,138,628                  | 3,436,408               | 11,184,891                           | 2,740,361            | 18,500,288       |
| Depreciation             | 134,589                    | 722,819                 | 1,852,399                            | 663,016              | 3,372,823        |
| Disposals                | -                          | -                       | (942,424)                            | (436,201)            | (1,378,625)      |
| Translation differences  | (13,814)                   | 65,734                  | 34,795                               | (6,460)              | 80,255           |
| At 31 December 2014      | 1,259,403                  | 4,224,961               | 12,129,661                           | 2,960,716            | 20,574,741       |
| Depreciation             | 130,732                    | 728,931                 | 1,580,088                            | 500,856              | 2,940,607        |
| Impairment losses        | -                          | -                       | 288,773                              | 137,226              | 425,999          |
| Disposals                | -                          | -                       | (243,909)                            | (143,913)            | (387,822)        |
| Translation differences  | (101,516)                  | 91,200                  | (623,899)                            | (145,961)            | (780,176)        |
| At 31 December 2015      | 1,288,619                  | 5,045,092               | 13,130,714                           | 3,308,924            | 22,773,349       |

4 Property, plant and equipment (Cont'd)

| The Group                  | Leasehold<br>properties<br>\$ | Factory<br>buildings<br>\$ | Plant,<br>machinery<br>and<br>equipment<br>\$ | Motor<br>vehicles<br>\$ | Total<br>\$       |
|----------------------------|-------------------------------|----------------------------|-----------------------------------------------|-------------------------|-------------------|
| <u>Net book value</u>      |                               |                            |                                               |                         |                   |
| <b>At 31 December 2015</b> | <b>6,402,365</b>              | <b>9,677,476</b>           | <b>4,241,727</b>                              | <b>716,513</b>          | <b>21,038,081</b> |
| At 31 December 2014        | 7,251,964                     | 10,186,519                 | 5,662,725                                     | 1,171,693               | 24,272,901        |

As at 31 December 2015, the net book value of property, plant and equipment acquired under finance leases amounted to \$497,944 (2014 - \$755,969) and \$101,410 (2014 - \$673,823) in respect of motor vehicles and office equipment, respectively.

As at 31 December 2015, the Group's leasehold properties with carrying amount of \$6,402,365 (2014 - \$7,251,964) are mortgaged to financial institutions to secure bank borrowings (Note 14).

Impairment testing of property, plant and equipment and land use rights and cost of investments in and amounts due from subsidiaries (Note 4, Note 5, Note 6 and Note 9)

The Group's cash-generating units ("CGUs") were identified according to the operating subsidiaries in the retail, export, licensing retail systems and building materials operating segments (namely the "Retail" and "Building Materials" segments).

As at 31 December 2015, 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 and land use rights and cost of investments in and amounts due from subsidiaries (the "Assets"). The carrying amounts of the Assets are set out in Note 4, Note 5, Note 6 and Note 9.

The Group carried out a review of the recoverable amount of the Assets. 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 \$425,999 (2014: \$Nil) mainly for plant and equipment at the Group level and \$4,882,732 (2014: \$Nil) for the cost of investments at the Company level in relation to the Building Materials CGU.

**Impairment loss on the Building Materials CGU**

The value-in-use calculation is a discounted cash flow model using cash flow projections based on the most recent financial budgets approved by the Board of Directors covering the five-year period ending 31 December 2020. Cash flows belong the five-year period are extrapolated using the estimate rates stated below:

|                         | <u>Retail CGU</u> |             | <u>Building Materials CGU</u> |             |
|-------------------------|-------------------|-------------|-------------------------------|-------------|
|                         | <u>2015</u>       | <u>2014</u> | <u>2015</u>                   | <u>2014</u> |
|                         | %                 | %           | %                             | %           |
| Average growth rate     | -                 | 10.0        | <b>0 to 2</b>                 | 10.0        |
| Discount rate (Pre-tax) | -                 | 11.6        | <b>11.0</b>                   | 21.1        |
| Terminal growth rate    | -                 | 3.0         | <b>1.5</b>                    | 3.0         |

#### 4 Property, plant and equipment (Cont'd)

##### Impairment testing of property, plant and equipment and land use rights and cost of investments in and amounts due from subsidiaries (Note 4, Note 5, Note 6 and Note 9) (Cont'd)

##### **Impairment loss on the Building Materials CGU (Cont'd)**

These assumptions were used for the analysis of Building Materials CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market developments. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. The terminal growth rate used for the CGU does not exceed management's expectation of the long term average growth rate of the industry and country in which the CGU operates.

The above-estimates are particularly sensitive in the following areas:

- (a) An increase of two percentage point in the discount rate used would have increased the impairment loss by \$Nil (2014 - \$1,677,000).
- (b) A 2% decrease in future grow margin would have increased the impairment loss by \$Nil (2014 - \$402,000).

The recoverable amounts for Building Materials CGU have been estimated to be lesser than the carrying amounts of the operational CGU, and an impairment loss of \$425,999 (2014: \$Nil) on plant and equipment at the Group level and \$4,882,732 (2014: \$Nil) of impairment loss on cost of investments at the Company level is required as at 31 December 2015.

##### **Impairment testing on the Retail CGU**

- (a) The carrying values of investments in subsidiaries and amounts due from subsidiaries at the Company level of the Retail CGU amounted to \$25,371,628 (2014: \$25,371,628) and \$3,209,270 (2014: \$4,542,480) respectively as at 31 December 2015.
- (b) The aggregate carrying values of property, plant and equipment and land use rights of the Group relating to Retail CGU amounted to \$22,281,040 (2014: \$24,515,523) as at 31 December 2015.

Management determined the recoverable amounts for the cost of investments in subsidiaries, amounts due from subsidiaries, property, plant and equipment and land use rights (collectively the Assets) at the end of the reporting period using the higher of the fair value less cost to sell and value-in-use basis of computation. The value-in-use is computed based on their estimated future cash flows discounted to the present values using pre-tax discount rates as determined by management. An impairment loss is required based on the value-in-use basis of computation of the recoverable amounts of the Assets but management did not recognise any impairment losses in the profit or loss for the financial year ended 31 December 2015.

The management is of the opinion that the fair value less cost to sell of the Assets will be higher than the respective carrying values of the Assets at the reporting date and concluded that no impairment loss is required on the Assets.

The valuation report based on the fair value less cost to sell method is presently not made available as of the date of this report.

5 Land use rights

| <b>The Group</b>                 | <b>2015</b><br><b>\$</b> | <b>2014</b><br><b>\$</b> |
|----------------------------------|--------------------------|--------------------------|
| <b>Cost:</b>                     |                          |                          |
| At 1 January                     | <b>1,596,341</b>         | 1,584,301                |
| Translation differences          | <b>34,459</b>            | 12,040                   |
| At 31 December                   | <b>1,630,800</b>         | 1,596,341                |
| <b>Accumulated amortisation:</b> |                          |                          |
| At 1 January                     | <b>347,353</b>           | 309,147                  |
| Amortisation                     | <b>32,989</b>            | 32,292                   |
| Translation differences          | <b>7,499</b>             | 5,914                    |
| At 31 December                   | <b>387,841</b>           | 347,353                  |
| <b>Net book value:</b>           |                          |                          |
| At 1 January                     | <b>1,248,988</b>         | 1,275,154                |
| At 31 December                   | <b>1,242,959</b>         | 1,248,988                |
| <i>Represented by:</i>           |                          |                          |
| Current                          | <b>32,989</b>            | 32,292                   |
| Non-current                      | <b>1,209,970</b>         | 1,216,696                |
|                                  | <b>1,242,959</b>         | 1,248,988                |

Impairment testing of land use right of Retail CGU

There were indicators of impairment as the Group's subsidiaries incurred losses for the past few years. Management performed impairment testing based on the procedures described in Note 4 and no impairment losses were considered necessary as at 31 December 2014. See Note 4 for details of 2015 impairment testing.

6 Subsidiaries

| <b>The Company</b>                    | <b>2015</b><br><b>\$</b> | <b>2014</b><br><b>\$</b> |
|---------------------------------------|--------------------------|--------------------------|
| Unquoted equity investments, at cost  | <b>34,988,360</b>        | 34,988,360               |
| Accumulated impairment losses:        |                          |                          |
| At 1 January                          | <b>(4,734,000)</b>       | (4,734,000)              |
| Impairment loss                       | <b>(4,882,732)</b>       | -                        |
| At 1 January and 31 December          | <b>(9,616,732)</b>       | (4,734,000)              |
|                                       | <b>25,371,628</b>        | 30,254,360               |
| <u>Comprising carrying amount of:</u> |                          |                          |
| Retail CGU                            | <b>25,371,628</b>        | 25,371,628               |
| Building Materials CGU                | <b>-</b>                 | 4,882,732                |
|                                       | <b>25,371,628</b>        | 30,254,360               |

**Impairment testing of investment in subsidiaries**

The recoverable amount of the subsidiary, as a cash-generating unit, was determined based on the value-in-use calculation. The recoverable amount was determined to be higher than the carrying amount of the cost of investment and no impairment loss was necessary at 31 December 2014. See Note 4 for details of 2015 impairment testing.

6 Subsidiaries (Cont'd)

Impairment testing of investment in subsidiaries (Cont'd)

|                                             | 2015<br>\$       | 2014<br>\$  |
|---------------------------------------------|------------------|-------------|
| <b>The Company – Building Materials CGU</b> |                  |             |
| Cost of investment in a subsidiary          | <b>9,616,732</b> | 9,616,732   |
| Recoverable amount                          | -                | (4,882,732) |
| Impairment required                         | <b>9,616,732</b> | 4,734,000   |
| Impairment on cost of investment b/f        | <b>4,734,000</b> | 4,734,000   |
| Current year impairment                     | <b>4,882,732</b> | -           |
| Impairment on cost of investment c/f        | <b>9,616,732</b> | 4,734,000   |

The subsidiaries are:

| <u>Name</u>                                             | <u>Country of<br/>incorporation</u> | <u>Ownership interest</u> |           | <u>Principal activities</u>                                                           |
|---------------------------------------------------------|-------------------------------------|---------------------------|-----------|---------------------------------------------------------------------------------------|
|                                                         |                                     | <b>2015</b><br>%          | 2014<br>% |                                                                                       |
| <b><u>Held by the Company</u></b>                       |                                     |                           |           |                                                                                       |
| Uhin Holding Pte Ltd #                                  | Singapore                           | <b>100</b>                | 100       | Investment holding and trading of sofa sets, wood-based furniture and accessories     |
| Lorenzo International (Kunshan) Co., Ltd. **            | People's Republic of China          | <b>100</b>                | 100       | Manufacturing and sale of wood-based furniture                                        |
| Builders Shop Pte Ltd #                                 | Singapore                           | <b>100</b>                | 100       | Investment holding and trading of building materials and contractors for construction |
| <b><u>Held by Uhin Holding Pte Ltd</u></b>              |                                     |                           |           |                                                                                       |
| Uhin Sofa Sdn Bhd *                                     | Malaysia                            | <b>100</b>                | 100       | Investment holding and manufacturing and sale of sofa sets                            |
| Supreme Furnishing Centre Pte Ltd #                     | Singapore                           | <b>100</b>                | 100       | Retail sale of furniture                                                              |
| Uhin International Co., Ltd *                           | Republic of China                   | <b>100</b>                | 100       | Retail sale of furniture                                                              |
| Lorenzo Furniture (Shanghai) Co., Ltd. **               | People's Republic of China          | <b>100</b>                | 100       | Retail sale of furniture                                                              |
| <b><u>Held by Supreme Furnishing Centre Pte Ltd</u></b> |                                     |                           |           |                                                                                       |
| Supreme Furniture (Kunshan) Co., Ltd. **                | People's Republic of China          | <b>100</b>                | 100       | Manufacturing and sale of sofa sets                                                   |
| <b><u>Held by Uhin Sofa Sdn Bhd</u></b>                 |                                     |                           |           |                                                                                       |
| Ginova Furnishing Sdn Bhd *                             | Malaysia                            | <b>100</b>                | 100       | Investment holding and provision of management services                               |
| Monica Design Sdn Bhd *                                 | Malaysia                            | <b>100</b>                | 100       | Inactive                                                                              |
| Uhin Wood Industries Sdn Bhd *                          | Malaysia                            | <b>100</b>                | 100       | Manufacturing and supply of wooden frames                                             |
| <b><u>Held by Ginova Furnishing Sdn Bhd</u></b>         |                                     |                           |           |                                                                                       |
| Ginova Marketing Sdn Bhd *                              | Malaysia                            | <b>100</b>                | 100       | Retail sale of furniture                                                              |

# Audited by Foo Kon Tan LLP

\* Audited by other firms of auditors

\*\* Audited by Foo Kon Tan LLP for consolidation purposes

## 7 Intangible assets

|                                                       | 2015<br>\$         | 2014<br>\$  |
|-------------------------------------------------------|--------------------|-------------|
| <b>The Group</b>                                      |                    |             |
| <b>Customer lists and relationships:</b>              |                    |             |
| <u>Cost</u>                                           |                    |             |
| At 1 January and 31 December                          | <b>1,051,329</b>   | 1,051,329   |
| <u>Accumulated amortisation and impairment losses</u> |                    |             |
| At 1 January                                          | <b>(1,051,329)</b> | (1,051,329) |
| Amortisation for the year                             | -                  | -           |
| Impairment loss                                       | -                  | -           |
| At 31 December                                        | <b>(1,051,329)</b> | (1,051,329) |
| <u>Net book value</u>                                 |                    |             |
| At 31 December                                        | -                  | -           |

### Amortisation and impairment charge

The amortisation of customer lists and relationships is included in cost of sales in the statement of profit or loss.

During the financial year ended 31 December 2013, triggering events for impairment of the intangible assets were identified as one of the Group's subsidiary incurred losses. Based on the impairment test, the carrying amount of the intangible assets was determined to be higher than the recoverable amount and an impairment loss of \$172,943 was recognised.

The recoverable amount of the cash generating unit ("CGU") using the intangible assets was determined based on the value-in-use calculation. This calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a terminal growth rate of 3% from 2018. A pre-tax discount rate of 21.2% was applied to the cash flow projections. The terminal growth rate used for the CGU did not exceed management's expectation of the long term average growth rate of the industry and country in which the CGU operates.

During the financial years ended 31 December 2014 and 2015, there were no indicators that the impairment losses should be reversed to the profit or loss.

## 8 Inventories

|                                         | 2015<br>\$        | 2014<br>\$ |
|-----------------------------------------|-------------------|------------|
| <b>The Group</b>                        |                   |            |
| Raw materials, at net realisable value  | <b>2,430,721</b>  | 6,369,274  |
| Goods-in-transit, at cost               | <b>441,169</b>    | 498,891    |
| Work-in-progress, at cost               | <b>751,322</b>    | 790,321    |
| Finished goods, at net realisable value | <b>12,802,793</b> | 14,007,695 |
|                                         | <b>16,426,005</b> | 21,666,181 |

The cost of inventories recognised as an expense and included in cost of sales amounted to \$9,720,807 (2014 - \$11,447,977) for the year ended 31 December 2015.

## 8 Inventories (Cont'd)

During the financial year ended 31 December 2014, a net amount of \$1,501,288 in respect of allowance for inventory obsolescence was reversed to the profit or loss due to the recovery of selling price and excessive provisions made in prior years. In the current financial year, allowance made for write-down of slow-moving inventories to net realisable value amounted to \$3,205,775.

During the current financial year, the Group wrote off inventories that were no longer used in production amounting to \$31,265 (2014 - \$80,547) (Note 20).

## 9 Trade and other receivables

|                                                  | The Company      |                  | The Group        |                   |
|--------------------------------------------------|------------------|------------------|------------------|-------------------|
|                                                  | 2015             | 2014             | 2015             | 2014              |
|                                                  | \$               | \$               | \$               | \$                |
| <b>Current</b>                                   |                  |                  |                  |                   |
| Trade receivables                                |                  |                  |                  |                   |
| - third parties                                  | -                | -                | 6,361,604        | 12,558,691        |
| (A)                                              | -                | -                | 6,361,604        | 12,558,691        |
| Less: Allowance for impairment                   |                  |                  |                  |                   |
| At 1 January                                     | -                | -                | 113,509          | 303,251           |
| Impairment loss recognised (Note 20)             | -                | -                | 2,579,444        | 87,223            |
| Amounts utilised                                 | -                | -                | (2,000)          | (276,965)         |
| At 31 December (B)                               | -                | -                | 2,690,953        | 113,509           |
| <b>Net trade receivables (A)-(B)</b>             | -                | -                | 3,670,651        | 12,445,182        |
| <b>Current</b>                                   |                  |                  |                  |                   |
| <b>Other receivables:</b>                        |                  |                  |                  |                   |
| Amounts due from customers for contracts         |                  |                  |                  |                   |
| work-in-progress (Note 10)                       | -                | -                | 1,228,745        | 1,996,069         |
| Other receivables                                | 2,800,238        | -                | 3,407,743        | 610,615           |
| Less: Allowance for impairment on other          |                  |                  |                  |                   |
| receivables                                      | (2,800,000)      | -                | (2,800,000)      | -                 |
| Net other receivables                            | 238              | -                | 1,836,488        | 2,606,684         |
| Lease deposits                                   | 99,000           | 99,000           | 1,089,543        | 2,630,395         |
| Other deposits                                   | 31,330           | -                | 229,499          | 251,167           |
| Amounts due from subsidiaries (non-trade)        | 3,209,270        | 4,542,480        | -                | -                 |
| <b>Total loans and receivables</b>               | <b>3,339,838</b> | <b>4,641,480</b> | <b>6,826,181</b> | <b>17,933,428</b> |
| Prepayments                                      | 45,452           | 86,030           | 595,428          | 773,159           |
| Advances to suppliers                            | -                | -                | 1,325,177        | 882,020           |
| Tax recoverable                                  | -                | -                | 382,640          | 90,835            |
| <b>Total current trade and other receivables</b> | <b>3,385,290</b> | <b>4,727,510</b> | <b>9,129,426</b> | <b>19,679,442</b> |
| <b>Non-current</b>                               |                  |                  |                  |                   |
| <b>Other receivables:</b>                        |                  |                  |                  |                   |
| Retention sums receivable                        | -                | -                | 574,726          | 486,386           |
| <b>Total non-current other receivables</b>       | -                | -                | 574,726          | 486,386           |

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

## 9 Trade and other receivables (Cont'd)

### Impairment testing of amount due from subsidiaries

There were indicators of impairment as the Group's subsidiaries incurred losses for the past few years. Management performed impairment testing based on the procedures described in Note 4 and no impairment losses were considered necessary as at 31 December 2014. See Note 4 for details of 2015 impairment testing.

Trade and other receivables are denominated in the following currencies:

|                      | <b>The Company</b> |             | <b>The Group</b> |             |
|----------------------|--------------------|-------------|------------------|-------------|
|                      | <b>2015</b>        | <b>2014</b> | <b>2015</b>      | <b>2014</b> |
|                      | <b>\$</b>          | <b>\$</b>   | <b>\$</b>        | <b>\$</b>   |
| <b>Current</b>       |                    |             |                  |             |
| Singapore dollar     | <b>3,385,290</b>   | 4,727,510   | <b>4,501,180</b> | 6,650,213   |
| United States dollar | -                  | -           | <b>1,324,478</b> | 9,667,544   |
| Malaysian ringgit    | -                  | -           | <b>2,103,732</b> | 1,834,031   |
| New Taiwan dollar    | -                  | -           | <b>843,665</b>   | 577,335     |
| Renminbi             | -                  | -           | <b>356,371</b>   | 950,319     |
|                      | <b>3,385,290</b>   | 4,727,510   | <b>9,129,426</b> | 19,679,442  |
| <b>Non-current</b>   |                    |             |                  |             |
| Singapore dollar     | -                  | -           | <b>574,726</b>   | 486,386     |

Trade receivables are granted credit terms ranging from 30 to 60 days (2014 – 30 to 60) days.

The credit risk for trade receivables based on the information provided by key management is as follows:

| <b>The Group</b>            | <b>2015</b>      | <b>2014</b> |
|-----------------------------|------------------|-------------|
|                             | <b>\$</b>        | <b>\$</b>   |
| <u>By geographical area</u> |                  |             |
| Singapore                   | <b>6,100,265</b> | 11,690,655  |
| People's Republic of China  | <b>251,978</b>   | 538,768     |
| Malaysia                    | <b>374,756</b>   | 660,870     |
| Other countries             | <b>209,331</b>   | 154,784     |
|                             | <b>6,936,330</b> | 13,045,077  |

The ageing analysis of loans and receivables that are past due and not impaired as follows:

| <b>The Group</b>           | <b>2015</b>      |                    | <b>2014</b>  |                   |
|----------------------------|------------------|--------------------|--------------|-------------------|
|                            | <b>Gross</b>     | <b>Impairment</b>  | <b>Gross</b> | <b>Impairment</b> |
|                            | <b>\$</b>        | <b>losses</b>      | <b>\$</b>    | <b>losses</b>     |
| Past due less than 30 days | <b>932,094</b>   | -                  | 7,287,470    | -                 |
| Past due 31 to 60 days     | <b>316,010</b>   | -                  | 2,509,373    | -                 |
| Past due over 60 days      | <b>7,349,866</b> | <b>(5,490,953)</b> | 694,402      | (113,509)         |
|                            | <b>8,597,970</b> | <b>(5,490,953)</b> | 10,491,245   | (113,509)         |

### Financial assets that are neither past due nor impaired (the Group)

As of 31 December 2015, loans and receivables of \$3,719,164 (2014 - \$7,555,692) are not past due and not impaired. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due up to 60 days as they mainly arise from customers that have a good credit record with the Group.

## 9 Trade and other receivables (Cont'd)

### Financial assets that are past due but not impaired (the Group)

As of 31 December 2015, loans and receivables of \$1,248,104 (2014 - \$9,796,843) are past due but not impaired. Based on historical records, the Group believes that no impairment allowance is necessary in respect of trade and other receivables past due up to 60 days. These receivables are mainly arising by customers that have a good credit record with the Group.

### Financial assets that are past due and impaired (the Group)

As of 31 December 2015, loans and receivables of \$7,349,866 (2014 - \$694,402) are past due and impaired. In the year ended 31 December 2015, the Group assessed the recoverability of trade and other receivables past due and recognised an impairment loss of \$2,579,444 (2014: \$87,223) for trade receivables and \$2,800,000 (2014: \$Nil) for other receivables (see note below) respectively. The impaired trade and other receivables arise mainly due to those balances which are not considered to be collectible.

### Impairment loss – other receivables

The Company paid a refundable deposit of \$2.8 million (2014: \$Nil) 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 is facing financial difficulties, the Company has provided for the entire deposit outstanding and recognised an impairment loss of \$2.8 million (2014: \$Nil) in the profit or loss as it is considered irrecoverable from the Vendor.

Please refer to Note 27 for details of credit risk and foreign currency risk exposures.

## 10 Contracts work-in-progress

| The Group                                                            | Note | 2015<br>\$       | 2014<br>\$       |
|----------------------------------------------------------------------|------|------------------|------------------|
| <b>Contracts work-in-progress at end of the reporting period:</b>    |      |                  |                  |
| Contract costs incurred and attributable profits                     |      | 9,348,654        | 8,916,816        |
| Less: Progress billings                                              |      | (8,119,909)      | (6,920,747)      |
|                                                                      |      | <b>1,228,745</b> | <b>1,996,069</b> |
| <i>Presented as:</i>                                                 |      |                  |                  |
| Amounts due from customers (included in trade and other receivables) | 9    | <b>1,228,745</b> | <b>1,996,069</b> |
| (i) Contract revenue recognised during the year                      |      | <b>5,045,424</b> | 4,761,662        |
| (ii) Advances received on construction contracts                     |      | <b>44,557</b>    | 195,771          |
| (iii) Retentions on construction contracts                           |      | <b>574,726</b>   | 509,151          |

## 11 Cash and cash equivalents

|                | The Company  |            | The Group        |            |
|----------------|--------------|------------|------------------|------------|
|                | 2015<br>\$   | 2014<br>\$ | 2015<br>\$       | 2014<br>\$ |
| Fixed deposits | -            | -          | <b>360,586</b>   | 1,304,939  |
| Cash on hand   | <b>1</b>     | 1          | <b>106,090</b>   | 128,730    |
| Cash at bank   | <b>7,945</b> | 2,235      | <b>2,267,079</b> | 6,658,122  |
|                | <b>7,946</b> | 2,236      | <b>2,733,755</b> | 8,091,791  |

## 11 Cash and cash equivalents (Cont'd)

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

| <b>The Group</b>                            | <b>2015</b><br>\$  | <b>2014</b><br>\$ |
|---------------------------------------------|--------------------|-------------------|
| Fixed deposits                              | <b>360,586</b>     | 1,304,939         |
| Cash on hand                                | <b>106,090</b>     | 128,730           |
| Cast at bank                                | <b>2,267,079</b>   | 6,658,122         |
| Less: Bank overdrafts (secured) (Note 14.3) | <b>(6,506,129)</b> | (5,325,678)       |
|                                             | <b>(3,772,374)</b> | 2,766,113         |

Cash and cash equivalents are denominated in the following currencies:

|                      | <b>The Company</b> |                   | <b>The Group</b>  |                   |
|----------------------|--------------------|-------------------|-------------------|-------------------|
|                      | <b>2015</b><br>\$  | <b>2014</b><br>\$ | <b>2015</b><br>\$ | <b>2014</b><br>\$ |
| Singapore dollar     | <b>7,946</b>       | 2,236             | <b>380,193</b>    | 550,913           |
| United States dollar | -                  | -                 | <b>109,653</b>    | 908,057           |
| Malaysian ringgit    | -                  | -                 | <b>1,046,564</b>  | 4,551,209         |
| New Taiwan dollar    | -                  | -                 | <b>1,097,959</b>  | 1,862,118         |
| Renminbi             | -                  | -                 | <b>97,169</b>     | 217,314           |
| Other currencies     | -                  | -                 | <b>2,217</b>      | 2,180             |
|                      | <b>7,946</b>       | 2,236             | <b>2,733,755</b>  | 8,091,791         |

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

| <b>The Group</b>  | <b>2015</b> | <b>2014</b> |
|-------------------|-------------|-------------|
| Singapore dollar  | <b>0.3%</b> | 0.3%        |
| Malaysian ringgit | -           | 2.6%        |

Please refer to Note 27 for details of foreign currency risk exposures.

## 12 Share capital

| <b>The Company</b>                              | <b>2015</b><br>Number of ordinary shares | <b>2014</b><br>Number of ordinary shares | <b>2015</b><br>\$ | <b>2014</b><br>\$ |
|-------------------------------------------------|------------------------------------------|------------------------------------------|-------------------|-------------------|
| <b>Issued and fully paid, with no par value</b> |                                          |                                          |                   |                   |
| At 1 January                                    | <b>259,906,158</b>                       | 216,588,465                              | <b>32,981,933</b> | 30,258,120        |
| Issue of ordinary shares                        | <b>53,894,308</b>                        | 43,317,693                               | <b>3,572,392</b>  | 2,723,813         |
| At 31 December                                  | <b>313,800,466</b>                       | 259,906,158                              | <b>36,554,325</b> | 32,981,933        |

During the current financial year, the Company issued 53,894,308 (2014 - 43,317,693) new ordinary shares at \$0.07 each for a total cash consideration of \$3,772,602 (2014 - \$2,858,968) to current shareholders via right issues.

The Company set-off share issue expenses of \$200,210 (2014 - \$135,155) against share capital as part of the above rights shares.

Following the completion of the right issues, the total number of issued shares in the Company increased from 259,906,158 shares to 313,800,466 shares.

## 12 Share capital (Cont'd)

The newly issued shares rank pari passu in all respects with the previously issued shares.

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.

## 13 Reserves

|                          | The Company         |                | The Group           |                  |
|--------------------------|---------------------|----------------|---------------------|------------------|
|                          | 2015                | 2014           | 2015                | 2014             |
|                          | \$                  | \$             | \$                  | \$               |
| Translation reserve      | -                   | -              | (4,629,264)         | (3,354,822)      |
| Merger reserve           | -                   | -              | (3,282,141)         | (3,282,141)      |
| Statutory common reserve | -                   | -              | 68,256              | 68,256           |
| Capital reserve          | -                   | -              | 838,050             | 838,050          |
| Fair value reserve       | -                   | -              | (11,468)            | (11,468)         |
| Retained earnings        | (10,345,483)        | 143,935        | (13,922,117)        | 4,843,391        |
|                          | <b>(10,345,483)</b> | <b>143,935</b> | <b>(20,938,684)</b> | <b>(898,734)</b> |

### 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.

### Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

## 14 Borrowings

| The Group                  | Note | 2015<br>\$ | 2014<br>\$ |
|----------------------------|------|------------|------------|
| <b>Non-current</b>         |      |            |            |
| Finance lease liabilities  | 14.1 | 347,312    | 638,062    |
| <b>Current</b>             |      |            |            |
| Finance lease liabilities  | 14.1 | 282,976    | 390,562    |
| Bank loans (secured)       | 14.2 | 4,967,019  | 5,254,833  |
| Other borrowings (secured) | 14.3 | 13,664,453 | 19,384,101 |
|                            |      | 18,914,448 | 25,029,496 |
|                            |      | 19,261,760 | 25,667,558 |

### 14.1 Finance lease liabilities

| The Group                                | 2015<br>\$ | 2014<br>\$ |
|------------------------------------------|------------|------------|
| Future minimum lease payments:           |            |            |
| Within one year                          | 317,111    | 432,791    |
| Between one and five years               | 387,096    | 712,549    |
| More than five years                     | -          | -          |
|                                          | 704,207    | 1,145,340  |
| Future finance charges on finance leases | (73,919)   | (116,716)  |
| Present value of minimum lease payments  | 630,288    | 1,028,624  |
| Present value of minimum lease payments: |            |            |
| Within one year                          | 282,976    | 390,562    |
| Between one and five years               | 347,312    | 638,062    |
| More than five years                     | -          | -          |
|                                          | 630,288    | 1,028,624  |
| <i>Represented by:</i>                   |            |            |
| Current liabilities                      | 282,976    | 390,562    |
| Non-current liabilities                  | 347,312    | 638,062    |
|                                          | 630,288    | 1,028,624  |

### 14.2 Bank loans (secured)

| The Group | Loan | Currency | Year of maturity | 2015<br>\$ | 2014<br>\$ |
|-----------|------|----------|------------------|------------|------------|
|           | (a)  | SGD      | *2019            | 510,704    | 663,258    |
|           | (b)  | SGD      | 2015             | 4,000,000  | 4,000,000  |
|           | (c)  | RM       | *2022            | 456,315    | 591,575    |
|           |      |          |                  | 4,967,019  | 5,254,833  |

(a) Interest is charged at the Local Enterprise Finance Scheme ("LEFS") lending rate of 2.95% (2014 - 5%) per annum. The bank loan is secured by:

- (i) a mortgage over the Group's leasehold properties (Note 4);
- (ii) a corporate guarantee by the Company; and

## 14 Borrowings (Cont'd)

### 14.2 Bank loans (secured) (Cont'd)

- (iii) a corporate guarantee by a subsidiary.
- (b) Interest is charged at 2.87% (2014 - 2.48%) per annum. The bank loan is secured by a joint guarantee by the Company and a subsidiary.
- (c) Interest is charged at 4.45% (2014 - 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).

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.

- \* As at 31 December 2015, the Group's bank loans amounting to \$749,752 (2014 - \$1,049,281), comprising Loan (a) of \$355,126 (2014 - \$525,502) and Loan (c) of \$394,626 (2014 - \$523,779), 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.

### 14.3 Other borrowings

|                                     | 2015<br>\$        | 2014<br>\$        |
|-------------------------------------|-------------------|-------------------|
| <b>The Group</b>                    |                   |                   |
| Trust receipts (secured)            | 4,822,549         | 11,047,560        |
| Bills payable (secured)             | 2,335,775         | 3,010,863         |
| Bank overdrafts (secured) (Note 11) | 6,506,129         | 5,325,678         |
|                                     | <b>13,664,453</b> | <b>19,384,101</b> |

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 \$3,590,460 (2014 - \$4,121,290);
- (c) a guarantee given by a subsidiary; and
- (d) a guarantee given by the Company.

### 14.4 Currency risk

Borrowings are denominated in the following currencies:

|                      | 2015<br>\$        | 2014<br>\$        |
|----------------------|-------------------|-------------------|
| <b>The Group</b>     |                   |                   |
| Singapore dollar     | 11,102,061        | 19,495,097        |
| United States dollar | 4,354,681         | 1,328,747         |
| Euro                 | 52,345            | 565,591           |
| Malaysian ringgit    | 3,752,673         | 2,290,777         |
| Renminbi             | -                 | 1,987,346         |
|                      | <b>19,261,760</b> | <b>25,667,558</b> |

## 14 Borrowings (Cont'd)

### 14.5 Weighted average interest rates

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

|                           | 2015 | 2014 |
|---------------------------|------|------|
| <b>The Group</b>          |      |      |
| Finance lease liabilities | 1.8% | 1.8% |
| Bank loans (secured)      | 3.0% | 2.7% |
| Trust receipts (secured)  | 2.9% | 3.7% |
| Bills payable (secured)   | 3.8% | 6.3% |
| Bank overdrafts (secured) | 5.9% | 6.1% |

Please refer to Note 27 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:

| 2015                      | Carrying amounts<br>\$ | Fair values<br>\$ |
|---------------------------|------------------------|-------------------|
| <b>The Group</b>          |                        |                   |
| Finance lease liabilities | 630,288                | 597,129           |

| 2014                      | Carrying amounts<br>\$ | Fair values<br>\$ |
|---------------------------|------------------------|-------------------|
| <b>The Group</b>          |                        |                   |
| Finance lease liabilities | 1,028,624              | 968,945           |

## 15 Deferred income

|                                               | 2015<br>\$ | 2014<br>\$ |
|-----------------------------------------------|------------|------------|
| <b>The Group</b>                              |            |            |
| Membership subscription fees, represented by: |            |            |
| Current liabilities                           | 30,766     | 37,313     |
| Non-current liabilities                       | 39,828     | 42,640     |

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 period of the membership.

16 Deferred taxation

|                                        | 2015      | 2014    |
|----------------------------------------|-----------|---------|
| The Group                              | \$        | \$      |
| <b>Deferred tax assets</b>             |           |         |
| Balance at beginning                   | 265,713   | -       |
| Translation differences                | (33,455)  | 172,611 |
| Recognised in profit or loss (Note 21) | (225,113) | 93,102  |
| Balance at end                         | 7,145     | 265,713 |

The balances are attributable to the following:

|                               | 2015  | 2014    |
|-------------------------------|-------|---------|
| The Group                     | \$    | \$      |
| Property, plant and equipment | 7,145 | 265,713 |

Deferred tax assets are classified as recoverable within one year when it expects to utilise within 12 months after the reporting date.

|                                        | 2015     | 2014     |
|----------------------------------------|----------|----------|
| The Group                              | \$       | \$       |
| <b>Deferred tax liabilities</b>        |          |          |
| Balance at beginning                   | 222,459  | 172,833  |
| Translation differences                | (5,397)  | (87,243) |
| Recognised in profit or loss (Note 21) | (26,640) | 136,869  |
| Balance at end                         | 190,422  | 222,459  |

The balances are attributable to the following:

|                                   | 2015    | 2014    |
|-----------------------------------|---------|---------|
| The Group                         | \$      | \$      |
| Property, plant and equipment     | 111,083 | 114,694 |
| Unremitted earnings of subsidiary | 79,339  | 107,765 |
|                                   | 190,422 | 222,459 |

17 Trade and other payables

|                                         | The Company |           | The Group  |            |
|-----------------------------------------|-------------|-----------|------------|------------|
|                                         | 2015        | 2014      | 2015       | 2014       |
|                                         | \$          | \$        | \$         | \$         |
| Trade payables to third parties         | -           | -         | 3,292,205  | 3,219,892  |
| Other payables                          | 428,544     | 44,498    | 5,312,397  | 4,450,731  |
| Amounts due to a subsidiary - non-trade | 1,779,915   | 1,625,000 | -          | -          |
| Advances from customers                 | -           | -         | 4,198,901  | 6,136,349  |
| Accrued employee benefits               | 25,047      | 1,802     | 1,795,625  | 2,248,001  |
| Accrued expenses                        | 383,587     | 187,617   | 1,353,193  | 1,235,286  |
|                                         | 2,617,093   | 1,858,917 | 15,952,321 | 17,290,259 |

## 17 Trade and other payables (Cont'd)

Non-trade amounts due to a subsidiary, representing consideration for additional investment in that subsidiary, are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

|                      | <b>The Company</b> |             | <b>The Group</b>  |             |
|----------------------|--------------------|-------------|-------------------|-------------|
|                      | <b>2015</b>        | <b>2014</b> | <b>2015</b>       | <b>2014</b> |
|                      | <b>\$</b>          | <b>\$</b>   | <b>\$</b>         | <b>\$</b>   |
| Singapore dollar     | <b>2,617,093</b>   | 1,858,917   | <b>5,819,483</b>  | 5,887,273   |
| United States dollar | -                  | -           | <b>1,039,246</b>  | 984,243     |
| Euro                 | -                  | -           | <b>19,617</b>     | 86,390      |
| Malaysian ringgit    | -                  | -           | <b>4,674,943</b>  | 6,628,312   |
| New Taiwan dollar    | -                  | -           | <b>2,196,210</b>  | 2,032,378   |
| Renminbi             | -                  | -           | <b>2,202,822</b>  | 1,671,663   |
|                      | <b>2,617,093</b>   | 1,858,917   | <b>15,952,321</b> | 17,290,259  |

Further details of liquidity risks and foreign currency risk on trade and other payables are disclosed in Note 27.

## 18 Other income

|                                                         | <b>2015</b>      | <b>2014</b> |
|---------------------------------------------------------|------------------|-------------|
| <b>The Group</b>                                        | <b>\$</b>        | <b>\$</b>   |
| Government grants                                       | <b>157,055</b>   | 239,517     |
| Interest income                                         | <b>113,725</b>   | 47,562      |
| Rental income                                           | <b>538,110</b>   | 523,598     |
| Gain on disposal of available-for-sale financial assets | -                | 20,322      |
| Sundry income                                           | <b>238,585</b>   | 609,759     |
| Gain on disposal of property, plant and equipment       | <b>9,627</b>     | -           |
| Sales of scrap materials                                | <b>16,178</b>    | 175,668     |
| Reversal of allowance for inventory obsolescence, net   | -                | 1,501,288   |
| Transportation income                                   | <b>760,414</b>   | 708,636     |
| Exchange gain, net                                      | <b>133,025</b>   | 472,259     |
| Membership subscription fees                            | <b>44,301</b>    | 52,463      |
|                                                         | <b>2,011,020</b> | 4,351,072   |

## 19 Finance costs

|                                    | <b>2015</b>    | <b>2014</b> |
|------------------------------------|----------------|-------------|
| <b>The Group</b>                   | <b>\$</b>      | <b>\$</b>   |
| Interest expense                   |                |             |
| - finance leases                   | <b>41,097</b>  | 62,904      |
| - bank loans                       | <b>416,368</b> | 427,497     |
| - trust receipts and bills payable | <b>140,497</b> | 83,805      |
| - bank overdrafts                  | <b>299,874</b> | 323,640     |
|                                    | <b>897,836</b> | 897,846     |
| Trade financing charges            | <b>11,268</b>  | 24,696      |
|                                    | <b>909,104</b> | 922,542     |

20 (Loss)/Profit before taxation

The following items have been included in arriving at (loss)/profit before taxation:

| The Group                                                                    | Note | 2015<br>\$ | 2014<br>\$ |
|------------------------------------------------------------------------------|------|------------|------------|
| <b><u>Included under "cost of sales"</u></b>                                 |      |            |            |
| Cost of inventories included in cost of sales                                | 8    | 9,720,807  | 11,447,977 |
| Amortisation of land use rights                                              | 5    | 32,989     | 32,292     |
| Depreciation of property, plant and equipment                                | 4    | 818,197    | 1,475,120  |
| Operating lease expense                                                      |      | -          | 487,461    |
| Staff costs (A)                                                              |      | 3,466,401  | 4,757,821  |
| <b><u>Included under "distribution cost and administrative expenses"</u></b> |      |            |            |
| Operating lease expense                                                      |      | 6,334,113  | 6,535,752  |
| Directors' fees                                                              |      | 111,540    | 111,540    |
| Staff costs (A)                                                              |      | 11,006,987 | 13,182,195 |
| Audit fees:                                                                  |      |            |            |
| - auditors of the Company                                                    |      | 299,500    | 300,465    |
| - other auditors                                                             |      | 92,428     | 60,585     |
| Non-audit fees:                                                              |      |            |            |
| - auditors of the Company                                                    |      | 49,524     | 47,840     |
| <hr/>                                                                        |      |            |            |
| The Group                                                                    | Note | 2015<br>\$ | 2014<br>\$ |
| <b><u>Included under "other operating expenses"</u></b>                      |      |            |            |
| Allowance for inventory obsolescence                                         | 8    | 3,205,775  | -          |
| Depreciation of property, plant and equipment                                |      | 2,122,410  | 1,897,703  |
| Inventories written off                                                      | 8    | 31,265     | 80,547     |
| Loss on disposal of property, plant and equipment                            |      | -          | 255,443    |
| Impairment loss on property, plant and equipment                             | 4    | 429,999    | -          |
| Property, plant and equipment written off                                    |      | 212,738    | -          |
| Impairment loss on trade receivables                                         | 9    | 2,579,444  | 87,223     |
| Impairment loss on other receivables                                         | 9    | 2,800,000  | -          |
| Bank charges                                                                 |      | 23,501     | 56,650     |
| <hr/>                                                                        |      |            |            |
| <b><u>(A) Staff costs</u></b>                                                |      |            |            |
| Key management personnel - directors:                                        |      |            |            |
| Directors' remuneration other than fees                                      |      |            |            |
| - salaries and other related costs                                           |      | 1,052,903  | 1,270,970  |
| - Contributions to defined contribution plans                                |      | 33,161     | 38,150     |
| Key management personnel - other than directors                              |      |            |            |
| - salaries and other related costs                                           |      | 472,729    | 647,876    |
| - Contributions to defined contribution plans                                |      | 36,365     | 49,333     |
|                                                                              |      | 1,595,158  | 2,006,329  |
| Other than key management personnel                                          |      |            |            |
| - salaries, wages and other related costs                                    |      | 12,583,679 | 15,698,558 |
| - Contributions to defined contribution plans                                |      | 294,551    | 235,129    |
|                                                                              |      | 12,878,230 | 15,933,687 |
|                                                                              |      | 14,473,388 | 17,940,016 |

21 Tax expense

| The Group                          | 2015<br>\$     | 2014<br>\$       |
|------------------------------------|----------------|------------------|
| <b>Current tax expense</b>         |                |                  |
| Current year                       | 293,694        | 831,460          |
| Adjustments for prior years        | (11,849)       | -                |
|                                    | <b>281,845</b> | <b>831,460</b>   |
| <b>Deferred tax expense</b>        |                |                  |
| Movements in temporary differences | 165,386        | 15,602           |
| Adjustment for prior years         | 33,087         | 28,165           |
|                                    | <b>198,473</b> | <b>43,767</b>    |
| Withholding tax on overseas income | 230,294        | 290,436          |
|                                    | <b>710,612</b> | <b>1,165,663</b> |

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 profits as a result of the following:

| The Group                                                                                 | 2015<br>\$          | 2014<br>\$       |
|-------------------------------------------------------------------------------------------|---------------------|------------------|
| (Loss)/Profit before taxation                                                             | <b>(18,054,896)</b> | 4,636,849        |
| Tax at domestic rates applicable to individual group entities                             | (3,452,285)         | 868,368          |
| Tax effect on non-deductible expenses                                                     | 1,446,752           | 328,145          |
| Tax effect on non-taxable income                                                          | (11,845)            | (5,429)          |
| Deferred tax assets on temporary differences not recognised                               | 196,664             | -                |
| Deferred tax assets on current year losses not recognised                                 | 2,281,110           | 543,011          |
| Utilisation of deferred tax assets on temporary differences not recognised in prior years | -                   | (884,934)        |
| Adjustment for prior years for current tax                                                | (11,849)            | -                |
| Adjustment for prior years for deferred taxation                                          | 33,087              | 28,165           |
| Tax incentives                                                                            | (1,316)             | (2,099)          |
| Withholding tax on overseas income                                                        | 230,294             | 290,436          |
|                                                                                           | <b>710,612</b>      | <b>1,165,663</b> |

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 | 25.0% | Full tax |
| Lorenzo Furniture (Shanghai) Co., Ltd.    | China             |       |          |
| Supreme Furniture (Kunshan) Co., Ltd.     |                   |       |          |
| Uhin Sofa Sdn Bhd                         | Malaysia          | 25.0% | Full tax |
| Uhin International Co., Ltd               | Taiwan            | 17.0% | Full tax |

Expenses not deductible for tax purposes mainly include depreciation of non-qualifying assets, private car expenses, excess entertainment and staff welfare for PRC subsidiaries and penalties.

## 21 Tax expense (Cont'd)

### Unrecognised deferred tax assets

At the reporting date the Group had unabsorbed tax losses of approximately \$27 million (2014 - \$17 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 \$15 million (2014 - \$12 million) related to certain subsidiaries expire from 2016 through 2020.

Deferred tax assets of approximately \$5.9 million (2014 - \$3.9 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.

### 21.1 Other comprehensive income for the year, net of tax

| Disclosure of tax effect relating to each component of other comprehensive income: | 2015             |                   |                  | 2014             |                   |                  |
|------------------------------------------------------------------------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|
|                                                                                    | Before tax<br>\$ | Tax expense<br>\$ | Net of tax<br>\$ | Before tax<br>\$ | Tax expense<br>\$ | Net of tax<br>\$ |
| Reclassification and adjustment for gains to profit or loss                        | -                | -                 | -                | (17,057)         | -                 | (17,057)         |
| Currency translation differences                                                   | <b>1,274,442</b> | -                 | <b>1,274,442</b> | (552,439)        | -                 | (552,439)        |
|                                                                                    | <b>1,274,442</b> | -                 | <b>1,274,442</b> | (569,496)        | -                 | (569,496)        |

## 22 (Loss)/Earnings per share

The basic (loss)/earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year. The Company did not have any stock options or dilutive potential ordinary shares during the years ended 31 December 2014 and 2015.

| The Group                                                         | 2015<br>\$          | 2014<br>\$  |
|-------------------------------------------------------------------|---------------------|-------------|
| (Loss)/Profit for the year attributable to owners of the Company  | <b>(18,765,508)</b> | 3,471,186   |
| Number of ordinary shares issued at 1 January                     | <b>294,102,989</b>  | 249,076,735 |
| Restatement adjustment for 2015 Rights Issue                      | -                   | (3,773,890) |
| Weighted average number of ordinary shares issued during the year | <b>294,102,989</b>  | 245,302,845 |
| (Loss)/Earnings per share (cents):                                |                     |             |
| - basic                                                           | <b>(6.38)</b>       | 1.42        |
| - diluted                                                         | <b>(6.38)</b>       | 1.42        |

## 22 (Loss)/Earnings per share (Cont'd)

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.

The weighted average number of ordinary shares for both years for the purposes of basic and diluted earnings per share has been adjusted to reflect the adjustment factor of the rights issue during the year. Earnings per share for the last financial year had been restated with the above adjustment.

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 years ended 31 December 2015 and 2014.

## 23 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:

| <b>The Group</b>                                                                         | <b>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|------------------------------------------------------------------------------------------|--------------------|--------------------|
| Purchases from                                                                           |                    |                    |
| - a firm of which a director of the Company is a member                                  | <b>245,304</b>     | -                  |
| Sales to                                                                                 |                    |                    |
| - a firm of which a director of the Company is a member                                  | <b>114,696</b>     | -                  |
| - a firm in which a key management personnel of a subsidiary has financial interest      | -                  | 2,552,747          |
| Expenses charged by a firm of which a director of the Company is a member                | <b>25,014</b>      | -                  |
| Rental expense paid and payable to a firm of which a director of the Company is a member | <b>159,253</b>     | 240,408            |

## 24 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:

| <b>The Group</b>           | <b>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|----------------------------|--------------------|--------------------|
| Within one year            | <b>4,462,589</b>   | 5,379,861          |
| Between one and five years | <b>3,518,977</b>   | 5,637,876          |
|                            | <b>7,981,566</b>   | 11,017,737         |

These operating leases expire between June 2016 and December 2019 and contain renewal options.

24 Commitments (Cont'd)

**B Where the Group is a lessor**

At the reporting date, the Group had the following rental receivables under non-cancellable operating leases in respect of sub-let of office premises:

| <b>The Group</b>                                  | <b>2015</b><br><b>\$</b> | <b>2014</b><br><b>\$</b> |
|---------------------------------------------------|--------------------------|--------------------------|
| Not later than one year                           | <b>577,865</b>           | 486,894                  |
| Later than one year and not later than five years | <b>707,465</b>           | 598,441                  |
|                                                   | <b>1,285,330</b>         | 1,085,335                |

These non-cancellable leases have remaining lease terms of between 1 to 3 years and contain renewal options.

## 25 Operating segments

For management reporting purposes, the Group is organised into the following reportable operating segments as follows:

- 1) Retail;
- 2) Export;
- 3) Licensing Retail System (“LRS”); and
- 4) Building Materials

Retail segment relates to revenue generated from retail chain stores for trading of sofa and other furniture.

Export segment to revenue generated from overseas corporate customers for trading of sofa and other furniture.

LRS segment relates to revenue generated from overseas licensing for trading of sofa and other furniture.

Building materials segment relates to revenue generated from supply of stones and tiles for residential, commercial and industrial projects.

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.

Notes to the financial statements for the financial year ended 31 December 2015

25 Operating segments (Cont'd)

|                                                          | Retail        |               | Export       |               | LRS          |              | Building materials |               | Total           |                |
|----------------------------------------------------------|---------------|---------------|--------------|---------------|--------------|--------------|--------------------|---------------|-----------------|----------------|
|                                                          | 2015          | 2014          | 2015         | 2014          | 2015         | 2014         | 2015               | 2014          | 2015            | 2014           |
|                                                          | \$'000        | \$'000        | \$'000       | \$'000        | \$'000       | \$'000       | \$'000             | \$'000        | \$'000          | \$'000         |
| <b>Revenue</b>                                           | <b>42,823</b> | <b>53,411</b> | <b>2,449</b> | <b>10,051</b> | <b>2,309</b> | <b>4,736</b> | <b>6,171</b>       | <b>14,145</b> | <b>53,752</b>   | <b>82,343</b>  |
| <b>Gross profit</b>                                      | <b>19,178</b> | <b>27,487</b> | <b>681</b>   | <b>2,705</b>  | <b>444</b>   | <b>1,035</b> | <b>1,212</b>       | <b>5,187</b>  | <b>21,515</b>   | <b>36,414</b>  |
| Other income                                             |               |               |              |               |              |              |                    |               |                 |                |
| Unallocated corporate expenses                           |               |               |              |               |              |              |                    |               | 2,011           | 4,351          |
| Finance costs                                            |               |               |              |               |              |              |                    |               | (40,672)        | (35,205)       |
| <b>(Loss)/Profit before taxation</b>                     |               |               |              |               |              |              |                    |               | <b>(909)</b>    | <b>(923)</b>   |
| Tax expense                                              |               |               |              |               |              |              |                    |               | (18,055)        | 4,637          |
| <b>(Loss)/Profit for the year</b>                        |               |               |              |               |              |              |                    |               | <b>(711)</b>    | <b>(1,166)</b> |
|                                                          |               |               |              |               |              |              |                    |               | <b>(18,766)</b> | <b>3,471</b>   |
| <b>Other information</b>                                 |               |               |              |               |              |              |                    |               |                 |                |
| Additions of property, plant and equipment               | <b>693</b>    | <b>1,763</b>  | <b>69</b>    | <b>168</b>    | <b>74</b>    | <b>201</b>   | <b>258</b>         | <b>-</b>      | <b>1,094</b>    | <b>2,132</b>   |
| Depreciation of property, plant and equipment            | <b>1,831</b>  | <b>1,156</b>  | <b>366</b>   | <b>748</b>    | <b>564</b>   | <b>1,197</b> | <b>180</b>         | <b>272</b>    | <b>2,941</b>    | <b>3,373</b>   |
| Amortisation of land use right                           | <b>23</b>     | <b>-</b>      | <b>2</b>     | <b>7</b>      | <b>8</b>     | <b>25</b>    | <b>-</b>           | <b>-</b>      | <b>33</b>       | <b>32</b>      |
| Gain/(Loss) on disposal of property, plant and equipment | <b>10</b>     | <b>68</b>     | <b>(1)</b>   | <b>-</b>      | <b>1</b>     | <b>-</b>     | <b>-</b>           | <b>187</b>    | <b>10</b>       | <b>255</b>     |
| Impairment loss on property, plant and equipment         | <b>-</b>      | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>426</b>         | <b>-</b>      | <b>426</b>      | <b>-</b>       |
| Provision for slow moving stock                          | <b>233</b>    | <b>-</b>      | <b>1,401</b> | <b>-</b>      | <b>1,111</b> | <b>-</b>     | <b>460</b>         | <b>-</b>      | <b>3,205</b>    | <b>-</b>       |
| Inventory written off                                    | <b>31</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>-</b>           | <b>-</b>      | <b>31</b>       | <b>-</b>       |
| Property, plant and equipment written off                | <b>135</b>    | <b>-</b>      | <b>57</b>    | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>21</b>          | <b>-</b>      | <b>213</b>      | <b>-</b>       |
| Impairment loss on trade and other receivables           | <b>2,800</b>  | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>2,579</b>       | <b>-</b>      | <b>5,379</b>    | <b>-</b>       |

## 25 Operating segments (Cont'd)

Segment assets, segment liabilities and capital expenditure information is not provided as it is not meaningful.

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

| <b>Revenue</b>          | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|-------------------------|------------------------|------------------------|
| Asia Pacific            | <b>52,640</b>          | 81,504                 |
| Middle East and Africa  | <b>887</b>             | 453                    |
| North and South America | <b>113</b>             | 279                    |
| Europe                  | <b>112</b>             | 107                    |
|                         | <b>53,752</b>          | <b>82,343</b>          |

| <b>Non-current assets</b> | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|---------------------------|------------------------|------------------------|
| Singapore                 | <b>3,172</b>           | 3,999                  |
| Malaysia                  | <b>6,424</b>           | 7,930                  |
| Taiwan                    | <b>669</b>             | 439                    |
| China                     | <b>12,558</b>          | 13,608                 |
|                           | <b>22,823</b>          | <b>25,976</b>          |

There is no revenue from customers contributing over 10% of total sales of the Group.

## 26 Contingencies

### The Company

#### A 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. The state of the legal case remains unchanged. The sum of damages to be paid and the timing of the liability remains uncertain.

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.

#### B Contingent asset

In September 2014, a suit was brought by the Company and the Company's subsidiary, Builders Shop Pte Ltd, against the shareholder of the subsidiary in respect of claims under letter of indemnity as mentioned in Note 26(A) above and claim for alleged costs of repair works under deed of undertaking.

## 26 Contingencies (Cont'd)

### The Company (Cont'd)

#### B Contingent asset (Cont'd)

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 the indemnity is valid and enforceable and the laws allow a set-off on the claims of repair works as at 31 December 2014. During the current year ended 31 December 2015, the claims under (B) have been resolved by all parties involved and no further exposure in terms of the contingent asset exist.

## 27 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 adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, 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. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties. The Group obtains advances from customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

## 27 Financial risk management (Cont'd)

### **Credit risk (Cont'd)**

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's trade receivables comprise 2 debtors (2014 - 2 debtors) that represent 58% (2014 - 72%) of trade receivables.

#### 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 December 2015, the Company has provided guarantees to banks in respect of loan facilities granted to subsidiaries amounting to \$22.6 million (2014 - \$11.9 million).
- (ii) At 31 December 2015, a subsidiary has provided a guarantee to a bank in respect of loan facility granted to a subsidiary amounting to \$1.4 million (2014 - \$2.8 million).
- (iii) At 31 December 2015, the Company and a subsidiary have provided a joint guarantee to a bank in respect of a loan facility granted to a subsidiary amounting to \$7.5 million (2014 - \$5.6 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 \$30.1 million (2014 - \$17.5 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 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 9.

### **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 (2014 - less than 6 months).

The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

27 Financial risk management (Cont'd)

**Interest rate risk (Cont'd)**

Sensitivity analysis for interest rate risk

A 30 (2014 - 30) basis points (bp) change in the interest rate of variable rate bank balances and fixed deposits and a 75 (2014 - 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                                      | Profit before tax -<br>increase/(decrease) |                       | Equity -<br>increase/(decrease) |                       |
|------------------------------------------------|--------------------------------------------|-----------------------|---------------------------------|-----------------------|
|                                                | 30bp/75bp<br>increase                      | 30bp/75bp<br>decrease | 30bp/75bp<br>increase           | 30bp/75bp<br>decrease |
|                                                | \$                                         | \$                    | \$                              | \$                    |
| <b>31 December 2015</b>                        |                                            |                       |                                 |                       |
| Variable rate bank balances and fixed deposits | 1,082                                      | (1,082)               | 1,082                           | (1,082)               |
| Variable rate borrowings                       | (37,253)                                   | 37,253                | (37,253)                        | 37,253                |
|                                                | (36,171)                                   | 36,171                | (36,171)                        | 36,171                |
| <b>31 December 2014</b>                        |                                            |                       |                                 |                       |
| Variable rate bank balances and fixed deposits | 3,915                                      | (3,915)               | 3,915                           | (3,915)               |
| Variable rate borrowings                       | (34,437)                                   | 34,437                | (34,437)                        | 34,437                |
|                                                | (30,522)                                   | 30,522                | (30,522)                        | 30,522                |

**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 currencies in which these transactions primarily are denominated in the United States dollar and the Euro.

The Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

## 27 Financial risk management (Cont'd)

## Foreign currency risk (Cont'd)

| The Group                                                                    | Note | US Dollar<br>2015<br>\$'000 | 2014<br>\$'000 | Renminbi<br>2015<br>\$'000 | 2014<br>\$'000 | Malaysian Ringgit<br>2015<br>\$'000 | 2014<br>\$'000 | New Taiwan Dollar<br>2015<br>\$'000 | 2014<br>\$'000 | Euro<br>2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------------|------|-----------------------------|----------------|----------------------------|----------------|-------------------------------------|----------------|-------------------------------------|----------------|------------------------|----------------|
| <b>Financial Assets</b>                                                      |      |                             |                |                            |                |                                     |                |                                     |                |                        |                |
| Trade and other receivables                                                  | 9    | 1,324                       | 9,668          | 356                        | 950            | 2,104                               | 1,834          | 844                                 | 577            | -                      | -              |
| Cash and bank balances                                                       | 11   | 110                         | 908            | 97                         | 217            | 1,047                               | 4,551          | 1,098                               | 1,862          | -                      | -              |
|                                                                              |      | 1,434                       | 10,576         | 453                        | 1,167          | 3,151                               | 6,385          | 1,942                               | 2,439          | -                      | -              |
| <b>Financial Liabilities</b>                                                 |      |                             |                |                            |                |                                     |                |                                     |                |                        |                |
| Trade and other payables                                                     | 17   | 1,039                       | 984            | 2,203                      | 1,672          | 4,675                               | 6,628          | 2,196                               | 2,032          | 20                     | 86             |
| Loans and borrowings                                                         | 14   | 4,355                       | 1,329          | -                          | 1,987          | 3,689                               | 2,174          | -                                   | -              | 52                     | 566            |
| Finance lease liabilities                                                    | 14   | -                           | -              | -                          | -              | 64                                  | 117            | -                                   | -              | -                      | -              |
|                                                                              |      | 5,394                       | 2,313          | 2,203                      | 3,659          | 8,428                               | 8,919          | 2,196                               | 2,032          | 72                     | 652            |
| <b>Net currency exposure on financial assets and (financial liabilities)</b> |      | <b>(3,960)</b>              | <b>8,263</b>   | <b>(1,750)</b>             | <b>(2,492)</b> | <b>(5,277)</b>                      | <b>(2,534)</b> | <b>(254)</b>                        | <b>407</b>     | <b>(72)</b>            | <b>(652)</b>   |

## 27 Financial risk management (Cont'd)

### Foreign currency risk (Cont'd)

#### Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the above currencies against the respective functional currencies of the Group entities at period/year ended would have increased/decreased loss before tax and increased/decreased equity by the amounts shown below. Similarly, a 5% weakening would have the equal but opposite effect. 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)          |                  |                                |                  |
|----------------------|------------------------------|------------------|--------------------------------|------------------|
|                      | -----31 December 2015-----   |                  | ----30 December 2014----       |                  |
|                      | Loss<br>before tax<br>\$'000 | Equity<br>\$'000 | Profit<br>before tax<br>\$'000 | Equity<br>\$'000 |
| <u>The Group</u>     |                              |                  |                                |                  |
| United States dollar | <b>198</b>                   | <b>(198)</b>     | (413)                          | (413)            |
| Renminbi             | <b>88</b>                    | <b>(88)</b>      | (125)                          | (125)            |
| Malaysian Ringgit    | <b>264</b>                   | <b>(264)</b>     | (127)                          | (127)            |
| New Taiwan Dollar    | <b>13</b>                    | <b>(13)</b>      | (7)                            | (7)              |
| Euro                 | <b>4</b>                     | <b>(4)</b>       | (33)                           | (33)             |

### 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 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:

|                                                                 | Carrying<br>amount<br>\$ | -----Contractual undiscounted cash flows----- |                           |                                |                       |
|-----------------------------------------------------------------|--------------------------|-----------------------------------------------|---------------------------|--------------------------------|-----------------------|
|                                                                 |                          | Total<br>\$                                   | Less than<br>1 year<br>\$ | Between 1<br>and 5 years<br>\$ | Over<br>5 years<br>\$ |
| <b>The Group</b>                                                |                          |                                               |                           |                                |                       |
| <b>At 31 December 2015</b>                                      |                          |                                               |                           |                                |                       |
| Trade and other payables (excluding<br>advances from customers) | <b>11,753,420</b>        | <b>11,753,420</b>                             | <b>11,753,420</b>         | -                              | -                     |
| Borrowings                                                      | <b>19,261,760</b>        | <b>19,432,502</b>                             | <b>18,227,645</b>         | <b>1,082,317</b>               | <b>122,540</b>        |
|                                                                 | <b>31,015,180</b>        | <b>31,185,922</b>                             | <b>29,981,065</b>         | <b>1,082,317</b>               | <b>122,540</b>        |

## 27 Financial risk management (Cont'd)

### Liquidity risk (Cont'd)

|                                                                 | Carrying<br>amount<br>\$ | -----Contractual undiscounted cash flows----- |                           |                                |                       |
|-----------------------------------------------------------------|--------------------------|-----------------------------------------------|---------------------------|--------------------------------|-----------------------|
|                                                                 |                          | Total<br>\$                                   | Less than<br>1 year<br>\$ | Between 1<br>and 5 years<br>\$ | Over<br>5 years<br>\$ |
| <b>The Group</b>                                                |                          |                                               |                           |                                |                       |
| <b>At 31 December 2014</b>                                      |                          |                                               |                           |                                |                       |
| Trade and other payables (excluding<br>advances from customers) | 11,153,910               | 11,153,910                                    | 11,153,910                | -                              | -                     |
| Borrowings                                                      | 25,667,558               | 26,185,266                                    | 24,076,708                | 1,967,901                      | 140,657               |
|                                                                 | 36,821,468               | 37,339,176                                    | 35,230,618                | 1,967,901                      | 140,657               |
|                                                                 |                          |                                               |                           |                                |                       |
|                                                                 | Carrying<br>amount<br>\$ | -----Contractual undiscounted cash flows----- |                           |                                |                       |
|                                                                 |                          | Total<br>\$                                   | Less than<br>1 year<br>\$ | Between 1<br>and 5 years<br>\$ | Over<br>5 years<br>\$ |
| <b>The Company</b>                                              |                          |                                               |                           |                                |                       |
| <b>At 31 December 2015</b>                                      |                          |                                               |                           |                                |                       |
| Financial guarantee contracts                                   | 30,100,000               | 30,100,000                                    | 30,100,000                | -                              | -                     |
| Trade and other payables                                        | 2,617,093                | 2,617,093                                     | 2,617,093                 | -                              | -                     |
|                                                                 | 32,717,093               | 32,717,093                                    | 32,717,093                | -                              | -                     |
|                                                                 |                          |                                               |                           |                                |                       |
| <b>At 31 December 2014</b>                                      |                          |                                               |                           |                                |                       |
| Financial guarantee contracts                                   | 17,500,000               | 17,500,000                                    | 17,500,000                | -                              | -                     |
| Trade and other payables                                        | 1,858,917                | 1,858,917                                     | 1,858,917                 | -                              | -                     |
|                                                                 | 19,358,917               | 19,358,917                                    | 19,358,917                | -                              | -                     |

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.

## 28 Financial instruments

### 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.

### 28.1 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

| <b>The Group</b>                                  | <b>2015</b><br>\$ | <b>2014</b><br>\$ |
|---------------------------------------------------|-------------------|-------------------|
| <b>Financial assets</b>                           |                   |                   |
| Loans and receivables (carried at amortised cost) |                   |                   |
| Trade and other receivables (current)             | 6,826,181         | 17,933,428        |
| Other receivables (non-current)                   | 574,726           | 486,386           |
| Cash and cash equivalents                         | 2,733,755         | 8,091,791         |
|                                                   | 10,134,662        | 26,511,605        |

## 28 Financial instruments (Cont'd)

### 28.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

| <b>The Group</b>                                  | <b>2015</b>       | <b>2014</b> |
|---------------------------------------------------|-------------------|-------------|
|                                                   | <b>\$</b>         | <b>\$</b>   |
| <b>Financial liabilities</b>                      |                   |             |
| Other liabilities (carried at amortised cost)     |                   |             |
| Borrowings                                        | <b>19,261,760</b> | 25,667,558  |
| Trade and other payables                          | <b>11,753,420</b> | 11,153,910  |
|                                                   | <b>31,015,180</b> | 36,821,468  |
| <b>The Company</b>                                | <b>2015</b>       | <b>2014</b> |
|                                                   | <b>\$</b>         | <b>\$</b>   |
| <b>Financial assets</b>                           |                   |             |
| Loans and receivables (carried at amortised cost) |                   |             |
| Other receivables                                 | <b>3,339,838</b>  | 4,641,480   |
| Cash and cash equivalents                         | <b>7,946</b>      | 2,236       |
|                                                   | <b>3,347,784</b>  | 4,643,716   |
| <b>Financial liabilities</b>                      |                   |             |
| Other liabilities (carried at amortised cost)     |                   |             |
| Trade and other payables                          | <b>2,617,093</b>  | 1,858,917   |

## 29 Fair value measurement

### 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 data.

#### Bank loans

The carrying amounts of bank loans approximate their fair values.

#### Finance lease liabilities

The carrying amounts of finance leases 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 14.6.

#### 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 cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

### 30 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 borrowings less cash and cash equivalents. Net asset comprises total equity.

| <b>The Group</b>                           | <b>2015</b><br><b>\$</b> | <b>2014</b><br><b>\$</b> |
|--------------------------------------------|--------------------------|--------------------------|
| Total borrowings                           | <b>19,261,760</b>        | 25,667,558               |
| Less: Cash and cash equivalents            | <b>(2,733,755)</b>       | (8,091,791)              |
| <b>Net debt</b>                            | <b>16,528,005</b>        | 17,575,767               |
| <br>Total equity                           | <br><b>15,615,641</b>    | <br>32,083,199           |
| <br>Net debt to total equity ratio (times) | <br><b>1.06</b>          | <br>0.55                 |

### 31 Subsequent event

On 28 April 2016, the Company completed a placement of 60,000,000 ordinary shares at \$0.02 each to two private investors. The new shares have rank (pari passu) with the existing ordinary shares. The proceeds from the placement less administrative charges are approximately \$1,160,000.

# SHAREHOLDING STATISTICS

AS AT 3 MAY 2016

ISSUED AND FULLY PAID CAPITAL: \$39,441,570  
 TOTAL NUMBER OF SHARES IN ISSUE: 373,800,466  
 CLASS OF SHARES: Ordinary shares fully paid  
 VOTING RIGHTS: One vote of each ordinary share

## Shareholdings held in hands of public

Based on information available to the Company as at 3 May 2016, approximately 74.77% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

## Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | %      | No. of Shares | %      |
|-----------------------|---------------------|--------|---------------|--------|
| 1-99                  | 130                 | 10.32  | 1,664         | 0.00   |
| 100-1,000             | 125                 | 9.93   | 108,100       | 0.03   |
| 1,001 - 10,000        | 224                 | 17.79  | 1,356,306     | 0.36   |
| 10,001 - 1,000,000    | 740                 | 58.78  | 89,853,070    | 24.04  |
| 1,000,001 and above   | 40                  | 3.18   | 282,481,326   | 75.57  |
| TOTAL                 | 1,259               | 100.00 | 373,800,466   | 100.00 |

## Treasury shares

There are no treasury shares held in the issued share capital of the Company.

## Top 20 largest shareholders as at 3 May 2016

|    | Name                                | No. of Shares | %     |
|----|-------------------------------------|---------------|-------|
| 1  | BD CORPORATION PTE LTD              | 87,579,800    | 23.43 |
| 2  | LEE KIM PUAY                        | 30,000,000    | 8.03  |
| 3  | TEO ENG CHONG                       | 30,000,000    | 8.02  |
| 4  | CHUNG KIM YEW                       | 20,493,200    | 5.48  |
| 5  | LYE KIM CHYE                        | 17,933,800    | 4.80  |
| 6  | OCBC SECURITIES PRIVATE LTD         | 8,517,891     | 2.28  |
| 7  | ANG KONG MENG                       | 7,316,900     | 1.96  |
| 8  | PHILLIP SECURITIES PTE LTD          | 6,202,100     | 1.66  |
| 9  | TAN KENG KOK                        | 6,136,000     | 1.64  |
| 10 | ONG HOCK SEONG                      | 4,600,000     | 1.23  |
| 11 | GOH AH LEE                          | 4,217,000     | 1.13  |
| 12 | SLOW CHEE MENG                      | 4,000,400     | 1.07  |
| 13 | CHEN MEI YING                       | 3,726,054     | 1.00  |
| 14 | HONG LEONG FINANCE NOMINEES PTE LTD | 3,499,000     | 0.94  |
| 15 | CITIBANK NOMINEES SINGAPORE PTE LTD | 3,457,750     | 0.92  |
| 16 | UOB KAY HIAN PTE LTD                | 3,344,000     | 0.89  |
| 17 | CHUNG YOOK FONG                     | 3,248,000     | 0.87  |
| 18 | YAN XIU YUN                         | 2,812,600     | 0.75  |
| 19 | CHUNG KAM SENG                      | 2,695,000     | 0.72  |
| 20 | CHAN MAI LIN                        | 2,640,000     | 0.71  |
|    | TOTAL                               | 252,419,495   | 67.53 |

# SHAREHOLDING STATISTICS

AS AT 3 MAY 2016

## Substantial shareholders

(As shown in the Company's Register of Substantial Shareholders as at 3 May 2016)

|   | Substantial Shareholders     | No. of Shares | %     | Deemed Interest<br>(No. of Shares) | %     |
|---|------------------------------|---------------|-------|------------------------------------|-------|
| 1 | BD CORPORATION PTE LTD       | 85,579,800    | 23.43 | -                                  | -     |
| 2 | LIM PANG HERN <sup>(1)</sup> | 381,500       | 0.10  | 87,579,800                         | 23.43 |
| 3 | NG KOK TECK <sup>(1)</sup>   | -             | -     | 87,579,800                         | 23.43 |
| 4 | LEE KIM PUAY                 | 30,000,000    | 8.03  |                                    |       |
| 5 | TEO ENG CHONG                | 30,000,000    | 8.03  |                                    |       |
| 6 | CHUNG KIM YEW <sup>(2)</sup> | 20,493,200    | 5.48  | 86,000                             | 0.03  |

### Notes:

1. Lim Pang Hern and Ng Kok Teck are deemed to be interested in the 87,579,800 Shares held by BD Corporation Pte. Ltd. as they hold 55% shareholding interest and 35% shareholding interest in BD Corporation Pte. Ltd. respectively.
2. Chung Kim Yew is deemed to be interested in shares held by his spouse, Wong Ying Nyok.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at **27 Kaki Bukit Place, Eunus Techpark, Singapore 416205** on **31 May 2016 (Tuesday)** at **10:30 a.m.** to transact the following business:

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## Ordinary Businesses

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- |   |                                                                                                                                                                         |                     |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 1 | To receive and adopt the Audited Accounts for the financial year ended 31 December 2015 together with the Directors' Statement and the Auditors' Report of the Company. | <b>Resolution 1</b> |
| 2 | To re-elect as a Director, Mr Lee Fut Hua, who is retiring under Article 90 of the Company's Constitution:                                                              |                     |
|   | <i>Mr Lee Fut Hua will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.</i>                                              | <b>Resolution 2</b> |
| 3 | To re-elect as a Director, Mr Teoh Jin Thean, who is retiring under Article 90 of the Company's Constitution:                                                           |                     |
|   | <i>Mr Teoh Jin Thean will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.</i>                                           | <b>Resolution 3</b> |
| 4 | To approve the payment of directors' fees of S\$111,540 for the financial year ending 31 December 2016, to be paid quarterly in arrears.                                | <b>Resolution 4</b> |
| 5 | To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.                                                | <b>Resolution 5</b> |
| 6 | To transact any other business that may be transacted at an Annual General Meeting.                                                                                     |                     |
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## Special Businesses

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- 7 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:
-

# NOTICE OF ANNUAL GENERAL MEETING

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## Special Businesses

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- 7 (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;
  - (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 of Association of the Company; 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."

## Resolution 6

[See Explanation Note 1]

- 8 To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

"That the Board of Directors be and is hereby authorised to:

- (a) grant awards ("**Awards**") in accordance with the provisions of the Lorenzo Share Performance Share Plan ("**Lorenzo SPP**"); and
  - (b) pursuant to Section 161 of the Singapore Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards under the Lorenzo SPP,
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# NOTICE OF ANNUAL GENERAL MEETING

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## Special Businesses

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- 8 provided that the total number of new shares to be issued pursuant to the Awards granted under the Lorenzo SPP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, 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."

**Resolution 7**

[See Explanation Note 2]

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**By Order of the Board**

**Lim Pang Hern**

**Executive Director and Deputy Chairman**

**16 May 2016**

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

1. The Ordinary Resolution 6 in item 7 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.

2. The Ordinary Resolution 7 in item 8 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 grant award of shares in accordance with the provisions of the Lorenzo SPP and pursuant to Section 161 of the Singapore Companies Act, Cap. 50 to allot and issue shares under the Lorenzo SPP, provided that the total number of new shares issued under the Lorenzo SPP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time. The Lorenzo SPP was first approved by the Shareholders of the Company at the Company's Extraordinary General Meeting held on 9 December 2009 and subsequently renewed at the Company's Tenth Annual General Meeting held on 29 April 2015.

## Notes:

1. A member (other than a Relevant Intermediary\*) entitled to attend and vote at the Eleventh Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
3. 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.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 27 Kaki Bukit Place, Eunos Techpark, Singapore 416205 at least forty-eight (48) hours before the time fixed for the Eleventh Annual General Meeting.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Future Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the audit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

## 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.



# PROXY FORM

|                |                |
|----------------|----------------|
| Proxy Form No. | _____ OF _____ |
|----------------|----------------|

## Proxy Form | Eleventh 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 /<br>Passport No. | Proportion of my/ our<br>shareholding (%) |   |
|------|---------|------------------------|-------------------------------------------|---|
|      |         |                        | No. of Shares                             | % |
|      |         |                        |                                           |   |

and/or (delete as appropriate)

| Name | Address | NRIC /<br>Passport No. | Proportion of my/ our<br>shareholding (%) |   |
|------|---------|------------------------|-------------------------------------------|---|
|      |         |                        | No of shares                              | % |
|      |         |                        |                                           |   |

or failing \*him/her, the Chairman of the Eleventh Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Eleventh Annual General Meeting of the Company, to be held at **27 Kaki Bukit Place Eunos Techpark Singapore 416205 on Tuesday, 31 May 2016 at 10:30 a.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 Businesses                                                                          | For | Against |
|-----|----------------------------------------------------------------------------------------------|-----|---------|
| 1   | Adoption of Accounts                                                                         |     |         |
| 2   | Re-election of Mr Lee Fut Hua                                                                |     |         |
| 3   | Re-election of Mr Teoh Jin Thean                                                             |     |         |
| 4   | Approval of directors' fees                                                                  |     |         |
| 5   | Re-appointment of Auditors                                                                   |     |         |
|     | <b>Special Businesses</b>                                                                    |     |         |
| 6   | Authority to allot and issue new shares                                                      |     |         |
| 7   | Authority to allot and issue new shares pursuant to the Lorenzo Share Performance Share Plan |     |         |

# PROXY FORM

(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 \_\_\_\_\_ 2016.

Signature of Shareholder(s) or Common Seal  
Important: Please read notes below

## No. of shares held in

|                   |  |
|-------------------|--|
| CDP Register      |  |
| Member's Register |  |
| TOTAL             |  |

### 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.

### 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 **27 Kaki Bukit Place Eunus Techpark Singapore 416205**, 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.General Meeting.
11. By submitting an instrument appointment 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

## LORENZO INTERNATIONAL LIMITED

27 Kaki Bukit Place, Eunos Techpark Singapore 416205

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E corporate@lorenzo-international.com

W www.lorenzo-international.com

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## SINGAPORE

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UHIN HOLDING PTE LTD

SUPREME FURNISHING CENTRE PTE LTD

LORENZO CONCEPT PTE LTD

27 Kaki Bukit Place, Eunos Techpark

Singapore 416205

T (65) 6745 0330 F (65) 6745 0770

BUILDERS SHOP PTE LTD

27 Kaki Bukit Place #02-00, Eunos Techpark

Singapore 416205

T (65) 6841 6636 F (65) 6545 5665

## MALAYSIA

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UHIN SOFA SDN BHD

UHIN WOOD INDUSTRIES SDN BHD

21 Jalan TSB 8 Taman Industri Sungai Buloh

47000 Sungai Buloh Selangor Darul Ehsan, Malaysia

T (603) 6157 1591 F (603) 6157 1931

GINOVA FURNISHING SDN BHD

GINOVA MARKETING SDN BHD

Lot 279, Jalan 1A Kampung Baru Subang

40150 Shah Alam Selangor Darul Ehsan, Malaysia

T (603) 7847 4017 F (603) 7840 0741/42

## CHINA

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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

T (86-512) 5763 9597 F (86-512) 5763 9598

SUPREME FURNITURE (KUNSHAN) CO., LTD

9 Dongyuan Road, Dianshan Hu Town

Kunshan City, Jiangsu Province, P.R.C. 215345

T (86-512) 5763 9597 F (86-512) 5763 3753

## TAIWAN

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UHIN INTERNATIONAL CO., LTD

93-33 Lane 136 Zhonggang W. Road, Taishan District

New Taipei City 243 Taiwan (R.O.C.)

T (886-2) 2900 0001 F (886-2) 2900 0002



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**LORENZO INTERNATIONAL LIMITED**

(Reg. No.: 200508277C)

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Singapore 416205

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