

LORENZO INTERNATIONAL LIMITED
Difference between Audited and Unaudited Financial Statements for 31 March 2020
1(a) Statement of profit or loss and other comprehensive income

Group				
	Audited FY 2020	Unaudited FY 2020	Difference	Explanation
	\$'000	\$'000	\$'000	
Revenue	26,900	27,553	(653)	Note A
Cost of sales	(13,981)	(14,354)	373	Note B
Gross profit	12,919	13,199	(280)	
Other operating income	1,995	1,743	252	Note C
Administrative expenses	(10,524)	(11,950)	1,426	Note D
Distribution and marketing costs	(2,532)	(2,490)	(42)	Note E
Other operating expenses	(3,488)	(1,389)	(2,099)	Note F
Finance costs	(1,748)	(1,097)	(651)	Note G
Profit/(loss) before tax	(3,378)	(1,984)	(1,394)	
Taxation	(115)	(106)	(9)	Note H
Profit/(loss) after tax	(3,493)	(2,090)	(1,403)	
Other comprehensive income:				
Foreign currency translation differences – foreign operations, at nil tax	130	138	(8)	Note I
Other comprehensive profit/(loss) for the year, net of tax	130	138	(8)	
Total comprehensive profit/(loss) for the year attributable to owners of the Company	(3,363)	(1,952)	(1,411)	

1(b) Statement of Financial Position

Group				
	Audited FY 2020	Unaudited FY 2020	Difference	Explanation
	\$'000	\$'000	\$'000	
ASSETS:				
Non-Current Assets				
Land use rights	-	843	(843)	Note J
Property, plant and equipment	466	4,340	(3,874)	Note K
Right of use assets	8,183	-	8,183	Note L
Investment properties	5,971	7,515	(1,544)	Note M
Deferred tax assets	12	15	(3)	Note N
	14,632	12,713	1,919	
Current Assets				
Assets held for sale	1,997	-	1,997	Note O
Land use rights	-	24	(24)	Note J
Inventories, at cost	7,631	8,120	(489)	Note P
Trade receivables	1,389	2,276	(887)	Note Q
Other receivables	2,352	2,080	272	Note R
Cash and cash equivalents	1,291	1,075	216	Note S
	14,660	13,575	1,085	
Total assets	29,292	26,288	3,004	

1(b) Statement of Financial Position -continued

Group			
Audited FY 2020	Unaudited FY 2020	Difference	Explanation
\$'000	\$'000	\$'000	
EQUITIES AND LIABILITIES			
Capital and Reserves			
Share capital	39,949	39,949	-
Reserves	(50,642)	(49,231)	(1,411)
	(10,693)	(9,282)	(1,411)
Non-Current Liabilities			
Bank borrowings	99	82	17
Contract liabilities	-	29	(29)
Lease liabilities	2,247	-	2,247
Deferred tax	96	96	-
	2,442	207	2,235
Current Liabilities			
Trade payables	2,727	1,960	767
Other payables	11,261	9,922	1,339
Contract liabilities	2,815	4,315	(1,500)
Amount due to directors	68	72	(4)
Provision for taxation	95	77	18
Lease liabilities	1,881	-	1,881
Bank borrowings	18,696	19,017	(321)
	37,543	35,363	2,180
Total equities and liabilities	29,292	26,288	3,004

Company			
Audited FY 2020	Unaudited FY 2020	Difference	Explanation
\$'000	\$'000	\$'000	
ASSETS:			
Non-Current Assets			
Property, plant and equipment	10	10	-
Investment in subsidiaries	-	-	-
	10	10	-
Current Assets			
Amount due from subsidiaries	815	815	-
Other receivables	56	40	16
Cash and cash equivalents	2	2	-
	873	857	16
Total assets	883	867	16
EQUITIES AND LIABILITIES			
Capital and Reserves			
Share capital	39,949	39,949	-
Reserves	(44,006)	(44,013)	7
	(4,057)	(4,064)	7
Current Liabilities			
Other payables	3,284	3,275	9
Amount due to subsidiaries	1,588	1,588	-
Amount due to directors	68	68	-
	4,940	4,931	9
Total equities and liabilities	883	867	16

Notes

- A Understatement of revenue of S\$256,000 in the unaudited financial statements offset by additional elimination of inter-company transactions amounted to S\$909,000 in the audited financial statements.
- B (i) Cost of sales in the unaudited financial statements was understated by S\$527,000 and offset by additional elimination of inter-company transactions of S\$907,000 in the audited financial statements.
(ii) Reclassification of allowance for inventory obsolescence of S\$7,000 from other operating expenses to cost of sales.
- C Difference is mainly due to gain on foreign exchange differences understated in the unaudited financial statements.
- D Difference arose mainly from the reclassification of operating leases of shop lots and showroom to lease liabilities relating to right of use assets on initial recognition under SFRS (I) 16 in the audited financial statements.
- E Difference was the result of under accrual of distribution cost in the unaudited financial statements.
- F (i) Reclassification of allowance for inventory obsolescence of S\$7,000 to cost of sales. See Note B (ii) above.
(ii) Recognition of depreciation charges for right of use assets under SFRS (I) 16 of S\$1.66 million in the audited financial statements.
(iii) Additional impairment loss on trade and other receivables of S\$69,000 accounted for in the audited financial statements.
(iv) Understatement of loss on foreign exchange differences amounting to S\$137,000 in the unaudited financial statement.
(v) Understatement of other operating expenses of S\$240,000 in the unaudited financial statements.
- G (i) Recognition of interest on lease liabilities relating to right of use assets under SFRS (I) 16 amounted to S\$120,000 in the audited financial statements.
(ii) Under accruals of bank interest of S\$531,000 in the unaudited financial statements.
- H Under provision of taxation in the Group's Taiwan business unit in the unaudited financial statements.
- I Overstatement of foreign currency translation difference in the unaudited financial statements.
- J Reclassification from Land use rights to right of use assets by auditors in the audited financial statements.
- K (i) Reclassification from Property, plant & equipment to assets held for sale amounted to S\$452,000 by auditors in the audited financial statements.
(ii) Reclassification from Property, plant & equipment to right of use assets amounted to S\$3.42 million by auditors in the audited financial statements.
- L (i) Reclassification from Land use rights and property, plant & equipment to right of use assets by auditors. See note J and K (ii) above.
(ii) Adoption of SFRS(I) 16 in relation to the leasing of operating outlet premises and showrooms of S\$3.75 million in the audited financial statements.
- M Reclassification of the property held by its China subsidiary to assets held for sale by auditors in the audited financial statements.
- N Movement in deferred tax assets not accounted for in the unaudited financial statements.
- O Reclassification from property, plant & equipment and investment properties by auditors. See note K (i) and M above.
- P (i) Additional allowance for stock obsolescence of S\$251,000 made by auditors in the audited financial statements.
(ii) Overstatement of inventory level in the Group's Malaysia unit amounted to S\$238,000 in the unaudited financial statements.

- Q (i) Reduction in allowance for impairment loss on trade receivables amounted to S\$615,000 by auditors in the audited financial statements.
(ii) Reclassification of S\$1.5 million from trade receivables to other receivables by auditors in the audited financial statements.
- R (i) Adjustment made by auditors to include grant receivable of S\$151,000 in the audited financial statements.
(ii) Prepayment understated by S\$102,000 in the unaudited financial statements.
(iii) Reclassification of S\$1.5 million from trade receivables to other receivables by auditors in the audited financial statements.
(iv) Allowance for impairment loss on other receivables was reduced by S\$529,000 in the audited financial statements.
(v) Understatement of advance to suppliers amounted to S\$402,000 in the unaudited financial statements.
(vi) Adjustment made by auditors to include finance lease receivable of S\$61,000 in the audited financial statements.
(vii) Understatement of S\$295,000 of non-trade debtors in the unaudited financial statements
(viii) Reclassification of deposit of S\$2.77 million to non-trade receivables by auditors in the unaudited financial statements.
- S Cash and cash equivalent understated in the Group's Malaysian unit by S\$216,000 in the unaudited financial statements.
- T Please see explanations in Note A to Note I above.
- U (i) Under allocation of non-current portion of bank borrowings amounted to S\$17,000 in the unaudited financial statements.
(ii) The current portion of bank borrowings was overstated in the unaudited financial statements by S\$321,000.
- V (i) Over allocation of non-current portion of contract liabilities amounted to S\$29,000 in the unaudited financial statements.
(ii) The current portion of contract liabilities was overstated in the unaudited financial statements by S\$1.5 million.
- W (i) Non-current portion of lease liabilities relating to right of use assets arising from the adoption of SFRS (I) 16 in the audited financial statements.
(ii) Current portion of lease liabilities relating to right of use assets arising from the adoption of SFRS (I) 16 in the audited financial statements.
- X Difference is due to understatement of trade payables of S\$767,000 in the unaudited financial statements.
- Y (i) Adjustment made by auditors to include deferred grant income of S\$160,000 in the audited financial statements.
(ii) Under accruals of expenses of S\$132,000 in the unaudited financial statements.
(iii) Understatement of non-trade payables of S\$1.05 million in the unaudited financial statements.
- Z Amount due to directors was overstated by S\$4,000 in the unaudited financial statements.
- AA Under provision of income tax of S\$18,000 in the unaudited financial statements.
- AB Difference was due to the adjustment made by auditors to include grant receivables of S\$18,000 in the audited financial statements offset by overstatement of non-trade receivables of S\$2,000 in the unaudited financial statements.
- AC Difference is the results of the movement explained in Note AB above and Note AD below.
- AD Difference was due to the adjustment made by auditors to include deferred grant income of S\$18,000 in the audited financial statements offset by overstatement of accrued expenses of S\$9,000 in the unaudited financial statements.