

LORENZO

LORENZO INTERNATIONAL LIMITED

(Co. Reg. No.: 200508277C)

Q1 Financial Statements and Dividend Announcement For the year ended 30 June 2016

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

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

	Group		
	Half-Year ended 30 Jun 2016	Half-Year ended 30 Jun 2015	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	22,024	29,982	(26.5)
Cost of sales	(13,227)	(17,503)	(24.4)
Gross Profit	8,797	12,479	(29.5)
Other operating income	971	1,344	(27.8)
Administrative expenses	(9,250)	(11,970)	(22.7)
Distribution and marketing costs	(2,404)	(3,897)	(38.3)
Other operating expenses	(1,711)	(1,121)	52.6
Finance costs	(484)	(468)	3.4
Loss before tax	(4,081)	(3,633)	12.3
Taxation	(66)	(313)	(78.9)
Loss after tax	(4,147)	(3,946)	5.1

Loss attributable to:
Equity holders of the Company (4,147) (3,946)

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

	Year ended 30/06/2016	Year ended 30/06/2015	Increase/ (Decrease)
	S\$'000	S\$'000	%
Interest income	(36)	(36)	-
Interest expense	475	468	1.5
Depreciation of property, plant & equipment	1,291	1,541	(16.2)
Amortisation of land use rights	16	16	-
Foreign exchange loss/ (gain)	840	(321)	nm
Impairment loss on trade receivables	-	34	nm

Inventories written off	79	10	690.0
Impairment of property, plant and equipment	-	189	nm

nm – not meaningful

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

	Year ended	
	30/06/2016	30/06/2015
	S\$'000	S\$'000
Loss for the period	(4,147)	(3,946)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss, at nil tax	-	-
Foreign currency translation differences –foreign operations, at nil tax	(508)	(312)
Other comprehensive loss for the	(508)	(312)
Total comprehensive (loss)/ income for the year attributable to owners of the Company	(4,655)	(4,258)

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

	Group		Company	
	As at 30 Jun 2016	As at 31 Dec 2015	As at 30 Jun 2016	As at 31 Dec 2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS:				
Non-Current Assets				
Land use rights	1,130	1,210	-	-
Property, plant and equipment	19,333	21,038	54	61
Other receivables	514	575	-	-
Investment in subsidiaries	-	-	26,390	25,372
Deferred tax assets	7	7	-	-
	20,984	22,830	26,444	25,433
Current Assets:				
Land use rights	31	33	-	-
Inventories, at cost	15,168	16,426	-	-
Amount due from subsidiaries	-	-	3,603	-
Trade and other receivables	8,800	9,129	192	3,385
Fixed deposits with banks	361	361	-	-
Cash and cash equivalents	1,573	2,373	1	8
	25,933	28,322	3,796	3,393
Total assets	46,917	51,152	30,240	28,826

EQUITY AND LIABILITIES:				
Capital and Reserve				
Share capital	37,706	36,554	37,706	36,554
Reserves	(25,594)	(20,938)	(9,991)	(10,345)
	12,112	15,616	27,715	26,209
Non-current liabilities				
Borrowings	497	347	-	-
Deferred tax	549	190	-	-
Deferred income	40	40	-	-
	1,086	577	-	-
Current Liabilities				
Trade and other payables	16,947	15,952	728	2,617
Deferred income	29	31	-	-
Amount due to a subsidiary	-	-	1,797	-
Provision for taxation	12	61	-	-
Borrowings	16,731	18,915	-	-
	33,719	34,959	2,525	2,617
Total equity and liabilities	46,917	51,152	30,240	28,826

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

Amount repayable in one year or less, or on demand

<u>As at 30 June 2016 (S\$'000)</u>		<u>As at 31 December 2015 (S\$'000)</u>	
Secured	Unsecured	Secured	Unsecured
16,731	-	18,915	-

Amount repayable after one year

<u>As at 30 June 2016 (S\$'000)</u>		<u>As at 31 December 2015 (S\$'000)</u>	
Secured	Unsecured	Secured	Unsecured
497	-	347	-

Details of any collateral

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

- (a) a corporate guarantee by the Company;
- (b) a guarantee by a subsidiary; and
- (c) a mortgage over the Group's leasehold properties.

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

Group	
Year ended 30/06/2016	Year ended 30/06/2015
S\$'000	S\$'000
<u>Cash Flows from operating activities</u>	
Loss before taxation	(4,082)
Adjustments for:-	(3,633)
Amortisation of land use rights	16
Depreciation of property, plant and equipment	1,291
(Gain)/ Loss on disposal of plant and equipment	(51)
Interest expense	475
Interest income	(36)
Operating profit before working capital changes	(2,387)
Change in inventories	1,349
Change in trade and other receivables	6
Change in trade and other payables	1,695
Net cash generated from operations	663
Interest expense	(475)
Income tax paid	(66)
Net cash generated from operating activities	122
<u>Cash Flows used in investing activities</u>	
Purchase of property, plant and equipment	(202)
Interest received	36
Net cash used in investing activities	(166)
<u>Cash Flows used in financing activities</u>	
Proceeds from Issue of new shares	1,200
Issue shares related expenditure	(48)
Repayment from bank loans	(920)
Repayment of bill payable	(470)
Repayment from finance lease creditors	(155)
Net cash generated (used in) / from financing activities	(393)
Net decrease in cash & cash equivalents	(437)
Cash & cash equivalents at beginning of the period	(3,772)
Net effect of exchange rate changes on balance of cash and cash equivalents at beginning of the year	(22)
Cash and cash equivalents at end of the period	(4,231)

Note 1:

Cash and cash equivalents at end of the period

Cash and bank balances
Fixed deposit
Bank overdraft

S\$	S\$
1,573	1,906
361	716
(6,165)	(6,990)
(4,231)	(4,368)

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

Group	Attributable to equity holders of the company							
	Share capital	Exchange fluctuation reserves	Statutory Common Reserve	Capital reserve	Merger reserve	FV reserve	Retained earnings	Total equity
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Balance as at 1 Jan 2016	36,554	(4,629)	68	838	(3,282)	(11)	(13,922)	15,616
Issue of new shares	1,200	-	-	-	-	-	-	1,200
Share expenses	(48)	-	-	-	-	-	-	(48)
Loss for the year	-	-	-	-	-	-	(4,147)	(4,147)
Other comprehensive income	-	(508)	-	-	-	-	-	(508)
Balance at 30 Jun 2016	37,706	(5,137)	68	838	(3,282)	(11)	(18,070)	12,112

Balance as at 1 Jan 2015	32,982	(3,355)	68	838	(3,282)	(11)	4,843	32,083
Profit for the year	-	-	-	-	-	-	(18,766)	(18,766)
Other comprehensive loss	-	(1,274)	-	-	-	-	-	(1,274)
Issue of new shares	3,772							3,772
Share expenses	(200)							(200)
Balance at 31 Dec 2015	36,554	(4,629)	68	838	(3,282)	(11)	(13,922)	15,616

Company

Balance as at 1 Jan 2016
Issue of new shares
Less share expenses
Loss for the period
Balance as at 30 Jun 2016

Balance as at 1 Jan 2015
Issue of new shares
Less share expenses
Loss for the year
Balance as at 31 Dec 2015

Share capital	Retained profits	Total Equity
S\$	S\$	S\$
36,554	(9,328)	27,226
1,200	-	1,200
(48)	-	(48)
-	(663)	(663)
37,706	(9,991)	27,715
32,982	144	33,126
3,773	-	3,773
(200)	-	(200)
-	(10,490)	(10,490)
36,555	(10,346)	26,209

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

On 26 April 2016, the Company issued 60,000,000 new ordinary shares at \$0.02 per share pursuant to the placement exercise.

Issue and fully paid	Ordinary Shares
Balance as at 1 January 2016	313,800,466
Issue of new ordinary shares	<u>60,000,000</u>
Balance as at 30 June 2016	<u>373,800,466</u>

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

The Company	As at 30 June 2016	As at 31 December 2015
Total number of issued shares	313,800,466	259,906,158
Issue of ordinary shares	60,000,000	53,894,308
Total number of issued shares excluding treasury shares	373,800,466	313,800,466

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

The Company has no treasury shares as at 30 June 2016 and 31 December 2015.

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

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

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

Not applicable.

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

Except as disclosed in the Note 5 below, the same accounting policies and methods of computation as in the Group and Company's audited financial statements for the year ended 31 December 2015 have been applied.

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

The Group and Company adopted the new/ revised Financial Reporting Standards (FRS) that are effective for annual periods beginning on and after 1 January 2016. Changes to the Group's and Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of new/ revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies or any material impact on the Group's financial statements.

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

	Group	
	Year ended 30/06/2016	Year ended 30/06/2015
Loss per ordinary share:		
- Based on weighted average number of ordinary shares in issue	(1.24) cents	(1.44) cents
- On fully diluted basis	(1.24) cents	(1.44) cents

The profit per share of the Group for the year ended 30 June 2016 was computed based on the weighted average number of shares in issue of 333,800,466 (30 June 2015: 273,379,735).

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

	Group		Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net asset value per share for the year based on the number of shares in issue.	3.24 cents	5.83 cents	7.41 cents	9.91 cents

The net assets value per ordinary share is based on the number of shares in issue of 373,800,466 as at 30 June 2016 (31 December 2015: 313,800,466).

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

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

8.1 Review commentary on income statement for year ended 30 June 2016

8.1.1 Revenue

Revenue decreased by S\$8.0 million or 26.5% from S\$30.0 million in HY2015 to S\$22.0 million in HY2016 with Builders Shop Pte Ltd (BSPL) contributing \$2.3 million to the overall revenue. Our key retail business segment registered a decrease of 23.8% from S\$24.0 million in HY2015 to S\$18.3 million in HY2016. Our export markets remained weak and competitive; this resulted in the decline by 52.0% from S\$1.7 million in HY2015 to S\$0.8 million in HY2016. The revenue from LRS stores decreased by 58.3% from S\$1.6 million in HY2015 to S\$0.6 million in HY2016.

Revenue by Business Segment:

Group	Half-Year ended 30/06/2016	Half-Year ended 30/06/2015	Increase / (Decrease)
	S\$'000	S\$'000	%
Retail Segment	18,285	24,000	(23.8)
Export Segment	802	1,672	(52.0)
LRS Licensing	648	1,553	(58.3)
Others (BSPL)	2,289	2,757	(17.0)
Total Revenue	22,024	29,982	(26.5)

Number of Stores:

Group	Half-Year 30/06/2016	Half-Year 30/06/2015	Increase / (Decrease)
Retail Stores:			
Malaysia	18	17	1
Taiwan	19	17	2
Singapore	5	4	1
China	1	2	(1)
Total retail store	43	40	3
LRS Stores:			
China	5	5	-
Malaysia	2	2	-
Taiwan	2	2	-
Other Country	2	2	-
Total LRS store	11	11	-
Total Number of Stores	54	51	3

Cost of Goods Sold and Gross Profit

As a result of decline in sales, our cost of sales decreased by 24.4% from S\$17.5 million in HY2015 to S\$13.2 million in HY2016. Gross profit decrease by 29.5% from S\$12.5 million in HY2015 to S\$8.8 million in HY2016. Gross profit margin also decreased from 41.6% in HY2015 to 39.9% in HY2016 due to inefficiency.

Profit before and after Taxation

Overall poor performance resulted in higher loss before taxation of S\$4.1 million in HY2016 from a loss of S\$3.6 million in HY2015.

Other Operating Income

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

Other operating income decreased from S\$1.3 million in HY2015 to S\$1.0 million in HY2016, mainly due higher foreign exchange gain recorded in HY2015.

Administrative Expenses

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

The administrative expenses decreased by 22.7% or \$2.7 million from S\$12.0 million in HY2015 to S\$9.3 million in HY2016 mainly due to decrease in salaries and related expenses of S\$1.2 million.

Distribution and Marketing Costs

The distribution and marketing costs decreased by 38.3% or S\$1.5 million to S\$2.4 million in HY2016 as compared to HY2015 mainly due to decrease in advertisement expenses of S\$0.8 million in HY2016.

Other Operating Expenses

Other operating expenses increased by S\$0.6 million or by 52.6% from S\$1.1 million in HY2015 to S\$1.7 million in HY2016 mainly due to foreign exchanges loss.

Finance Costs

Finance costs increased marginally by 3.4% from S\$0.47 million in HY2015 to \$0.48 million in HY2016 mainly due to increase in interest expenses for overdraft and utilization of trade financing.

Taxation

The Group's income tax expenses decreased from S\$0.3 million in HY2015 to S\$0.1 million in HY2016 as a result of the loss generated from the business segments.

Net profit after Tax

As a result of the above, the Group reported a net loss after tax of S\$4.1 million for HY2016 as compared to a net loss after tax of S\$3.9 million for HY2015.

Balance Sheet

Non-Current Assets

The Group's non-current assets decreased by S\$1.8 million from S\$22.8 million as at 31 December 2015 to S\$21.0 million as at HY2016 due to depreciation of property, plant and equipment.

Inventories

Inventories decreased by approximately by 7.7% or S\$1.3 million from S\$16.4 million as at 31 December 2015 to S\$15.2 million as at HY2016. Decreased in inventories was mainly due to seasonal demand. The inventory turnover increased to 209 days as compared to FY2015's 186 days.

	Group		
	As at 30 Jun 2015	As at 31 Dec 2015	Increase / (Decrease)
	S\$'000	S\$'000	%
Finished Goods – Inventories	8,106	9,186	(11.8)
Finished Goods – Showroom display	2,438	2,735	(10.9)
Raw Materials	2,449	2,431	0.7
Work-in-Progress	675	751	(10.1)
Stock-in-transit	640	442	44.8
Sub-total Inventories	14,308	15,545	(8.0)
Finished Goods – Building Materials	860	881	(2.4)
Total Inventories	15,168	16,426	(7.7)

Current Liabilities: Borrowings

Current portion of the bank borrowings decreased from S\$18.9 million as at 31 December 2015 to S\$16.7 million as at HY2016 primarily due to repayment of the bank loans and bills payables.

Liquidity

The Group's current ratio dropped from 0.81 times to 0.77 times for the period under review. The negative current assets of the Group also increased from \$6.6 million as at 31 December 2015 to S\$7.8 million as at HY2016.

As at 30 June 2016, the Group's net gearing ratio (defined as the borrowings to shareholder's equity) stood at 1.42 times as compared to 31 December 2015's 1.23 times.

Shareholders' Equity

Shareholders' equity of the Group decreased by S\$3.5 million from S\$15.6 million as at 31 December 2015 to S\$12.1 million as at HY2016 as a result of S\$4.1 million loss offset by the issuing of new ordinary shares.

Cashflow Statement

Net cash generated from the operating activities was S\$0.2 million for HY2015 and S\$0.1 for HY2016.

Net cash used in investing activities was S\$0.1 million in HY2015 as compared to S\$0.2 million in HY2016.

Net cash outflow used in the financing activities was S\$7.1 million in HY2015 as compared to S\$0.4 million used in HY2016 mainly due to repayment of bills payable of S\$9.5 million in HY2015, there was a net proceeds from issue of ordinary shares of S\$3.6 million in HY2015 and S\$1.16 million in HY2016.

Hence, the cash and cash equivalents decreased by S\$0.4 million in HY2016.

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

Business Segment

Revenue from retail business segment remained as the main contributor, contributing 83.0% or S\$18.3 million of total revenue in HY2016. Export market contributed 3.6% or S\$0.8 million, LRS contributed 2.9% or \$0.6 million and BSPL contributed 10.4% or S\$2.3 million.

Revenue from retail segment which enjoyed the highest gross margin compared to other business segments decreased by 23.8% in HY2016 as compared to HY2015.

Geographical Segment

The revenue from Malaysia remained as the main contributor, contributing 35.6% of total revenue in HY2016 and followed by revenue from Taiwan which contributed 25.7% of total revenue. Other countries consist of overseas corporate customers for trading of sofa and other furniture.

Revenue by geographical segments:

S\$'000	30 June 2016		30 June 2015	
Malaysia	7,843	35.6%	13,359	44.6%
Singapore	4,559	20.7%	5,242	17.5%
Taiwan	5,668	25.7%	6,309	21.0%
China	597	2.7%	574	1.9%
Other Countries	1,068	4.8%	1,741	5.8%
Others- BSPL	2,289	10.4%	2,757	9.2%
Total Revenue	22,024	100.0%	29,982	100.0%

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

The result announced today is in line with the announcement made on 16 May 2016.

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

The Board of Directors is cautious about the Company's forthcoming second half prospects due to market challenges such as the continued weakness in the Europe, foreign exchange movements and weakening Chinese GDP growth, dampen demand and negative consumer sentiment and the ongoing slump in global crude oil prices which is affecting the economy.

In our core Malaysian market, demand for furniture is likely to remain weak due to the challenging environment such as the negative consumer sentiment. In Singapore, the demand for residential property remain weak which drives the furniture demand in the industry we operate.

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

12. Interested Person Transactions

Aggregate value of all interested party transactions during the year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)

S\$'000	30 June 2016	30 June 2015
Purchases from		
- a firm of which a director of the Company is a member	187	-
Sales to		
- a firm of which a director of the Company is a member	384	-
Expenses charged by a firm of which a director of the Company is a member	53	-
Rental expense paid and payable to a firm of which a director of the Company is a member	88	113

13. Update on the use of placement proceeds.

Pursuant to the placement of 60,000,000 new ordinary shares at S\$0.02 per share on 28 April 2016, to which net proceeds of approximately S\$1.16 million were raised and utilised for working capital purposes by the Company as follows:

Working capital purposes:	S\$'000
Supplier payment	S\$ 55
Repayment of bank facilities	S\$ 974
Payroll	S\$ 88
General operating expenses	S\$ 43
Total	S\$1,160

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

The Board of Directors has confirmed that to the best of its knowledge, nothing has come to the attention which may render the Group's first half ended 30 June 2016 unaudited financial statements to be false or misleading in any material aspect.

15. Confirmation pursuant to Rule 720(1) of the listing manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the listing manual.

BY ORDER OF THE BOARD

Teoh Jin Thean
Executive Director/
Chief Executive Officer
8 August 2016