



LORENZO

ANNUAL REPORT 2017

Vision

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

Mission

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

01

Company Profile

02

Message from the Deputy Chairman

06

Operational and Financial Reviews

08

Board of Directors and Independent Directors

11

Corporate Structure

13

Corporate Governance

33

Financial Statement

THE BRAND
SINCE 1983





LORENZO

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

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

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



LIM PANG HERN

Executive Director
and Deputy Chairman



MESSAGE FROM THE DEPUTY CHAIRMAN

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.

*Designed with
you in mind*

Dear Shareholders

Lorenzo International has made progress in steadying its business but we are still beset by challenging market conditions.

We changed our financial year-end from December to March: Revenue achieved amounted to \$54.14 million for the 15 months ended March 2017. This compares with \$53.75 million for the 12 months ended December 2015.



Our gross profit margin strengthened further, rising from 40.0% in FY2015 to 45.4% in FY2017.

Though still a loss, our bottom line improved markedly, as we strove to get closer to the break-even level, and beyond. We pared our net loss from \$18.77 million in FY2015 to \$9.18 million in FY2017.

Another area of improvement: We shrank our borrowings by \$4.59 million to \$14.67 million as at end-FY2017, partly with the help of two rounds of placement of new shares in 2016.

New Major Shareholder

Beyond the financial figures, we wish to highlight the new substantial shareholder, Mr Ding Lei, who has shown confidence in our turnaround.

We stand to benefit from Mr Ding's corporate and management experience and business connections – in diverse fields ranging from finance and real estate to tourism development and investment management.

Another positive development is, after a long – drawn legal affair, we have been involved in preliminary negotiations with a vendor of a medical practice with a view to participate in the equity of the medical vendor. If negotiations are successful, a refundable deposit (less cost and expenses) that Lorenzo has paid shall be applied to the acquisition of equity of the medical practice.

Unlocking value by divesting manufacturing business in China

We are in the midst of restructuring our business in order to further strengthen our balance sheet and lift our business performance to desirable levels.

The China subsidiaries Supreme Furniture (Kunshan) Co., Ltd (sofa factory) and Lorenzo Kunshan Co., Ltd (wood furniture factory) have been one of the main contributors to the company's losses – carrying high operation cost, high fixed overhead, low utilization and high labour cost. A decision has been made to dispose Supreme Furniture (Kunshan) Co., Ltd and to rent out Lorenzo Kunshan Co., Ltd's factory.

We are currently in the midst of entering into a sale and purchase agreement with an independent third party, Kunshan Gao Er Garment Co., Ltd (昆山高尔服装有限公司) for the sales of one of the wholly-owned subsidiary, Supreme Furniture (Kunshan) Co., Ltd at RMB19,000,000. The buyer had already made a deposit payment of RMB6,500,000. Supreme Furnishing Centre Pte Ltd will be disposing off the entire registered share capital of Supreme Furniture (Kunshan) Co., Ltd upon completion of the sales.

Lorenzo Kunshan Co., Ltd is also in the midst of finalizing a lease agreement with a potential tenant for the factory at RMB6, 000,000 per annum for a tenure of three (3) years.

This divestment will unlock value, improve the company's cash flow and cut the losses contributed by China subsidiaries.

With the divestment in China, our furniture production needs will be met by our existing factory in Malaysia. In addition, we envisage that we will be doing higher value-added R&D, design and prototyping work at the soon-to-be constructed nine-storey building on a 5,800 square metres land in Sungei Kadut in Singapore. Upon completion, the factory will house the head office, showroom, warehouse, and also the building materials business.

Moving forward

Our manufacturing activities will be channeled to focus on:

- tying up with high-end developers or property owners to provide turn-key projects in interior concept, design and furnishing.
- expanding our exports to retailers in new emerging countries as well as to US wholesalers.
- our core competency of manufacturing higher value-added and highly customized leather sofa sets.

We will expand our Lorenzo product range into fabric and wood which will be manufactured by selected OEMs. The upside of this is that our showrooms will offer a more diverse range of products and will be nimbler in showcasing new trends in furniture design.





DANTE *Redefine*



The Lorenzo brand, nurtured since 1983, is a well-recognised one among consumers in several markets 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 also deserve appreciation for their professionalism in their work.

OPERATIONAL AND FINANCIAL REVIEWS

Revenue

The Group registered revenue amounting to S\$54.1 million for the fifteen months financial period ended 31 March 2017 (FY2017) compared to S\$53.7 million in the previous corresponding year (FY2015). The increase in revenue of S\$0.4 million was due to higher revenue generated from the Taiwan's unit of its Furniture segment.

Cost of Goods Sold and Gross Profit

Cost of sales decreased by S\$2.7 million compared to FY2015. This has resulted in our gross profit improving by 14.2% or S\$3 million in FY2017 compared to FY2015.

Other operating income

Other operating income increased by S\$0.5 million from S\$2.0 million in FY2015 to S\$2.5 million in FY2017. The increase was mainly due to higher rental income and sundry income and the gain on disposal of property, plant and equipment. These were offset by lower interest income and transportation income.

Administrative expense

Administrative expense decreased by S\$1.6 million or 7.2 percent compared to S\$23.0 million in FY2015. This was due to lower salary related expenses.

Distribution costs

Distribution costs decreased from S\$6.3 million in FY2015 to S\$5.9 million in FY2017. The decrease arose mainly from the reduction of advertisement and promotion expenses.

Other operating expense

Other operating expense decreased by S\$4.4 million from S\$11.4 million in FY2015 to S\$7 million in FY2017. This was mainly attributable to the lower impairment loss from trade and other receivables of S\$4.3 million, allowance for inventory obsolescence of S\$2.1 million. These were offset by higher impairment loss on property, plant and equipment of S\$0.9 million and a net exchange loss of S\$1.1 million, respectively.

Finance cost

Finance cost increased by S\$0.2 million to S\$1.1 million as compared to S\$0.9 million in FY2015. The increase was due to additional interest expense incurred for an additional three months in FY2017.

Taxation

Income tax expense of the Group increased by S\$0.2 million from S\$0.7 million in FY2015 to S\$0.9 million in FY2017. This was attributable mainly to higher withholding taxes paid during the financial period.

Loss for the period

The Group reported a lower loss of \$9.2 million in FY2017 compared to S\$18.8 million in FY2015. The improvement was due to higher gross profit and other income and lower distribution costs, administrative expenses and other operating expenses.

Non-Current Assets

Non-current assets of the Group decreased by S\$5.3 million from S\$22.8 million at 31 December 2015 to S\$17.5 million at 31 March 2017. This was mainly attributable to impairment losses and depreciation charges of property, plant and equipment and the amortisation charges of land use rights.

Current Assets

The Group's reported current assets amounting to approximately S\$21.6 million as at 31 March 2017. (31 December 2015: S\$28.3 million). The decrease was mainly due to a reduction of inventories and trade and other receivables and lower cash and cash equivalents.

The lower inventories were due to a reduction in raw materials and finished goods. The decrease in trade and other receivables was attributed to additional impairment loss recognised in FY2017.

Non-Current Liabilities

The Group's non-current liabilities stood at S\$0.3 million at 31 March 2017 (31 December 2015: S\$0.6 million). The decrease was due to repayment of finance lease liabilities and lower deferred tax liabilities.

Current Liabilities

The Group's current liabilities position decreased by S\$5.4 million from S\$34.9 million as at 31 December 2015 to S\$29.5 million as at 31 March 2017. The decrease was mainly attributable to a reduction in borrowings of S\$4.3 million and a decrease in trade and other payables of S\$1.4 million. These were offset by an increase in amount due to directors of S\$0.3 million.

Capital and Reserves

As at 31 March 2017, the Group had shareholders' equity of S\$9.3 million compared to S\$15.6 million at 31 December 2015. This was due to an increase of share capital via placement shares during the period which was offset by loss for the period and exchange translation losses.

Cash flow Statement

Net cash used in operating activities was S\$0.6 million in FY2017 compared to S\$1.2 million in FY2015. The Group had an operating loss of S\$2.3 million before working capital changes for the current financial period. The Group registered a decrease in inventories of S\$4.1 million, decrease in trade and other receivables of S\$0.6 million, offset by an increase in trade and other payables of S\$1 million and lower income tax paid.

Net cash flow generated from investing activities was approximately S\$0.2 million, as a result of proceeds from disposal of property, plant and equipment amounting to S\$0.5 million, offset by the acquisition of property, plant and equipment of S\$0.3 million.

Net cash flow used in financing activities was S\$0.3 million compared to S\$4.0 million in FY2015. This arose from proceeds from share issuance amounting to S\$3.4 million, loan from directors of S\$0.3 million, proceeds from bank loans of S\$0.6 million, offset by the repayment of trust receipts and bills payable of S\$3 million, finance lease liabilities of S\$0.5 million and the repayment of borrowings of S\$1.2 million.

Cash and cash equivalents decreased by S\$0.7 million mainly as a result of net cash used in operating activities and financing activities which were offset by net cash generated by investing activities.



BOARD OF DIRECTORS

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.

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.

The Finest Materials

DING LEI
EXECUTIVE DIRECTOR

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

MARCELO MORA
INDEPENDENT DIRECTOR

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

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

Currently Mr Marcelo Mora is a Chartered Secretary and a member of the Governance Institute of Australia (AGIA).

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

INDEPENDENT DIRECTORS

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.

CORPORATE STRUCTURE



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

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.

Care & Assurance



Board of Directors

Lim Pang Hern (Executive Director/Deputy Chairman)
Teoh Jin Thean (Executive Director/Chief Executive Officer)
Ding Lei (Executive Director)
Yeow See Onn (Independent Director)
Marcelo Mora (Independent Director)

Company Secretary

Ong Beng Hong, LLB (Hons)

Registered Office

23 Neythal Road Block B #04-03 Singapore 628588

Share Registrar

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

Auditors

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

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

Bankers

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

Audit Committee

Yeow See Onn (Chairman)
Marcelo Mora
Lim Pang Hern

Remuneration Committee

Marcelo Mora (Chairman)
Yeow See Onn
Lim Pang Hern

Nominating Committee

Yeow See Onn
Marcelo Mora
Lim Pang Hern

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.

*Offering You
True Value*

CORPORATE GOVERNANCE

Adapting and adhering to recognise 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 Company believes that it has largely complied with the spirit and intent of the Code and in areas where the Company's practices have deviated from the Code, rationale for the same is provided herein.

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.

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 in fairness in the Group's business dealings;
- iv. protecting and respecting intellectual property;

- v. maintaining confidentiality obligations; and
- vi. not using one's position in the Group for personal gain.

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

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

The Board currently comprises three 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

CORPORATE GOVERNANCE

- xi. establishing a framework of prudent and effective controls which enables risks to be assessed and managed.

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

The Executive Directors also supervise the management of the business and affairs of the Company and reduces the administrative time, inconvenience and the expenses associated with the convening of meetings of the Board and circulation of resolutions in writing of the Board, without 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 and ad-hoc meetings (including but not limited to the meetings of the Board Committees) are convened whenever a Director deems it necessary to address any issue of significance that may arise. Teleconferencing and video conferencing at meetings of the Board are allowed under the Company’s Constitution. In addition to holding meetings, important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

During the financial period under review⁽¹⁾, the number of meetings held and attended by each Director is as follows⁽²⁾:

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 ⁽³⁾	7	6	2	2	2	2	1	1
Lee Fut Hua ⁽⁴⁾	7	4	2	2	2	1	1	1
Teoh Jin Thean	7	7	2	2	2	2	1	1
Lim Pang Hern	7	7	2	2	2	2	1	1
Ding Lei ⁽⁵⁾	7	1	2	-	2	-	1	-
Choo Yong Fee ⁽⁶⁾	7	5	2	1	2	1	1	-
Yeow See Onn	7	7	2	2	2	2	1	1

CORPORATE GOVERNANCE

Board of Directors			Audit Committee		Remuneration Committee		Nominating Committee	
Director	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Lie Chin Chin ⁽⁷⁾	7	1	2	1	2	1	1	1
Marcelo Mora ⁽⁸⁾	7	1	2	-	2	-	1	-

Notes:

1. The Company had on 13 December 2016 announced the change of the Company's financial year end from 31 December to 31 March. Accordingly, the financial period under review in this Annual Report refers to the 15-month period commencing 1 January 2016 to 31 March 2017.
2. The attendance of the Directors, including those also acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.
3. Mr Goh Ah Lee resigned as an Executive Director of the Company on 31 March 2017. The announcement relating to his cessation as an Executive Director of the Company was released via SGXNET on 3 April 2017.
4. Mr Lee Fut Hua resigned as Finance Director of the Company on 12 August 2016. The announcement relating to his cessation as Finance Director of the Company was released via SGXNET on 12 August 2016.
5. Mr Ding Lei was appointed as an Executive Director of the Company on 20 January 2017. The announcement relating to Mr. Ding Lei's appointment was released via SGXNET on 20 January 2017.
6. Mr Choo Yong Fee resigned as a Director of the Company on 20 January 2017. Pursuant to his cessation, Mr. Choo Yong Fee also ceased to be an Independent Director of the Company, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. The announcement relating to Mr Choo Yong Fee's cessation as a Director of the Company was released via SGXNET on 20 January 2017.
7. 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 the Remuneration Committee and Audit 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.
8. Mr. Marcelo Mora was appointed as an Independent Director of the Company on 23 January 2017. The announcement relating to Mr Marcelo Mora's appointment was released via SGXNET on 23 January 2017. Mr Marcelo Mora was appointed as Chairman of both the Nominating Committee and Remuneration Committee and a member of the Audit Committee on 3 April 2017.

A newly-appointed Director will be given an orientation to familiarise him/her with the Group's business and governance practices and he/she will also be given a formal letter setting out the duties and obligations of a director of a listed company. Such orientation shall include separate briefing session with the Chief Executive Officer, the Chief Financial Officer, the head of the Company's Malaysia operations, the AC Chairman, the Group's legal advisors and the Group's auditors. Such newly-appointed Director shall also, on request, travel to see the operations of the Group. Mr Ding Lei and Mr Marcelo Mora were appointed during the financial period under review on 20 January 2017 and 23 January 2017, respectively. Pursuant to their respective appointments as Directors of the Company, arrangements were made for Mr Ding Lei and Mr Marcelo Mora to attend orientation and training sessions to familiarise them 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. News releases issued by the Singapore Exchange Securities Trading Limited and Accounting and

Corporate Regulatory Authority which are relevant to the directors are circulated to the Board. The Directors are encouraged to attend seminars, conferences and training courses that will assist them in executing their obligations and responsibilities as directors to the Company and the Company has an on-going training budget which can be used by the Directors to attend courses that they are interested in. Courses attended by some of the Directors during the financial period ended 31 March 2017 include but are not limited to courses organised by Singapore Institute of Directors.

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

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.

CORPORATE GOVERNANCE

Board Composition and Balance

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

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

Lim Pang Hern (Executive Director and Deputy Chairman)
Teoh Jin Thean (Executive Director and Chief Executive Officer)
Ding Lei (Executive Director) (*appointed on 20 January 2017*)
Yeow See Onn (Independent Director)
Marcelo Mora (Independent Director) (*appointed on 23 January 2017*)

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

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

As 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 NC and the Board are still identifying a suitable candidate as Chairman of the Board. Once an appropriate candidate is identified and appointed, the necessary announcement relating to such appointment will be made. Guideline 2.2 of the Code recommends that Independent Directors make up at least half of the Board where: (a) the Chairman of the Board and the Chief Executive Officer (or equivalent) is the same person; (b) the Chairman and the Chief Executive Officer are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an Independent Director. There is a transition period for compliance with guideline 2.2 of the Code of up to the annual general meeting following the end of the financial year commencing on or after 1 May 2016. The Board will take into consideration the recommendation under guideline 2.2 in the appointment of the Chairman of the Board and will look into meeting such recommendation before the annual general meeting to be held in respect of the financial year ending 31 March 2018.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board is of the view that the current Board members comprise persons whose diverse skills, experience, knowledge of the Company and attributes provide for effective director for the Group. To maintain or enhance the Board's balance and diversity, the existing attributes and core competencies of the Board are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Board, through the NC, has examined the Board's size and is satisfied that it is appropriate for effective decision-making, taking into account the nature and scope of the Company's operations, and is of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience. For

CORPORATE GOVERNANCE

details on the experiences and responsibilities of the Directors, please refer to their profiles under the Directors' profile section of this Annual Report.

Deputy Chairman and Chief Executive Officer

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

As at the date of this Annual Report, the Chairman of the Board has not been appointed. The NC and the Board are in the process of identifying a suitable candidate as 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.

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

Board Membership

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

Following the resignation of Mr Choo Yong Fee as a director of the Company on 20 January 2017 and the appointment of Mr Marcelo Mora as an Independent Director of the Company on 23 January 2017, the NC was reconstituted on 3 April 2017 as follows:

Marcelo Mora – Chairman
Yeow See Onn
Lim Pang Hern

The NC 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;

CORPORATE GOVERNANCE

- 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 Board Committees, the NC would also review the change to be implemented and make recommendations to the Board accordingly. For the appointment of new Directors, the NC would, in consultation with the Board, examine the existing Board's strengths, capabilities and the existing Directors' contribution of skills, knowledge and experience to the Group and the Board. Further to the above, the NC will take into account the future needs of the Group and, together with the Board, it will seek candidates who are able to contribute to the Group.

The NC is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold. The NC had recommended to the Board and the Board had resolved that each of the Independent Directors

should not hold more than six listed company board representations and other principal commitments and each of the Executive Directors should not hold more than two listed board representations and other principal commitments. After conducting reviews, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

There are no alternate directors appointed to the Board as at the date of this Annual Report. The Board will generally avoid approving the appointment of alternate directors unless alternate directors are appointed for limited periods in exceptional cases such as when a director has a medical emergency.

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

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

Name of Directors	Appointment	Date of Initial Appointment	Date of Last Re-election/ Re-appointment
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	31 May 2016
Yeow See Onn	Independent Director	3 October 2014	29 April 2015
Ding Lei	Executive Director	20 January 2017	-
Marcelo Mora	Independent Director	23 January 2017	-

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 into account in determining the rotation by retirement of Directors

Further to the above, the NC reviews the independence of each of the Independent Directors annually. As part of their review process, the NC requires the Independent Directors to complete and execute declaration forms

in relation to their independence. These declaration forms are drawn up based on the guidelines in the Code. The NC reviewed declaration forms executed by the Independent Directors as well as any declaration

CORPORATE GOVERNANCE

which they may make to determine their respective independence. Pursuant to its review, the NC is of the view that Mr Yeow See Onn and Mr Marcelo Mora are independent of the Group and the Management. The NC holds meetings with the Management to set out key performance indicators for the Management in the year. These key performance indicators take into account the Company's business operations and plans as well as the global economy. The NC reviews the Management's performance on an annual basis to determine if they have met the key performance indicators which have been set.

The NC also reviews the performance of the Directors as well as their contribution to the Board. After conducting reviews, the 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:

Name of Directors	Present Directorship In Listed Companies	Past Directorship In Listed Companies
Lim Pang Hern	GPS Alliance Holdings Limited	-
Teoh Jin Thean	-	-
Yeow See Onn	-	-
Ding Lei	Bisan Limited	-
Marcelo Mora	GPS Alliance Holdings Limited	-

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

The Directors retiring at the forthcoming Annual General Meeting pursuant to Article 90 of the Company's Constitution are Mr Yeow See Onn and Mr Teoh Jin Thean. After assessing his contributions and performance, the NC is recommending Mr Yeow See Onn for re-election at the forthcoming Annual General Meeting. Mr Teoh Jin Thean has indicated to the Board that he will not be seeking re-election at the forthcoming Annual General Meeting. Accordingly, Mr Teoh Jin Thean shall cease to be a Director of the Company on the close of the forthcoming Annual General Meeting.

Further to the above, it should also be noted that our NC also reviews the appointment of any manager of

the Company or any of its principal subsidiaries, who is a relative of a Director or Chief Executive Officer or Substantial Shareholder. For the financial period ended 31 March 2017 there were no persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director or chief executive officer or substantial shareholder of the Company or its principal subsidiaries.

Board Performance

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

The NC has established a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. This assessment is conducted by the NC at least once a year by way of a Board evaluation where the Directors complete a questionnaire seeking their views on various aspects of Board performance, such as Board composition, information, process and accountability. Each member of the NC shall abstain from voting on any resolutions

CORPORATE GOVERNANCE

in respect of the assessment of his/her performance or re-nomination as a Director. The Chairman will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Directors. No external facilitator has been appointed by the Company.

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

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

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

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

The Board and the NC have endeavoured to ensure that

the Directors possess the experience, knowledge and expertise critical to the Group's business.

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

Access to Information

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

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

All Directors are from time to time furnished with information concerning the Company, including board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and internal financial statements, to enable them to be fully cognisant of the decisions and actions of the Management. In respect of budgets, in the event that there are any material variances between the projections and actual results, these are disclosed and explained to the Board by Management.

In addition, the Directors have, at all times:

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

CORPORATE GOVERNANCE

The attendance of the Company Secretary and/or her representatives at all the meetings held by the Board and/or the Board 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 appointment and removal of the Company Secretary is a matter for the Board as a whole.

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Following the resignation of Mr Choo Yong Fee as director of the Company on 20 January 2017 and the appointment of Mr Marcelo Mora as an Independent Director of the Company on 23 January 2017, the RC was reconstituted on 3 April 2017 as follows:

Marcelo Mora – Chairman
Yeow See Onn
Lim Pang Hern

Although the RC does not comprise entirely non-executive directors as provided under Guideline 7.1 of the Code, the Board is of the view that there are sufficient safeguards to minimise the risk of any potential conflict of interest. The majority of the members of the RC are independent. Further, in the event that a member of the RC has an interest in any matter being considered by the RC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

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

borne by the Company.

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

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

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for the financial period ended 31 March 2017.

Level and Mix of Remuneration

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

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

The RC takes into account 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.

CORPORATE GOVERNANCE

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

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

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

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

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 ended 31 December 2015. 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 period ended 31 March 2017 is set out below:

Name Of Directors ⁽¹⁾	Fees S\$'000	Salary S\$'000	Bonus S\$'000	Benefits- In-Kind S\$'000	Allowances S\$'000	Total S\$'000
Lie Chin Chin ⁽²⁾	7	-	-	-	-	7
Choo Yong Fee ⁽³⁾	36	-	-	-	-	36
Yeow See Onn	54	-	-	-	-	54

CORPORATE GOVERNANCE

Name Of Directors ⁽¹⁾	Fees S\$'000	Salary S\$'000	Bonus S\$'000	Benefits- In-Kind S\$'000	Allowances S\$'000	Total S\$'000
Goh Ah Lee ⁽⁴⁾	-	269	-	8	7	284
Lee Fut Hua ⁽⁵⁾	-	107	-	9	-	116
Teoh Jin Thean	-	234	-	16	-	250
Lim Pang Hern	-	-	-	-	-	-
Ding Lei ⁽⁶⁾	-	-	-	-	-	-
Marcelo Mora ⁽⁷⁾	3	-	-	-	-	3

Notes:

1. No shares were issued to the Directors under the Company's Share Performance Plan for the financial period ended 31 March 2017.
2. Ms Lie Chin Chin resigned as a Director of the Company with effect from 10 March 2016.
3. Mr Choo Yong Fee resigned as a Director of the Company with effect from 20 January 2017.
4. Mr Goh Ah Lee resigned as a Director of the Company with effect from 31 March 2017.
5. Mr Lee Fut Hua resigned as a Director of the Company with effect from 12 August 2016.
6. Mr Ding Lei was appointed as an Executive Director of the Company on 20 January 2017.
7. Mr Marcelo Mora was appointed as an Independent Director on 23 January 2017.

The Company had two Key Management Personnel for the financial year in review. The breakdown of remuneration (rounded to the nearest thousand

dollars) of the top Key Management Personnel for the financial year ended 31 March 2017 is set out below.

Name Of Executive Officers ⁽¹⁾	Fees S\$'000	Salary S\$'000	Bonus S\$'000	Benefits- In-Kind S\$'000	Allowances S\$'000	Total S\$'000
Ben Teo Teck Sing ⁽²⁾	-	81	-	6	-	87
Tay Teck Meng ⁽³⁾	-	17	-	2	-	19

Notes:

1. No shares were issued to the Executive Officers under the Company's Share Performance Plan for the financial period ended 31 March 2017.
2. Mr Ben Teo Teck Sing was appointed as Chief Financial Officer of the Company on 12 August 2016. He resigned as Chief Financial Officer of the Company with effect from 31 January 2017.
3. Mr Tay Teck Meng was appointed as Chief Financial Officer of the Company on 6 February 2017.

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

During the financial period ended 31 March 2017, the Group did not have any employees who are immediate family members of a director or the CEO.

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.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced

CORPORATE GOVERNANCE

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

The Company also completes and submits the relevant compliance checklists to SGX (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 and performance and outlook. The Board ensures that there are proper record keeping and financial reporting to safeguard the integrity and credibility of the Group and to prevent financial irregularities and even fraud. All employees are required under the Ethics to keep accurate and truthful records and reports (including those used for internal purposes and be in compliance with local and global accounting standards as well as laws, rules and regulations of countries in which the Group operates in).

The Group's reputation is valuable and has been achieved through many years of excellent service and integrity in its business operations. To maintain the Group's reputation, our Group has maintained, under the Ethics, policies for proper marketing, advertising and sales practices to ensure that description of the Group's offerings and services are legal and fair and

there are no false, misleading or deceptive practices.

Risk Management and Internal Controls

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

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

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

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

CORPORATE GOVERNANCE

Based on the internal controls and risk management functions established and maintained by the Group, the AC and the Board are of the opinion that the Group's risk management systems and internal controls, notably those systems addressing financial, operational, compliance, information technology and other risks, were adequate and effective as at 31 March 2017. This is supported by the assurance from the Deputy Chairman and the Chief Financial Officer that:

- i. the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and are in accordance with the relevant accounting standards; and
- ii. they have evaluated the effectiveness of the Company's risk management and internal controls and have discussed with the Company's 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 human resource department and the AC or through local grievance procedures.

Audit Committee

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

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

Following the resignation of Mr Choo Yong Fee as director of the Company on 20 January 2017 and the

appointment of Mr Marcelo Mora as an Independent Director of the Company on 23 January 2017, the AC was reconstituted on 3 April 2017 as follows:

Yeow See Onn – Chairman
Marcelo Mora
Lim Pang Hern

Although the AC does not comprise entirely non-executive directors as provided under Guideline 12.1 of the Code, the Board is of the view that there are sufficient safeguards to minimise the risk of any potential conflict of interest. The majority of the members of the AC are independent. Further, in the event that a member of the AC has an interest in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Company has appointed Mr Yeow See Onn as the Chairman of the AC as he has strong accounting and financial management expertise, being, amongst others, a fellow of the Institute of Singapore Chartered Accountants 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 AC meets periodically to review the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained within the Group. The AC's duties include the review of:

- i. audit plans of the External Auditors, their evaluation of the Group's system of internal accounting controls, their audit report, their management letter and the management response;
- ii. the interim and annual financial statements and results announcements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and the Listing Manual of the SGX-ST and any relevant statutory or regulatory requirements;
- iii. meet with the external auditors and the internal auditors without the presence of management at least annually, to discuss any problems and concerns they may have;
- iv. review internal audit programmes and adequacy and effectiveness of the Group's internal audit function as well as to ensure the coordination between the external auditors and internal auditors and management;

CORPORATE GOVERNANCE

- v. consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- vi. review the scope and results of the audit, its cost effectiveness, the independence and objectivity of the external auditors annually. Where the external auditors also supply a substantial volume of non-audit services to the Group, the nature, extent and cost effectiveness of such services would be reviewed in order to ensure that these services do not affect the independence and objectivity of the external auditors;
- vii. interested person transactions, if any; and
- viii. the adequacy and the effectiveness of the Group's internal control system (including financial, operational, compliance and information technology controls) and to report to the Board annually.

For the financial period ended 31 March 2017, the AC has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The AC is also satisfied with the adequacy of the Company's accounts and financial reporting resources.

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

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

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

The AC has also reviewed the arrangements by which the Company may, in confidence, raise concerns

about possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are in place for independent investigations of such matters and for appropriate follow-up action as and when the need arise. The Company has put in place a whistle-blowing policy for this purpose. Under the Company's whistle-blowing policy, employees may submit a complaint (which may be on an anonymous basis) to the Chairman of the AC and/or the officer designated by the AC, who will proceed to investigate the complaint. Complaints which should be reported pursuant to the whistle-blowing policy, include without limitation, the following:

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

Questions, concerns and complaints relating to the

CORPORATE GOVERNANCE

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

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

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

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

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

The AC has also reviewed the scope and quality of the external auditors' work before recommending the external auditors to the Board for re-appointment. After taking into account that the resources and experience of Messrs Foo Kon Tan LLP and the audit engagement partner assigned to the audit, Messrs Foo Kon Tan LLP's other audit engagement, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by Messrs Foo Kon Tan LLP for the audit, the AC is of the opinion that Messrs Foo Kon Tan LLP's independence

has not been compromised and is able to meet its audit obligations. Together with the Board, the Audit Committee recommends the re-appointment of Messrs Foo Kon Tan LLP at the forthcoming Annual General Meeting.

Messrs Foo Kon Tan LLP is an audit firm registered with the Singapore Accounting & Corporate Regulatory Authority and was appointed on 11 October 2005. The AC noted that Messrs Foo Kon Tan LLP was not engaged to provide non-audit services except for tax compliance services in the financial period ended 31 March 2017. The audit fees paid to the External Auditors for their audit services in the financial period ended 31 March 2017 are S\$299,500 (excluding disbursements and GST).

Messrs Foo Kon Tan LLP was also appointed in the financial period ended 31 March 2017 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 AC and External Auditors have, at all times, unrestricted access to each other. The AC also meets annually with the External Auditors, without the presence of the Management and is authorised to have full and unrestricted access to management and all personnel, records, operation, properties and other informational sources of the Company as required or desirable to properly discharge its responsibilities.

Internal Audit

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

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The Company 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 is a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

CORPORATE GOVERNANCE

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

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

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

The AC meets at least once annually to ensure the adequacy of the internal audit functions. The AC reviewed and approved the internal audit plan proposed by the Internal Auditors. The AC also believes that the system of internal controls and risk management maintained by the Company is 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;
- 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. checking goods received and issued to ensure that inventory records are updated accordingly;
- xv. reviewing the top-up level for essential spares and inventory;
- xvi. reviewing movements of inventory;
- xvii. reviewing the 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 above mentioned reviews and checks are rated and reported to the AC. In particular, high risk matters are highlighted to the AC and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

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

CORPORATE GOVERNANCE

(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 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;
- 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 release 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.

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

CORPORATE GOVERNANCE

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.

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

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code’s principle regarding “bundling” of resolutions. In the event that

there are resolutions which are interlinked, the Board will explain the reasons and material implications.

The Company’s Constitution allows a Shareholder to appoint one or two proxies to attend the General Meetings and vote in place of that Shareholder, save that no limit shall be imposed on the number of proxies for nominee companies. The Board is of the view that voting in absentia can only be possible if there is absolute certainty that integrity of the information and authentication of the identity of such Shareholder is not compromised.

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

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

(E) Dealing In Securities & Compliance With Best Practices Guide

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

CORPORATE GOVERNANCE

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

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

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

(F) Interested Person Transactions

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

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

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

Details of the interested person transactions for the financial period ended 31 March 2017 are as follows:

Name of interested person and nature of transactions	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Purchase from firms of which Mr. Lim Pang Hern is a Director	23	-
Sales to firms of which Mr. Lim Pang Hern is a Director	75	-
Expenses charged by a firm of which Mr Lim Pang Hern is a member	67	-
Rental expense paid or payable to a firm of which Mr Lim Pang Hern is a member	198	-

CORPORATE GOVERNANCE

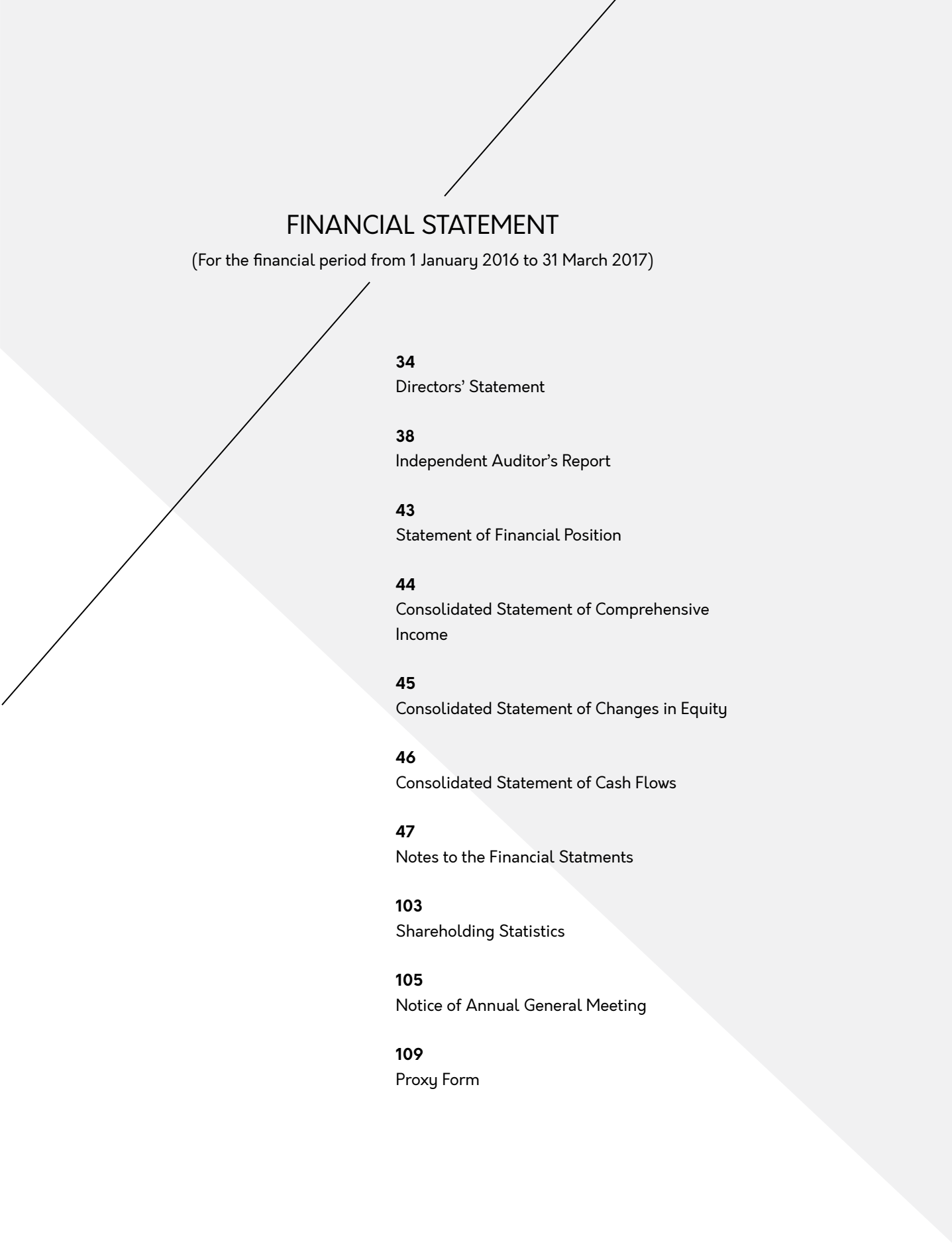
(G) Material Contracts

Save as previously disclosed on SGXNET, there were no material contracts of the Company or its subsidiaries involving the interests of the Deputy Chairman, Chief Executive Officer, any Director or Controlling Shareholder except for the service agreements entered into between the Company and the Executive Directors.

(H) Report On The Use Of Proceeds From Placement Of Shares

During the financial period ended 31 March 2017, the Company issued 60,000,000 and 65,600,000 new ordinary shares at S\$0.02 per share and S\$0.035 for cash on 28 April 2016 and 13 December 2016 respectively under two shares placement exercises. The utilisation of net proceeds of approximately S\$1.16 million and S\$2.244 million, respectively raised from the placements as at the date of this Annual Report is as follows:

	Placement on 28 April 2016 S\$'000	Placement on 13 December 2016 S\$'000
Net Proceeds	1,160	2,244
Utilisation:		
Capital Expenditure and working capital purposes:		
Payment of suppliers and trade lines	55	1,965
Repayment of bank facilities	974	-
Payroll expenses	88	239
General operating expenses	43	40
Amount utilised	1,160	2,244

The page features three decorative diagonal lines: one from the top center to the right edge, one from the top left to the bottom left, and one from the middle left to the bottom right.

FINANCIAL STATEMENT

(For the financial period from 1 January 2016 to 31 March 2017)

34

Directors' Statement

38

Independent Auditor's Report

43

Statement of Financial Position

44

Consolidated Statement of Comprehensive
Income

45

Consolidated Statement of Changes in Equity

46

Consolidated Statement of Cash Flows

47

Notes to the Financial Statements

103

Shareholding Statistics

105

Notice of Annual General Meeting

109

Proxy Form

DIRECTORS' STATEMENT

for the financial period from 1 January 2016 to 31 March 2017

We are pleased to submit this statement to the members of the Company together with the audited financial statements for the financial period from 1 January 2016 to 31 March 2017.

In our opinion,

- (a) the accompanying financial statements of the Company and its subsidiaries (the "Group") and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial period 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(a) 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. A director cum shareholder of the Company had provided a financial undertaking to the Group and the Company to provide the necessary financial support to the Group and the Company to continue operations and meet their liabilities as and when they fall due.

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

Change of financial year end

The Company changed its financial year end from 31 December to 31 March and accordingly, the financial statements for the current period will cover a period of 15 months from 1 January 2016 to 31 March 2017, whereas the comparative period covered a period of 12 months for the financial year ended 31 December 2015.

Names of directors

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

Teoh Jin Thean

Lim Pang Hern

Ding Lei (Appointed on 20 January 2017)

Yeow See Onn (Independent director)

Marcelo Mora (Independent director) (Appointed on 23 January 2017)

DIRECTORS' STATEMENT

for the financial period from 1 January 2016 to 31 March 2017

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 period (including those of their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2016 or date of appointment, if later	As at 31.3.2017 and 21.4.2017 Number of ordinary shares	As at 1.1.2016 or date of appointment, if later	As at 31.3.2017 and 21.4.2017
The Company - <u>Lorenzo International Limited</u>				
Goh Ah Lee ^{1,2}	4,217,000	4,217,000	246,000	246,000
Teoh Jin Thean	476,539	476,539	-	-
Lee Fut Hua ¹	1,024,500	-	-	-
Choo Yong Fee ¹	250,000	-	-	-
Lim Pang Hern ³	381,500	959,500	87,579,800	45,579,800
Ding Lei	95,600,000	125,600,000	-	-
Yeow See Onn	400,000	400,000	-	-

Note:

1. Mr Goh Ah Lee, Mr Lee Fut Hua and Mr Choo Yong Fee resigned on 3 April 2017, 12 August 2016 and 20 January 2017 respectively.
2. Mr Goh Ah Lee is deemed to be interested in shares held by his spouse, Lee Lee Wah, and shares held by his nominees, Hong Leong Finance Nominees Pte. Ltd.
3. 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 April 2017.

Share options

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

No shares were issued during the financial period 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 period.

Audit Committee

The Audit Committee ("AC") comprises the following three members two of whom, including the Chairman, are independent.

Yeow See Onn (Chairman)
 Marcelo Mora (Appointed on 23 January 2017)
 Lim Pang Hern

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

DIRECTORS' STATEMENT

for the financial period from 1 January 2016 to 31 March 2017

Audit Committee (Cont'd)

Although the AC does not comprise entirely non-executive directors as provided under guideline 12.1 of Code of Corporate Governance, the Board is of the view that there are sufficient safeguards to minimise the risk of any potential conflict of interest. The majority of the members of the AC are independent. Further, in the event that a member of the AC has an interest in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

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 half yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial period from 1 January 2016 to 31 March 2017 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;
- (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.

DIRECTORS' STATEMENT

for the financial period from 1 January 2016 to 31 March 2017

Independent auditor

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

On behalf of the Directors

.....
TEOH JIN THEAN

.....
LIM PANG HERN

Dated: 6 October 2017

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

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Lorenzo International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the period from 1 January 2016 to 31 March 2017, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

(1) Appropriateness of going concern assumption

As discussed in Note 2(a) to the financial statements, as at 31 March 2017, the Group had net current liabilities of \$7,908,895 (31 December 2015: \$6,636,719) while the Company has a net current asset of \$2,460,290 (31 December 2015: \$776,143). The Group and the Company incurred a loss after tax of \$9,180,636 (year ended 31 December 2015: \$18,765,508) and \$1,767,523 (year ended 31 December 2015: \$10,489,418) and a total comprehensive loss of \$9,684,725 (year ended 31 December 2015: \$20,039,950) and \$1,767,523 (year ended 31 December 2015: \$10,489,418) respectively, and the Group had a negative net operating cash flows of \$603,581 for the financial period from 1 January 2016 to 31 March 2017 (year ended 31 December 2015: \$1,217,275).

The matters set out above and in Note 2(a) to the financial statements indicate the existence of a material uncertainty which cast a significant doubt on the Group's and the Company's ability to continue as a going concern. Some of the Group's financing arrangements had expired and the amounts outstanding were payable on 30 September 2016 and 31 December 2016. At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to \$5,875,732 was obtained from the banks. Management had assessed the assumptions of the use of going concern by performing a profitability and cash flow projection for the next 12 months based on the sales and related forecast and the ability to source for re-financing of borrowings. Furthermore, a director cum shareholder of the Company had provided a financial undertaking to the Group and the Company to provide the necessary financial support to the Group and the Company to continue operations and meet their liabilities as and when they fall due within the next 12 months from the reporting date.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED (CONT'D)

Basis for Disclaimer of Opinion (Cont'd)

(1) Appropriateness of going concern assumption (Cont'd)

The cash flow projection for the next 12 months from the reporting date prepared by management resulted in a deficit in net cash outflows. If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group and Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Notwithstanding that a letter of financial undertaking had been provided by the director cum shareholder of the Company, we were unable to verify ourselves the accuracy and completeness over his personal liabilities and indemnities and thus the financial ability to render such financial support to the Group and the Company. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

(2) Inventories

For two of the subsidiaries of the Group, the management asserted that they had conducted a physical count of the inventories as of 30 May 2017 and 14 August 2017 for each of the subsidiaries respectively. For these physical stock counts on 30 May 2017 and 14 August 2017, management did not involve the audit engagement team. Subsequent to the physical stock count, management had identified and adjusted for an aggregate difference of \$410,863 between the inventory listing and the general ledger as at 31 March 2017 for both subsidiaries. As part of our audit procedures over inventories, we had carried out a physical stock count on a sampling basis on 5 June 2017 and 19 August 2017 for each of the subsidiaries respectively. No material movement in inventories was noted between the physical counts conducted on 30 May 2017 and 5 June 2017; and 14 August 2017 and 19 August 2017, for each of the subsidiaries respectively. Based on the samples selected, we performed an inventory roll-back to the inventories as at 31 March 2017 using the inventory listings prepared by management as of 30 May 2017 and 14 August 2017 for each of the subsidiaries respectively. Discrepancies were noted between our sample count and the inventory listings furnished by management for these two subsidiaries. During our physical stocktake observation on 5 June 2017 and 19 August 2017, it was observed that there was no proper tagging or markings on the inventories against the product or item description on the inventory listing to facilitate the specific identification. Hence we were unable to establish with certainty over the ownership of the inventories.

Consequent to our inventory roll-back testing procedures, management did not carry out a physical re-count to the remaining of the inventory items on the stock listing as of 30 May 2017 and 14 August 2017. We are unable to satisfy ourselves with regard to the incomplete reconciliations prepared by management to reconcile the differences between the inventory roll-back to 31 March 2017 and the general ledger as at 31 March 2017. Management asserted that they would continue with this reconciliation subsequent to the date of this audit report. Owing to the significant differences noted from our sample count and that no physical re-count was performed by management to update the entire inventory listing as of 30 May 2017 and 14 August 2017, coupled with the absence of the proper identification over inventories, we were unable to satisfy ourselves by alternative means concerning the quantity and ownership of the inventories held at 31 March 2017 and their aggregated carrying amounts of \$1,388,459 as at 31 March 2017. As the quantity and ownership of the inventories recorded for both subsidiaries cannot be ascertained satisfactorily, we were thus unable to establish the completeness and accuracy over the valuation and costing of these inventories as at 31 March 2017.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED (CONT'D)

Basis for Disclaimer of Opinion (Cont'd)

(3) Recoverable amount of property, plant and equipment and land use rights and impairment losses

The Group had carried out an impairment assessment over its property, plant and equipment and land use rights and identified 4 main Cash-Generating-Units (CGUs), defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs identified were the furniture business in Singapore (Retail CGU (Singapore)), the furniture business in Malaysia (Retail CGU (Malaysia)), rental income from the leasing from properties in China (Leasing CGU) and the building material business (Building Materials CGU). The recoverable amount should be based on the higher of the fair value less cost to sell and value-in-use basis of computation. The value-in-use should be computed using the estimated future cash flows discounted to the present values using pre-tax discount rates. However, no recoverable amount based on the value-in-use computation was determined for Retail CGU (Singapore) and Leasing CGU. Consequently, we were unable to satisfy ourselves by alternative means concerning the impairment loss and carrying amounts of the property, plant and equipment and land use rights with a net carrying value of \$11,781,487 (31 December 2015: \$22,281,040) included in those CGUs for the financial period ended 31 March 2017 and 31 December 2015 respectively.

The auditors' report of the Group for the financial year ended 31 December 2015 included a similar qualification on this matter.

(4) Recoverable amount of cost of investments in subsidiaries and amounts due from subsidiaries and impairment losses at Company level

The carrying values of investments in subsidiaries and amounts due from subsidiaries of Retail CGU (Singapore) and Leasing CGU at the Company level amounted to \$25,371,628 (31 December 2015: \$25,371,628) and \$4,960,718 (31 December 2015: \$3,209,270) respectively as at 31 March 2017. The recoverable amounts of subsidiaries should be determined based on the higher of fair value less cost to sell and value-in-use calculation which required the Company to estimate the future cash flows expected from the subsidiaries (or CGUs, where appropriate) and an appropriate discount rate applied in order to calculate the present value of the future cash flows. However, no recoverable amount based on the value-in-use computation was determined for Retail CGU (Singapore) and Leasing CGU. As at the reporting date, there were indicators of impairment as the Company's subsidiaries incurred losses for the past few years. Management did not determine the amount and timing of future cash flows based on historical loss experiences for assets within similar credit risk using the effective interest rate. In the absence of any alternative evidence available to us, we were unable to determine if any adjustments would be required to the carrying value of the cost of investments in subsidiaries and the amounts due from subsidiaries recorded at the Company level as of 31 March 2017 and 31 December 2015 respectively.

The auditors' report of the Group for the financial year ended 31 December 2015 included a similar qualification on this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED (CONT'D)

Basis for Disclaimer of Opinion (Cont'd)

(5) Revenue recognition and recognition of trade receivables

One of the subsidiaries of the Group had recognised sales of \$2,000,000 to an external customer for the financial period ended 31 March 2017 in respect of a delivery of goods on 3 March 2017. In accordance with the accounting standard FRS 18 *Revenue Recognition*, revenue from the sale of goods is recognised when the entity:

- (i) has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the entity;
and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The credit term stated on the sales invoice was based on cash term. No payment was received from the customer following the delivery of goods and issuance of invoice in March 2017. Based on our subsequent receipts review, only cash payment of \$200,000 was collected from the customer on 18 August 2017 and the balance of \$1,940,000 (inclusive of Goods and Services Tax) remained outstanding for more than 150 days as of the date of this report. In view of the fact that the substantial portion of the sales consideration had not been recovered from the customer, we were unable to establish the certainty of the inflow of economic benefits associated with the transaction as well as the related trade receivables.

Other Matter

We expressed a qualified opinion in our report dated 16 May 2016 on the financial statements of Lorenzo International Limited and its subsidiaries for the financial year ended 31 December 2015 on those matters set out in items (3) and (4) in the Basis of Disclaimer of Opinion section above.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LORENZO INTERNATIONAL LIMITED (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

In 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, 6 October 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

	Note	The Company		The Group	
		31 March 2017	31 December 2015	31 March 2017	31 December 2015
		\$	\$	\$	\$
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	3,751	61,071	16,266,659	21,038,081
Land use rights	5	-	-	1,088,206	1,209,970
Subsidiaries	6	25,371,628	25,371,628	-	-
Intangible assets	7	-	-	-	-
Other receivables	9	-	-	143,539	574,726
Deferred tax assets	16	-	-	12,169	7,145
		25,375,379	25,432,699	17,510,573	22,829,922
Current Assets					
Land use rights	5	-	-	30,716	32,989
Inventories	8	-	-	11,930,512	16,426,005
Trade and other receivables	9	5,346,499	3,385,290	8,060,000	9,129,426
Cash and cash equivalents	11	8,122	7,946	1,592,914	2,733,755
		5,354,621	3,393,236	21,614,142	28,322,175
Total assets		30,730,000	28,825,935	39,124,715	51,152,097
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	39,948,675	36,554,325	39,948,675	36,554,325
Reserves	13	(12,113,006)	(10,345,483)	(30,623,409)	(20,938,684)
Total equity		27,835,669	26,208,842	9,325,266	15,615,641
Non-Current Liabilities					
Borrowings	14	-	-	75,525	347,312
Deferred income	15	-	-	41,535	39,828
Deferred tax liabilities	16	-	-	159,352	190,422
		-	-	276,412	577,562
Current Liabilities					
Trade and other payables	17	2,884,331	2,617,093	14,502,884	15,952,321
Deferred income	15	10,000	-	40,766	30,766
Borrowings	14	-	-	14,599,428	18,914,448
Amount due to directors	18	-	-	281,715	-
Current tax payable		-	-	98,244	61,359
		2,894,331	2,617,093	29,523,037	34,958,894
Total liabilities		2,894,331	2,617,093	29,799,449	35,536,456
Total equity and liabilities		30,730,000	28,825,935	39,124,715	51,152,097

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 period from 1 January 2016 to 31 March 2017

	Note	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
Revenue	3	54,139,285	53,752,348
Cost of sales		(29,575,980)	(32,236,952)
Gross profit		24,563,305	21,515,396
Other income	19	2,494,512	2,011,020
Distribution costs		(5,921,207)	(6,278,464)
Administrative expenses		(21,366,908)	(23,023,548)
Other operating expenses		(6,939,158)	(11,370,196)
Finance costs	20	(1,143,378)	(909,104)
Loss before taxation	21	(8,312,834)	(18,054,896)
Tax expense	22	(867,802)	(710,612)
Loss after taxation		(9,180,636)	(18,765,508)
Loss for the period/year attributable to owners of the Company		(9,180,636)	(18,765,508)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale financial assets:			
- Net change in fair value reclassified to profit or loss		11,468	-
Foreign currency translation differences - foreign operations, at nil tax		(515,557)	(1,274,442)
Other comprehensive loss for the period/year, net of tax		(504,089)	(1,274,442)
Total comprehensive loss for the period/year attributable to owners of the Company		(9,684,725)	(20,039,950)
Loss per share (cents)			
- basic	23	(2.46)	(6.38)
- diluted	23	(2.46)	(6.38)

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 period from 1 January 2016 to 31 March 2017

	Share capital	Translation reserve	Statutory common reserve	Capital reserve	Merger reserve	Fair value reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2015	32,981,933	(3,354,822)	68,256	838,050	(3,282,141)	(11,468)	4,843,391	32,083,199
Total comprehensive loss for the year								
Loss for the year	-	-	-	-	-	-	-	(18,765,508)
Other comprehensive loss	-	(1,274,442)	-	-	-	-	-	(1,274,442)
Total comprehensive loss for the year	-	(1,274,442)	-	-	-	-	-	(20,039,950)
Contributions by owners								
Issue of ordinary shares (Note 12)	3,572,392	-	-	-	-	-	-	3,572,392
Transactions with owners								
At 31 December 2015	36,554,325	(4,629,264)	68,256	838,050	(3,282,141)	(11,468)	(13,922,117)	15,615,641
At 1 January 2016	36,554,325	(4,629,264)	68,256	838,050	(3,282,141)	(11,468)	(13,922,117)	15,615,641
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	-	(9,180,636)	(9,180,636)
Other comprehensive loss	-	(515,557)	-	-	-	11,468	-	(504,089)
Total comprehensive loss for the period	-	(515,557)	-	-	-	11,468	(9,180,636)	(9,684,725)
Contributions by owners								
Issue of ordinary shares (Note 12)	3,394,350	-	-	-	-	-	-	3,394,350
Transactions with owners								
At 31 March 2017	39,948,675	(5,144,821)	68,256	838,050	(3,282,141)	-	(23,102,753)	9,325,266

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 period from 1 January 2016 to 31 March 2017

	Note	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
Cash Flows from Operating Activities			
Loss before taxation		(8,312,834)	(18,054,896)
Adjustments for:			
Impairment loss on trade and other receivables		1,077,782	5,379,444
Depreciation of property, plant and equipment	4	2,715,451	2,940,607
Amortisation of land use rights	5	39,304	32,989
Impairment loss on property, plant and equipment	4	1,320,338	425,999
Property, plant and equipment written off	21	101,312	212,738
Gain on disposal of property, plant and equipment	19	(352,449)	(9,627)
Interest income	19	(39,783)	(113,725)
Interest expense	20	1,106,783	897,836
Operating loss before working capital changes		(2,344,096)	(8,288,635)
Change in inventories		4,130,373	5,240,176
Change in operating receivables		577,002	5,149,932
Change in operating payables		(980,997)	(1,337,937)
Cash generated from operations		1,382,282	763,536
Interest paid		(1,106,783)	(897,836)
Income tax paid		(879,080)	(1,082,975)
Net cash used in operating activities		(603,581)	(1,217,275)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment (A)		(348,279)	(1,093,310)
Proceeds from disposal of property, plant and equipment		488,692	16,949
Interest received		39,783	113,725
Net cash generated from/ (used in) investing activities		180,196	(962,636)
Cash Flows from Financing Activities			
Proceeds from share issued, net		3,394,350	3,572,392
Repayments of finance lease liabilities		(492,400)	(398,337)
Repayment of trust receipts and bills payable		(2,980,730)	(6,900,099)
Repayments of bank loans		(1,171,604)	(287,812)
Proceeds from bank loans		622,500	-
Loan from directors		281,715	-
Net cash used in financing activities		(346,169)	(4,013,856)
Net decrease in cash and cash equivalents		(769,554)	(6,193,767)
Cash and cash equivalents at beginning of period/year		(3,772,374)	2,766,113
Exchange differences on translation of cash and cash equivalents at beginning of period/year		131,666	(344,720)
Cash and cash equivalents at end of period/year	11	(4,410,262)	(3,772,374)

Note A:

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of \$408,279 (31 December 2015 - \$1,093,310) of which \$60,000 (31 December 2015 - \$Nil) were acquired by means of finance leases. Cash payments of \$348,279 (31 December 2015 - \$1,093,310) 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 period from 1 January 2016 to 31 March 2017

1 General information

The financial statements of the Company and of the Group for the period from 1 January 2016 to 31 March 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

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

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

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

Change of financial year end

During the financial period, the Company changed its financial year end from 31 December to 31 March and accordingly, the financial statements for the current period will cover a period of 15 months from 1 January 2016 to 31 March 2017, whereas the comparative period covered a period of 12 months for the financial year ended 31 December 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Going concern basis

The Group incurred a net loss of \$9.2 million (31 December 2015 - loss of \$18.8 million) and has net operating cash outflows of \$0.6 million (31 December 2015 - \$1.2 million) for the financial period from 1 January 2016 to 31 March 2017; and as at that date, the Group's and the Company's accumulated losses amounted to \$23.1 million (31 December 2015 - accumulated losses of \$13.9 million) and \$12.1 million (31 December 2015 - \$10.3 million) respectively. In addition, the Group's current liabilities exceeded the current assets by \$7.9 million (31 December 2015 - \$6.6 million) as at 31 March 2017.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. Some of the Group's financing arrangements had expired and the amounts outstanding were payable on 30 September 2016 and 31 December 2016. At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to \$5.9 million was obtained from the banks. Management is currently negotiating a revised repayment plan with the financial institutions in respect of the said financial arrangements. Management had assessed the assumptions of the use of going concern by performing a profitability and cash flow projection for the next 12 months based on the sales and related forecast and the ability to source for re-financing of borrowings. Furthermore, a director cum shareholder of the Company had provided a financial undertaking to the Group and Company to provide the necessary financial support to the Group and the Company to continue operations and meet their liabilities as and when they fall due within the next 12 months from the reporting date.

The cash flow projection for the next 12 months from the reporting date prepared by management resulted in a deficit in net cash outflows. If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group and Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Significant accounting estimates and judgements (Cont'd)

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.

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 March 2017 amounted to \$98,244 (31 December 2015 - \$61,359) and \$159,352 (31 December 2015 - \$190,422) 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 the current financial period, the Group recognised shareholdings of certain group entities, for which a deferred tax asset amounting to \$12,169 (31 December 2015 - \$7,145) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Significant accounting estimates and judgements (Cont'd)

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

Probability of success of litigation cases (Cont'd)

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 2014, 2015 and 31 March 2017 in view of the existence of a letter of undertaking by the previous shareholder of the subsidiary.

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

Classification of land use rights

Within the People's Republic of China, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of these arrangements is an operating lease over the land, and that the upfront payment represents prepaid lease rentals. The prepayment is recognised in the consolidated statement of financial position, analysed between current and non-current assets which represent amounts to be utilised within and after 12 months of the end of the reporting period. The prepayment is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate. The carrying amount of the Group's prepayment at the reporting date amounted to \$1,118,922 (31 December 2015 - \$1,242,959).

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 and land use rights

Property, plant and equipment and land use rights are depreciated on a straight-line basis over their estimated useful lives. The Group's business is capital intensive and the annual depreciation of property, plant and equipment and land use rights forms a significant component of total costs charged to profit or loss. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. The carrying amount of the Company's and the Group's property, plant and equipment and land use rights as at 31 March 2017 are disclosed in Notes 4 and 5 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 and land use rights increase/decreases by 10% (31 December 2015 - 10%) by management, the Group's profit for the period will decrease/increase by approximately \$275,476 (31 December 2015 - \$297,360).

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

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.

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 March 2017 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 2015 and 31 March 2017.

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 \$716,214 (31 December 2015 - \$740,091).

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Significant accounting estimates and judgements (Cont'd)

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

Allowance for 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 \$1,193,051 (31 December 2015 - \$1,642,601). 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.

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 \$24,000 (31 December 2015 - \$139,000).

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 2016

On 1 January 2016, 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 1	Disclosure Initiative

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

2(b) Interpretations and amendments to published standards effective in 2016 (Cont'd)

The adoption of these standards did not have any material impact on the financial performance or position of the Group and the Company in the period of their initial adoption except for the following:

Amendments to FRS 1: Disclosure Initiative

The amendments to FRS 1 Presentation of Financial Statements clarify, rather than significantly change, existing FRS 1 requirements. The amendments clarify:

- The materiality requirements in FRS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities should adopt a systemic order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments to FRS 1 are effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in the current period.

2(c) FRS not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1: First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

The following are the new or amended FRS and INT FRS issued that are not yet effective but may be early adopted for the current financial period.

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 115	Revenue from Contracts with Customers	1 January 2018
Clarifications to FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
INT FRS 122	Foreign Currency Transaction and Advance Consideration	1 January 2018
FRS 116	Leases	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

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 Company and the Group in the period of their initial adoption, except for the following:

FRS 115 Revenue from Contracts with 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. It established a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

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

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

Clarifications to FRS 115 Revenue Contracts with Customers

The amendments clarify how to:

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

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

FRS 109 Financial Instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

INT FRS 122 – Foreign Currency Transactions and Advance Consideration

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

The Interpretations are effective from 1 January 2018.

On initial application, entities would have the option of applying the Interpretations either retrospectively or prospectively in accordance with FRS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The Group and the Company are currently assessing the impact to the financial statements.

FRS 116 Leases

FRS 116 Leases replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the Group has adopted FRS 115. The Group is currently assessing the impact to the financial statements.

The management has yet to assess if the adoption of such standards and interpretations in future periods will have a material impact on the financial statements of the Company and the Group.

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; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Consolidation (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Consolidation (Cont'd)

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.

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 period in which it is incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Investment in subsidiaries

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

Land use rights

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Financial assets (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Financial assets (Cont'd)

Loans and receivables (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Leases

Where the Group is the lessee,

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the 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 and depreciation".

Operating leases

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

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

Where the Group is the lessor,

Operating leases

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

Financial guarantees

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

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

Financial guarantee contracts are subsequently amortised to the profit or loss over the 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Provisions (Cont'd)

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

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

Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

Income tax

Current income tax for current and prior 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Income tax (Cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

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

Employee benefits

Short-term employee benefits

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

Pension obligations

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Related parties

A related party is defined as follows:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Impairment of non-financial assets (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Conversion of foreign currencies (Cont'd)

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

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

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

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

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from Singapore 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

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

Revenue recognition (Cont'd)

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

	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
The Group		
Sale of goods	52,135,139	48,494,593
Contract revenue	2,004,146	5,257,755
	54,139,285	53,752,348

4 Property, plant and equipment

	Office equipment \$
The Company	
<u>Cost</u>	
At 1 January 2015	42,179
Additions	63,878
Disposals	(2,067)
At 31 December 2015	103,990
Additions	3,860
Written-off	(90,398)
At 31 March 2017	17,452
<u>Accumulated depreciation</u>	
At 1 January 2015	41,500
Depreciation	1,534
Disposals	(115)
At 31 December 2015	42,919
Depreciation	15,852
Written-off	(45,070)
At 31 March 2017	13,701
<u>Net book value</u>	
At 31 March 2017	3,751
At 31 December 2015	61,071

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

4 Property, plant and equipment (Cont'd)

The Group	Leasehold properties \$	Factory buildings \$	Plant, machinery and equipment \$	Motor vehicles \$	Total \$
<u>Cost</u>					
At 1 January 2015	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
Additions	-	-	343,513	64,766	408,279
Disposals	-	-	(348,488)	(1,487,797)	(1,836,285)
Written-off	-	-	(621,044)	-	(621,044)
Translation differences	(229,101)	(1,014,417)	(478,285)	(9,144)	(1,730,947)
At 31 March 2017	7,461,883	13,708,151	16,268,137	2,593,262	40,031,433
<u>Accumulated depreciation and impairment losses</u>					
At 1 January 2015	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
Depreciation	163,715	744,459	1,541,262	266,015	2,715,451
Impairment losses	-	-	1,242,187	78,151	1,320,338
Disposals	-	-	(281,248)	(1,418,794)	(1,700,042)
Written-off	-	-	(519,732)	-	(519,732)
Translation differences	(36,814)	(364,839)	(407,355)	(15,582)	(824,590)
At 31 March 2017	1,415,520	5,424,712	14,705,828	2,218,714	23,764,774
<u>Net book value</u>					
At 31 March 2017	6,046,363	8,283,439	1,562,309	374,548	16,266,659
At 31 December 2015	6,402,365	9,677,476	4,241,727	716,513	21,038,081

As at 31 March 2017, the net book value of property, plant and equipment acquired under finance leases amounted to \$296,002 (31 December 2015 - \$497,944) and \$Nil (31 December 2015 - \$101,410) in respect of motor vehicles and plant, machinery and equipment, respectively.

As at 31 March 2017, the Group's leasehold properties and factory buildings with carrying amounts of \$6,046,363 (31 December 2015 - \$6,402,365) and \$771,316 (31 December 2015 - \$Nil) respectively are mortgaged to financial institutions to secure bank borrowings (Note 14).

At the date of this statement, the title deeds relating to the factory building of a subsidiary with carrying amount of \$7,512,123 (31 December 2015 - \$Nil) was detained by the local government as the subsidiary is in the process of staff retrenchment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

4 Property, plant and equipment (Cont'd)

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

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

As at 31 March 2017, 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 subsidiaries (the "Assets"). The carrying amounts of the Assets are set out in Note 4, Note 5 and Note 6.

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 \$1,320,338 (31 December 2015 - \$425,999) mainly for plant and equipment at the Group level and \$Nil (31 December 2015 - \$4,882,732) for the cost of investments at the Company level.

Impairment loss on the Building Materials CGU

In the last financial year, the value-in-use calculation was adopted which was 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 for the five-year period are extrapolated using the estimate rates stated below. As there were no indications that the impairment losses previously recognised for the Building Materials CGU no longer exist, and that the carrying value of the plant and equipment under the Building Materials CGU had been fully impaired, the recoverable amount of \$Nil determined for this CGU was still considered appropriate as at 31 March 2017.

	Building Materials CGU	
	31 March 2017 %	31 December 2015 %
Average growth rate	0 to 2	0 to 2
Discount rate (Pre-tax)	11.0	11.0
Terminal growth rate	1.5	1.5

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

4 Property, plant and equipment (Cont'd)

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

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 \$Nil (31 December 2015 - \$425,999) on plant and equipment at the Group level and \$Nil (31 December 2015 - \$4,882,732) of impairment loss on cost of investments at the Company level is required as at 31 March 2017.

Impairment testing on the Retail CGU (Malaysia)

The carrying values of property, plant and equipment of the Group relating to Retail CGU (Malaysia) amounted to \$4,528,339 (31 December 2015 - \$6,423,542) as at 31 March 2017.

Management determined the recoverable amounts for the property, plant and equipment in relation to the Retail CGU (Malaysia) using fair value less cost to sell.

The fair value less cost to sell of the leasehold properties in respect of the Retail CGU (Malaysia) was determined based on the direct market comparison method. The valuation was determined by independent professional valuer with recognised and relevant professional qualifications and experience with the local market and category of properties to be valued. The determination of fair values include use of unobservable inputs.

The direct market comparison approach estimates the value of the properties by comparing it to the prices of similar properties in the same location. Appropriate adjustments have been made to account for any differences between the properties and the comparable in terms of location, time, size and other relevant factors.

The recoverable amounts for Retail CGU (Malaysia) have been estimated to be lesser than the carrying amounts of the operational CGU, and an impairment loss of \$1,116,004 (31 December 2015 - \$Nil) on plant and equipment at the Group level is required as at 31 March 2017.

Impairment testing on the Retail CGU (Singapore) & Leasing CGU

- (a) The carrying values of investments in subsidiaries and amounts due from subsidiaries at the Company level of the Retail CGU (Singapore) amounted to \$25,371,628 (31 December 2015 - \$25,371,628) and \$4,960,718 (31 December 2015 - \$3,209,270) respectively as at 31 March 2017.
- (b) The aggregate carrying values of property, plant and equipment and land use rights of the Group relating to Retail CGU (Singapore) & Leasing CGU amounted to \$11,781,487 (31 December 2015 - \$22,281,040) as at 31 March 2017. Impairment loss of \$204,334 (31 December 2015 - \$Nil) on plant, machinery and equipment and motor vehicles was recognised by one of the subsidiaries in the Retail CGU (Singapore).

No recoverable amount was determined by management for the Retail CGU (Singapore) and Leasing CGU based on the higher of fair value less cost to sell and the value-in-use computation.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

5 Land use rights

	31 March 2017	31 December 2015
The Group	\$	\$
Cost:		
At beginning of period/year	1,630,800	1,596,341
Translation differences	(94,991)	34,459
At end of period/year	1,535,809	1,630,800
Accumulated amortisation:		
At beginning of period/year	387,841	347,353
Amortisation	39,304	32,989
Translation differences	(10,258)	7,499
At end of period/year	416,887	387,841
Net book value:		
At beginning of period/year	1,242,959	1,248,988
At end of period/year	1,118,922	1,242,959
	31 March 2017	31 December 2015
The Group	\$	\$
<i>Represented by:</i>		
Current	30,716	32,989
Non-current	1,088,206	1,209,970
	1,118,922	1,242,959

As at 31 March 2017, the Group's land use rights with carrying amount of \$172,465 (31 December 2015 - \$Nil) is mortgaged to financial institutions to secure bank borrowings (Note 14).

At the date of this statement, the land use right of a subsidiary with carrying amount of \$946,457 (31 December 2015 - \$Nil) was held by the local government due to some unpaid staff costs.

Impairment testing on the Retail CGU (Singapore) & Leasing CGU

There were indicators of impairment as the Group's subsidiaries incurred losses for the past few years. No recoverable amount was determined by management for the Retail CGU (Singapore) and Leasing CGU based on the higher of fair value less cost to sell and the value-in-use computation. See Note 4 for details of impairment testing as at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

6 Subsidiaries

The Company	31 March 2017 \$	31 December 2015 \$
Unquoted equity investments, at cost	34,988,360	34,988,360
Accumulated impairment losses:		
At beginning of period/year	(9,616,732)	(4,734,000)
Impairment loss	-	(4,882,732)
At end of period/year	(9,616,732)	(9,616,732)
	25,371,628	25,371,628
Comprising carrying amount of:		
Retail CGU (Singapore)	25,371,628	25,371,628
Building Materials CGU	-	-
	25,371,628	25,371,628

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. No recoverable amount was determined by management for the Retail CGU (Singapore) and Leasing CGU based on the higher of fair value less cost to sell and the value-in-use computation. See Note 4 for details of impairment testing as at 31 March 2017.

The Company – Building Materials CGU	31 March 2017 \$	31 December 2015 \$
Cost of investment in a subsidiary	9,616,732	9,616,732
Recoverable amount	-	-
Impairment required	9,616,732	9,616,732
Allowance for impairment:		
At beginning of period/year	9,616,732	4,734,000
Allowance for the period/year	-	4,882,732
At end of period/year	9,616,732	9,616,732
Net carrying amount at end of period/ year	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

6 Subsidiaries (Cont'd)

The subsidiaries are:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>		<u>Principal activities</u>
		31 March 2017 %	31 December 2015 %	
<u>Held by the Company</u>				
Uhin Holding Pte Ltd #	Singapore	100	100	Investment holding and trading of sofa sets, wood-based furniture and accessories
Lorenzo International (Kunshan) Co., Ltd. **	People's Republic of China	100	100	Manufacturing and sale of wood-based furniture
Builders Shop Pte Ltd #	Singapore	100	100	Investment holding and trading of building materials and contractors for construction
<u>Held by Uhin Holding Pte Ltd</u>				
Uhin Sofa Sdn. Bhd. *	Malaysia	100	100	Investment holding and manufacturing and sale of sofa sets
Supreme Furnishing Centre Pte Ltd #	Singapore	100	100	Retail sale of furniture
Uhin International Co., Ltd. *	Republic of China	100	100	Retail sale of furniture
Lorenzo Furniture (Shanghai) Co., Ltd. **	People's Republic of China	100	100	Retail sale of furniture
<u>Held by Supreme Furnishing Centre Pte Ltd</u>				
Supreme Furniture (Kunshan) Co., Ltd. **	People's Republic of China	100	100	Manufacturing and sale of sofa sets
<u>Held by Uhin Sofa Sdn. Bhd.</u>				
Ginova Furnishing Sdn. Bhd. *	Malaysia	100	100	Investment holding and provision of management services
Monica Design Sdn. Bhd. *	Malaysia	100	100	Inactive
Uhin Wood Industries Sdn. Bhd. *	Malaysia	100	100	Manufacturing and supply of wooden frames
<u>Held by Ginova Furnishing Sdn. Bhd.</u>				
Ginova Marketing Sdn. Bhd. *	Malaysia	100	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

7 Intangible assets

	31 March 2017 \$	31 December 2015 \$
The Group		
Customer lists and relationships:		
<u>Cost</u>		
At beginning of period/year	1,051,329	1,051,329
Written-off	(1,051,329)	-
At end of period/year	-	1,051,329
<u>Accumulated amortisation and impairment losses:</u>		
At beginning of period/year	(1,051,329)	(1,051,329)
Written-off	1,051,329	-
At end of period/year	-	(1,051,329)
<u>Net book value</u>		
At end of period/year	-	-

8 Inventories

	31 March 2017 \$	31 December 2015 \$
The Group		
Raw materials, at cost	1,930,735	2,430,721
Goods-in-transit, at cost	-	441,169
Work-in-progress, at cost	623,568	751,322
Finished goods, at cost	7,235,263	9,751,893
Finished goods, at net realisable value	2,140,946	3,050,900
	11,930,512	16,426,005

The cost of inventories recognised as an expense and included in cost of sales amounted to \$16,599,873 (31 December 2015 - \$20,846,463) for the period ended 31 March 2017.

During the current financial period, allowance made for write-down of slow-moving inventories to net realisable value amounted to \$1,125,964 (31 December 2015 - \$3,205,775).

During the current financial period, the Group wrote off inventories that were no longer used in production amounting to \$79,216 (31 December 2015 - \$31,265) (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

9 Trade and other receivables

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
Current				
Trade receivables				
- third parties	-	-	8,012,808	6,361,604
Gross (A)	-	-	8,012,808	6,361,604
Less: Allowance for impairment				
At beginning of period/year	-	-	(2,690,953)	(113,509)
Impairment loss recognised (Note 21)	-	-	(200,880)	(2,579,444)
Amounts utilised	-	-	-	2,000
At end of period/year (B)	-	-	(2,891,833)	(2,690,953)
Net trade receivables (A)-(B)	-	-	5,120,975	3,670,651
Current				
Other receivables:				
Retention sums receivables	-	-	241,023	-
Amounts due from customers for contracts				
work-in-progress (Note 10)	-	-	21,288	1,228,745
Other receivables	2,840,222	2,800,238	4,060,316	3,407,743
Less: Allowance for impairment on other receivables				
At beginning of period/year	(2,800,000)	-	(2,800,000)	-
Impairment loss recognised (Note 21)	-	(2,800,000)	(876,902)	(2,800,000)
Add: Translation differences	-	-	18,260	-
At end of period/year	(2,800,000)	(2,800,000)	(3,658,642)	(2,800,000)
Net other receivables	40,222	238	663,985	1,836,488
Lease deposits	107,200	99,000	1,063,955	1,089,543
Other deposits	16,910	31,330	169,690	229,499
Amounts due from subsidiaries (non-trade)	5,141,886	3,209,270	-	-
Total loans and receivables	5,306,218	3,339,838	7,018,605	6,826,181
Prepayments	40,281	45,452	464,283	595,428
Advances to suppliers	-	-	16,699	1,325,177
Tax recoverable	-	-	560,413	382,640
Total current trade and other receivables	5,346,499	3,385,290	8,060,000	9,129,426
Non-current				
Other receivables:				
Retention sums receivable	-	-	143,539	574,726
Total non-current other receivables	-	-	143,539	574,726

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

Trade and other receivables of \$82,429 (31 December 2015 - \$122,725) of the Group are amounts due from firms of which a director of the Company is a member.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

9 Trade and other receivables (Cont'd)

Impairment testing of amounts due from subsidiaries

As at the reporting date, there were indicators of impairment as the Company's subsidiaries incurred losses for the past few years. Management did not determine the amount and timing of future cash flows based on historical loss experiences for assets with similar credit risk using the effective interest rate. See Note 4 for details of impairment testing as at 31 March 2017.

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
Current				
Singapore dollar	5,346,499	3,385,290	4,896,843	4,501,180
United States dollar	-	-	288,166	1,324,478
Malaysian ringgit	-	-	1,818,214	2,103,732
New Taiwan dollar	-	-	804,672	843,665
Renminbi	-	-	252,105	356,371
	5,346,499	3,385,290	8,060,000	9,129,426
Non-current				
Singapore dollar	-	-	143,539	574,726

Trade receivables are granted credit terms ranging from 30 to 60 days (31 December 2015 - 30 to 60) days.

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

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
By geographical area				
Singapore	5,303,304	3,324,741	5,193,737	5,403,575
People's Republic of China	-	-	289,563	283,545
Malaysia	2,914	15,097	1,125,457	1,099,762
Other countries	-	-	553,387	614,025
	5,306,218	3,339,838	7,162,144	7,400,907

The ageing analysis of loans and receivables are as follows:

	31 March 2017		31 December 2015	
The Company	Gross	Impairment losses	Gross	Impairment losses
	\$	\$	\$	\$
Not past due and not impaired	180,198	-	134,505	-
Past due less than 30 days	143,622	-	7,764	-
Past due 31 to 60 days	1,728,135	-	11,215	-
Past due over 60 days	6,054,263	(2,800,000)	5,986,354	(2,800,000)
	8,106,218	(2,800,000)	6,139,838	(2,800,000)

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

9 Trade and other receivables (Cont'd)

The ageing analysis of loans and receivables are as follows: (Cont'd)

The Group	31 March 2017		31 December 2015	
	Gross \$	Impairment losses \$	Gross \$	Impairment losses \$
Not past due and not impaired	3,225,821	-	4,293,890	-
Past due less than 30 days	2,569,932	-	932,094	-
Past due 31 to 60 days	92,637	-	316,010	-
Past due over 60 days	7,824,229	(6,550,475)	7,349,866	(5,490,953)
	13,712,619	(6,550,475)	12,891,860	(5,490,953)

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

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.

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

As of 31 March 2017, loans and receivables of \$2,662,569 (31 December 2015 - \$1,248,104) 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 March 2017, loans and receivables of \$7,824,229 (31 December 2015 - \$7,349,866) are past due and impaired. In the period ended 31 March 2017, the Group assessed the recoverability of trade and other receivables past due and recognised an impairment loss of \$200,880 (31 December 2015 - \$2,579,444) for trade receivables and \$876,902 (31 December 2015 - \$2,800,000) 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 to a third party (the “Vendor”) for the proposed acquisition of a new medical business during the year ended 31 December 2015. The proposed acquisition plan did not materialise and as the Vendor was facing financial difficulties, the Company has provided for the entire deposit outstanding and recognised an impairment loss of \$Nil million (2015 - \$2.8 million) in the profit or loss as it was considered irrecoverable from the Vendor.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

10 Contracts work-in-progress

The Group	Note	31 March 2017 \$	31 December 2015 \$
Contracts work-in-progress at end of the reporting period:			
Contract costs incurred		4,300,774	7,450,358
Attributable profits		1,247,808	1,898,296
Less: Progress billings		(5,527,294)	(8,119,909)
		21,288	1,228,745
<i>Presented as:</i>			
Amounts due from customers (included in trade and other receivables)	9	21,288	1,228,745
Advances received on construction contracts		-	44,557
Retentions on construction contracts		384,562	574,726
		Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
Contract revenue recognised during the period/year		2,004,146	5,257,755

11 Cash and cash equivalents

	The Company		The Group	
	31 March 2017 \$	31 December 2015 \$	31 March 2017 \$	31 December 2015 \$
Fixed deposits	-	-	49,156	360,586
Cash on hand	1	1	76,319	106,090
Cash at bank	8,121	7,945	4,467,439	2,267,079
Less: Cash deposit from an executive director	-	-	(3,000,000)	-
	8,122	7,946	1,592,914	2,733,755

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

The Group	31 March 2017 \$	31 December 2015 \$
Fixed deposits	49,156	360,586
Cash on hand	76,319	106,090
Cash at bank	4,467,439	2,267,079
Less: Bank overdrafts (secured) (Note 14.3)	(6,003,176)	(6,506,129)
Less: Cash deposit from an executive director	(3,000,000)	-
	(4,410,262)	(3,772,374)

Cash deposit from an executive director of the Company whose use is conditional upon matching cash advance from a controlling shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

11 Cash and cash equivalents (Cont'd)

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
Singapore dollar	8,122	7,946	82,547	380,193
United States dollar	-	-	1,813	109,653
Malaysian ringgit	-	-	364,709	1,046,564
New Taiwan dollar	-	-	1,101,745	1,097,959
Renminbi	-	-	41,969	97,169
Other currencies	-	-	131	2,217
	8,122	7,946	1,592,914	2,733,755

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

	31 March 2017	31 December 2015
The Group		
Singapore dollar	0.3%	0.3%

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

12 Share capital

The Company	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	Number of ordinary shares		\$	\$
Issued and fully paid, with no par value				
At beginning of the period/year	313,800,466	259,906,158	36,554,325	32,981,933
Issuance of ordinary shares	125,600,000	53,894,308	3,394,350	3,572,392
At end of period/year	439,400,466	313,800,466	39,948,675	36,554,325

During the current financial period, the Company issued 125,600,000 (31 December 2015 - 53,894,308 rights shares) new placement shares for a total cash consideration of \$3,496,000 (31 December 2015 - \$3,772,602 rights shares) to current shareholders. 60,000,000 and 65,600,000 shares were issued at \$0.02 and \$0.035 per share respectively (31 December 2015 - \$0.07 per share).

The Company set-off share issue expenses of \$101,650 (31 December 2015 - \$200,210) against share capital as part of above placement shares.

Following the completion of the issuance of ordinary shares, the total number of issued shares in the Company increased from 313,800,466 shares to 439,400,466 shares.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

13 Reserves

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
Translation reserve	-	-	(5,144,821)	(4,629,264)
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)
Accumulated losses	(12,113,006)	(10,345,483)	(23,102,753)	(13,922,117)
	(12,113,006)	(10,345,483)	(30,623,409)	(20,938,684)

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

	Note	31 March 2017	31 December 2015
The Group		\$	\$
Non-current			
Finance lease liabilities	14.1	75,525	347,312
Current			
Finance lease liabilities	14.1	121,328	282,976
Bank loans (secured)	14.2	4,388,298	4,967,019
Other borrowings (secured)	14.3	10,089,802	13,664,453
		14,599,428	18,914,448

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

14 Borrowings (Cont'd)**14.1 Finance lease liabilities**

The Group	31 March 2017 \$	31 December 2015 \$
Future minimum lease payments:		
Within one year	133,431	317,111
Between one and five years	75,141	387,096
More than five years	12,078	-
	220,650	704,207
Future finance charges on finance leases	(23,797)	(73,919)
Present value of minimum lease payments	196,853	630,288
Present value of minimum lease payments:		
Within one year	121,328	282,976
Between one and five years	65,540	347,312
More than five years	9,985	-
	196,853	630,288
<i>Represented by:</i>		
Current liabilities	121,328	282,976
Non-current liabilities	75,525	347,312
	196,853	630,288

14.2 Bank loans (secured)

The Group	Loan	Currency	Year of maturity	31 March 2017 \$	31 December 2015 \$
	(a)	SGD	*2019	421,651	510,704
	(b)	SGD	#2016	3,000,000	4,000,000
	(c)	RM	*2022	358,547	456,315
	(d)	RMB	2017	608,100	-
				4,388,298	4,967,019

- (a) Interest is charged at the Local Enterprise Finance Scheme ("LEFS") lending rate of 2.87% (31 December 2015 - 2.95%) 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
 - (iii) a corporate guarantee by a subsidiary.
- (b) Interest is charged at 3.90% (31 December 2015 - 2.87%) per annum. The bank loan is secured by a joint guarantee by the Company and a subsidiary.
- (c) Interest is charged at 4.45% (31 December 2015 - 4.45%) per annum. The bank loan is secured by a corporate guarantee by a subsidiary and a mortgage over certain leasehold properties of the Group (Note 4).
- (d) The loan was acquired in 2016. Interest is charged at 6.80% (31 December 2015 - Nil%) per annum. The bank loan is secured by mortgage over one of the Group's factory buildings (Note 4) and land use rights (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

14 Borrowings (Cont'd)

14.2 Bank loans (secured) (Cont'd)

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 March 2017, the Group's bank loans amounting to \$448,412 (31 December 2015 - \$749,752), comprising Loan (a) of \$153,139 (31 December 2015 - \$355,126) and Loan (c) of \$295,273 (31 December 2015 - \$394,626), due to be settled more than 12 months after the end of the reporting period are included in current liabilities because the bank loan agreements incorporate an overriding repayment on demand clause, which gives the lenders the right to demand repayment at any time, at their sole discretion and irrespective of whether a default event has occurred.

The bank loan has expired on 31 December 2016. Consequently, the bank has sent out multiple payment reminders.

14.3 Other borrowings

The Group	31 March 2017 \$	31 December 2015 \$
Trust receipts (secured)	1,966,344	4,822,549
Bills payable (secured)	2,120,282	2,335,775
Bank overdrafts (secured) (Note 11)	6,003,176	6,506,129
	10,089,802	13,664,453

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 \$3,442,220 (31 December 2015 - \$3,590,460);
- (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:

The Group	31 March 2017 \$	31 December 2015 \$
Singapore dollar	8,693,548	11,102,061
United States dollar	1,575,399	4,354,681
Euro	103,049	52,345
Malaysian ringgit	3,694,857	3,752,673
Renminbi	608,100	-
	14,674,953	19,261,760

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

14 Borrowings (Cont'd)

14.5 Weighted average interest rates

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

	31 March 2017	31 December 2015
The Group		
Finance lease liabilities	2.4%	1.8%
Bank loans (secured)	4.2%	3.0%
Trust receipts (secured)	3.5%	2.9%
Bills payable (secured)	4.6%	3.8%
Bank overdrafts (secured)	5.3%	5.9%

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

14.6 Carrying amounts and fair values

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

	Carrying amounts \$	Fair values \$
The Group		
31 March 2017		
Finance lease liabilities	196,853	185,052
31 December 2015		
Finance lease liabilities	630,288	597,129

15 Deferred income

	31 March 2017 \$	31 December 2015 \$
The Group		
Membership subscription fees, represented by:		
Current liabilities	40,766	30,766
Non-current liabilities	41,535	39,828

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.

The Company has deferred income of \$10,000 (31 December 2015 - \$Nil) as at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

16 Deferred taxation

	31 March 2017	31 December 2015
The Group	\$	\$
Deferred tax assets		
Balance at beginning of period/year	7,145	265,713
Translation differences	755	(33,455)
Recognised in profit or loss (Note 22)	4,269	(225,113)
Balance at end of period/year	12,169	7,145

The balances are attributable to the following:

	31 March 2017	31 December 2015
The Group	\$	\$
Property, plant and equipment	12,169	7,145

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

	31 March 2017	31 December 2015
The Group	\$	\$
Deferred tax liabilities		
Balance at beginning of period/end	190,422	222,459
Translation differences	174	(5,397)
Recognised in profit or loss (Note 22)	(31,244)	(26,640)
Balance at end of period/year	159,352	190,422

The balances are attributable to the following:

	31 March 2017	31 December 2015
The Group	\$	\$
Property, plant and equipment	12,168	111,083
Unremitted earnings of subsidiary	147,184	79,339
	159,352	190,422

17 Trade and other payables

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
Trade payables to third parties	-	-	4,118,515	3,292,205
Other payables	552,790	428,544	4,871,974	5,312,397
Amounts due to subsidiaries - non-trade	1,858,258	1,779,915	-	-
Advances from customers	-	-	2,986,175	4,198,901
Accrued employee benefits	57,443	25,047	1,173,305	1,795,625
Accrued expenses	415,840	383,587	1,352,915	1,353,193
	2,884,331	2,617,093	14,502,884	15,952,321

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

17 Trade and other payables (Cont'd)

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

Trade and other payables of \$759,167 (31 December 2015 - \$180,817) of the Group and \$10,031 (31 December 2015 - \$Nil) of the Company are amounts due from firms of which a director of the Company is a member.

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	31 March 2017	31 December 2015	31 March 2017	31 December 2015
	\$	\$	\$	\$
Singapore dollar	2,884,331	2,617,093	6,560,904	5,819,483
United States dollar	-	-	453,487	1,039,246
Euro	-	-	-	19,617
Malaysian ringgit	-	-	2,947,325	4,674,943
New Taiwan dollar	-	-	2,317,654	2,196,210
Renminbi	-	-	2,223,514	2,202,822
	2,884,331	2,617,093	14,502,884	15,952,321

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

18 Amount due to directors

The non-trade amounts due to directors, comprise of amounts paid on behalf of the Group of \$151,715 (31 December 2015: \$Nil) and advances of \$130,000 (31 December 2015: \$Nil) granted to certain subsidiaries of the Group. These amounts due to directors are denominated in Singapore dollar, interest-free, unsecured and repayable on demand.

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

19 Other income

	Period from 1 January 2016 to 31 March 2017	Year ended 31 December 2015
The Group	\$	\$
Government grants	167,572	157,055
Interest income	39,783	113,725
Rental income	793,399	538,110
Sundry income	400,464	238,585
Gain on disposal of property, plant and equipment	352,449	9,627
Sales of scrap materials	26,410	16,178
Transportation income	675,550	760,414
Exchange gain, net	-	133,025
Membership subscription fees	38,885	44,301
	2,494,512	2,011,020

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

20 Finance costs

	Period from 1 January 2016 to 31 March 2017	Year ended 31 December 2015
The Group	\$	\$
Interest expense		
- finance leases	46,823	41,097
- bank loans	255,636	416,368
- trust receipts and bills payable	314,547	140,497
- bank overdrafts	489,777	299,874
	1,106,783	897,836
Trade financing charges	36,595	11,268
	1,143,378	909,104

21 Loss before taxation

The following items have been included in arriving at loss before taxation:

		Period from 1 January 2016 to 31 March 2017	Year ended 31 December 2015
The Group	Note	\$	\$
<u>Included under "cost of sales"</u>			
Cost of inventories included in cost of sales	8	16,599,873	20,846,463
Depreciation of property, plant and equipment	4	718,434	818,197
Operating lease expense		79,216	-
Staff costs (A)		3,759,047	3,466,401
<u>Included under "distribution cost and administrative expenses"</u>			
Operating lease expense		7,197,498	6,334,113
Directors' fees		99,448	111,540
Staff costs (A)		7,549,892	11,006,987
Audit fees:			
- auditors of the Company		302,020	299,500
- other auditors		76,946	92,428
Non-audit fees:			
- auditors of the Company		38,945	49,524

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

21 Loss before taxation (Cont'd)

The Group	Note	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
<i>Included under "other operating expenses"</i>			
Allowance for inventory obsolescence	8	1,125,964	3,205,775
Amortisation of land use rights	5	39,304	32,989
Depreciation of property, plant and equipment	4	1,997,017	2,122,410
Inventories written off	8	79,216	31,265
Impairment loss on property, plant and equipment	4	1,320,338	425,999
Property, plant and equipment written off	4	101,312	212,738
Impairment loss on trade receivables	9	200,880	2,579,444
Impairment loss on other receivables	9	876,902	2,800,000
Exchange loss, net		1,139,327	-

(A) Staff costs

Key management personnel - directors:

Directors' remuneration other than fees

- salaries and other related costs

- contributions to defined contribution plans

892,046	1,052,903
33,279	33,161

Key management personnel - other than directors

- salaries and other related costs

- contributions to defined contribution plans

386,887	472,729
50,767	36,365
1,362,979	1,595,158

Other than key management personnel

- salaries, wages and other related costs

- contributions to defined contribution plans

9,310,583	12,583,679
635,377	294,551
9,945,960	12,878,230
11,308,939	14,473,388

Two directors of the Company do not draw any remuneration for the financial period from 1 January 2016 to 31 March 2017.

22 Tax expense

The Group	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
Current tax expense		
Current year	147,455	293,694
Adjustments for prior years	129,249	(11,849)
	276,704	281,845
Deferred tax (credit)/expense		
Movements in temporary differences	(33,201)	165,386
Adjustment for prior years	(2,312)	33,087
	(35,513)	198,473
Withholding tax on overseas income	626,611	230,294
	867,802	710,612

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

22 Tax expense (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on profits as a result of the following:

The Group	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
Loss before taxation	(8,312,834)	(18,054,896)
Tax at domestic rates applicable to individual group entities	(1,797,485)	(3,452,285)
Tax effect on non-deductible expenses	307,646	1,446,752
Tax effect on non-taxable income	(221,025)	(11,845)
Deferred tax assets on temporary differences not recognised	2,220,290	2,477,774
Utilisation of deferred tax assets on temporary differences not recognised in prior years	(346,716)	-
Adjustment for prior years for current tax	129,249	(11,849)
Adjustment for prior years for deferred taxation	(2,312)	33,087
Tax incentives	(48,456)	(1,316)
Withholding tax on overseas income	626,611	230,294
	867,802	710,612

The domestic tax rates applicable to the profit of the following companies are as follows:

	Country	Rate	Basis
Lorenzo International Limited	Singapore	17.0%	Full tax
Builders Shop Pte Ltd	Singapore	17.0%	Full tax
Uhin Holdings Pte Ltd	Singapore	17.0%	Full tax
Supreme Furnishing Centre Pte Ltd	Singapore	17.0%	Full tax
Lorenzo International (Kunshan) Co., Ltd.	People's Republic of China	25.0%	Full tax
Lorenzo Furniture (Shanghai) Co., Ltd.	People's Republic of China	25.0%	Full tax
Supreme Furniture (Kunshan) Co., Ltd.	People's Republic of China	25.0%	Full tax
Uhin Sofa Sdn. Bhd.	Malaysia	24.0%	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.

Unrecognised deferred tax assets

At the reporting date the Group had unabsorbed tax losses of approximately \$35 million (2015 - \$27 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 (2015 - \$12 million) related to certain subsidiaries expire from 2018 through 2023.

Deferred tax assets of approximately \$7.5 million (2015 - \$5.7 million) have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

22 Tax expense (Cont'd)

22.1 Other comprehensive income for the year, net of tax

Disclosure of tax effect relating to each component of other comprehensive income:	Period from 1 January 2016 to 31 March 2017			Year ended 31 December 2015		
	Before tax \$	Tax expense \$	Net of tax \$	Before tax \$	Tax expense \$	Net of tax \$
Net change in fair value reclassified to profit or loss	(11,468)	-	(11,468)	-	-	-
Currency translation differences	515,557	-	515,557	1,274,442	-	1,274,442
	504,089	-	504,089	1,274,442	-	1,274,442

23 Loss per share

The basic loss per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial period. The Company did not have any stock options or dilutive potential ordinary shares during the year ended 31 December 2015 and financial period from 1 January 2016 to 31 March 2017.

	Period from 1 January 2016 to 31 March 2017 \$	Year ended 31 December 2015 \$
The Group		
Loss attributable to owners of the Company	(9,180,636)	(18,765,508)
Weighted average number of ordinary shares issued during the period/year	373,391,694	294,102,989
Loss per share (cents):		
- basic	(2.46)	(6.38)
- diluted	(2.46)	(6.38)

Basic and diluted loss per share are calculated by dividing the loss for the period from continuing operations attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

There is no dilutive loss per share as the Group incurred losses; the Company did not have any stock options or dilutive potential ordinary shares during the financial year ended 31 December 2015 and financial period from 1 January 2016 to 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

24 Related party transactions

Other than those disclosed elsewhere in the financial statements, the following are related party transactions entered into by the Group with related parties on terms agreed between the parties during the financial year:

	Period from 1 January 2016 to 31 March 2017	Year ended 31 December 2015
	\$	\$
The Group		
Purchases from a firm of which a director of the Company is a member	(22,917)	(245,304)
Sales to		
- a firm of which a director of the Company is a member	75,212	114,696
Expenses charged by a firm of which a director of the Company is a member	(67,473)	(25,014)
Rental expense paid and payable to a firm of which a director of the Company is a member	(197,788)	(159,253)
Advances from a firm of which a director of the Company is a member	307,472	-

25 Commitments

Operating lease commitments (non-cancellable)

A Where the Group is a lessee

At the end of the reporting period, the Group was committed to making the following payments in respect of non-cancellable operating leases of showrooms and warehouse premises:

	31 March 2017	31 December 2015
	\$	\$
The Group		
Within one year	2,669,987	4,462,589
Between one and five years	913,099	3,518,977
	3,583,086	7,981,566

These operating leases expire between September 2017 and December 2019 and contain renewal options.

B Where the Group is a lessor

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

	31 March 2017	31 December 2015
	\$	\$
The Group		
Not later than one year	1,001,265	577,865
Later than one year and not later than five years	1,664,475	707,465
	2,665,740	1,285,330

These non-cancellable leases have remaining lease terms of between 1 to 4 years and contain renewal options.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

26 Operating segments

In the last financial year, 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.

During the current financial period, the Group has decided to monitor the operating results based on the nature of its business. Consequently, the Group has changed its presentation of segment reporting into 2 main segments, which the Group is primarily engaged in:

- (i) Furniture business; and
- (ii) Building Materials

As a result of the change in presentation, the comparative information in respect of the segment reporting has been re-presented accordingly.

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 period from 1 January 2016 to 31 March 2017

26 Operating segments (Cont'd)

	Furniture business Period from 1 January 2016 to 31 March 2017 \$'000	Building materials Period from 1 January 2016 to 31 March 2017 \$'000	Unallocated Period from 1 January 2016 to 31 March 2017 \$'000	Total Period from 1 January 2016 to 31 March 2017 \$'000
Revenue	51,308	47,581	2,831	101,720
Gross profit	24,101	20,303	462	44,866
Segment results	(4,674)	(6,927)	(729)	(12,330)
Finance costs	(967)	(748)	(176)	(1,891)
Loss before taxation	(5,641)	(7,675)	(905)	(14,221)
Tax expense	-	-	-	-
Loss for the period/year	(5,641)	(7,675)	(905)	(14,221)
Other information				
Additions of property, plant and equipment	404	618	258	1,280
Depreciation of property, plant and equipment	2,699	2,259	181	5,139
Amortisation of land use right	39	33	-	72
Gain on disposal of property, plant and equipment	(240)	(10)	(112)	(362)
Impairment loss on property, plant and equipment	1,320	-	-	1,320
Provision for slow moving stock	1,126	2,746	-	3,872
Inventory written off	79	31	-	110
Property, plant and equipment written off	56	192	21	269
Impairment loss on trade and other receivables	972	-	106	1,078

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

26 Operating segments (Cont'd)

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

	Period from 1 January 2016 to 31 March 2017 \$'000	Year ended 31 December 2015 \$'000
Revenue		
Singapore	14,665	16,923
Malaysia	18,580	20,055
Taiwan	15,900	12,822
China	1,796	1,615
Others	3,198	2,337
	54,139	53,752

	31 March 2017 \$'000	31 December 2015 \$'000
Non-current assets		
Singapore	1,956	3,172
Malaysia	4,528	6,424
Taiwan	576	675
China	10,451	12,558
	17,511	22,829

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	Period from 1 January 2016 to 31 March 2017 \$'000	Year ended 31 December 2015 \$'000
Revenue		
Total revenue for reportable segments	54,139	53,752
Consolidated revenue	54,139	53,752

Profit or loss

Total loss for reportable segments	(7,170)	(17,146)
Finance costs	(1,143)	(909)
Consolidated loss before tax	(8,313)	(18,055)

	31 March 2017 \$'000	31 December 2015 \$'000
Segment assets		
Total assets for reportable segments	38,553	50,762
Tax recoverable	560	383
Deferred tax assets	12	7
Consolidated total assets	39,125	51,152

Segment liabilities

Total liabilities for reportable segments	29,542	35,285
Current tax payable	98	61
Deferred tax liabilities	159	190
Consolidated total liabilities	29,799	35,536

There is no revenue from any single customer contributing over 10% of total sales of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

27 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. Based on the confirmation received from the legal counsel of the Company, the legal case has been concluded but no judgement has been passed. 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 27(A) above and claim for alleged costs of repair works under deed of undertaking.

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 financial 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.

28 Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, interest rate risk, foreign currency risk, market price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial asset, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

28 Financial risk management (Cont'd)

Credit risk (Cont'd)

Credit exposure to an individual corporate counterparty is restricted by credit limits that are approved by the executive directors based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the group level by the executive directors. In addition, receivable balances and payment profile of the debtors are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group 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.

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 (31 December 2015 - 2 debtors) that represent 79% (31 December 2015 - 58%) 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 March 2017, the Company has provided guarantees to banks in respect of loan facilities granted to subsidiaries amounting to \$6.2 million (31 December 2015 - \$13.2 million).
- (ii) At 31 March 2017, 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 \$6.1 million (31 December 2015 - \$8.1 million).

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is if the facility is drawn down by the subsidiary in the amount of \$12.3 million (31 December 2015 - \$21.3 million). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

The Company's and the Group's major classes of financial assets are bank deposits and trade 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

28 Financial risk management (Cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its variable rate bank balances, fixed deposits and borrowings which are contractually repriced at intervals of less than 6 months (2015 - less than 6 months).

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

Sensitivity analysis for interest rate risk

A 30 (31 December 2015 - 30) basis points (bp) change in the interest rate of variable rate bank balances and fixed deposits and a 75 (31 December 2015 - 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 - increase/(decrease)		Equity - increase/(decrease)	
	30bp/75bp Increase \$	30bp/75bp Decrease \$	30bp/75bp increase \$	30bp/75bp decrease \$
31 March 2017				
Variable rate bank balances and fixed deposits	147	(147)	147	(147)
Variable rate borrowings	(32,912)	32,912	(32,912)	32,912
	(32,765)	32,765	(32,765)	32,765
31 December 2015				
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

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group is exposed to foreign currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

28 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

The Group	US Dollar		Renminbi		Malaysian Ringgit		New Taiwan Dollar		Euro	
	31 March 2017 \$'000	31 December 2015 \$'000	31 March 2017 \$'000	31 December 2015 \$'000	31 March 2017 \$'000	31 December 2015 \$'000	31 March 2017 \$'000	31 December 2015 \$'000	31 March 2017 \$'000	31 December 2015 \$'000
Financial Assets										
Trade and other receivables	288	794	229	278	1,123	883	554	614	-	-
Cash and bank balances	2	110	42	97	365	1,047	1,102	1,098	-	-
	290	904	271	375	1,488	1,930	1,656	1,712	-	-
Financial Liabilities										
Trade and other payables	416	1,039	2,192	2,155	1,926	2,849	1,061	861	-	20
Loans and borrowings	1,575	4,355	608	-	3,669	3,689	-	-	103	52
Finance lease liabilities	-	-	-	-	26	64	-	-	-	-
	1,991	5,394	2,800	2,155	5,621	6,602	1,061	861	103	72
Net currency exposure on financial assets and (financial liabilities)	(1,701)	(4,490)	(2,529)	(1,780)	(4,133)	(4,672)	595	851	(103)	(72)

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

28 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 March 2017----		----31 December 2015----	
	Loss before tax \$'000	Equity \$'000	Loss before tax \$'000	Equity \$'000
The Group				
United States dollar	85	(85)	225	(225)
Renminbi	126	(126)	89	(89)
Malaysian Ringgit	207	(207)	234	(234)
New Taiwan Dollar	(30)	30	(43)	43
Euro	5	(5)	4	(4)

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

Liquidity risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Company's and the Group's and financial liabilities based on contractual undiscounted cash flows, including estimated interest payments:

	Carrying amount \$	-----Contractual undiscounted cash flows-----			
		Total \$	Less than 1 year \$	Between 1 and 5 years \$	Over 5 years \$
The Group					
At 31 March 2017					
Trade and other payables (excluding advances from customers)	11,516,709	11,516,709	11,516,709	-	-
Amount due to directors	281,715	281,715	281,715	-	-
Borrowings	14,674,953	14,771,739	14,351,101	408,560	12,078
	26,473,377	26,570,163	26,149,525	408,560	12,078

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

28 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

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

		-----Contractual undiscounted cash flows-----			
	Carrying amount \$	Total \$	Less than 1 year \$	Between 1 and 5 years \$	Over 5 years \$
The Company					
At 31 March 2017					
Financial guarantee contracts	12,300,000	12,300,000	12,300,000	-	-
Trade and other payables	2,884,331	2,884,331	2,884,331	-	-
	15,184,331	15,184,331	15,184,331	-	-

At 31 December 2015					
Financial guarantee contracts	21,300,000	21,300,000	21,300,000	-	-
Trade and other payables	2,617,093	2,617,093	2,617,093	-	-
	23,917,093	23,917,093	23,917,093	-	-

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.

29 Financial instruments

29.1 Accounting classifications of financial assets and financial liabilities

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

The Group	31 March 2017 \$	31 December 2015 \$
Financial assets		
Loans and receivables (carried at amortised cost)		
Trade and other receivables (current)	7,018,605	6,826,181
Other receivables (non-current)	143,539	574,726
Cash and cash equivalents	1,592,914	2,733,755
	8,755,058	10,134,662

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

29 Financial instruments (Cont'd)

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

The Group	31 March 2017 \$	31 December 2015 \$
Financial liabilities		
Other liabilities (carried at amortised cost)		
Borrowings	14,674,953	19,261,760
Amount due to directors	281,715	-
Trade and other payables	11,516,709	11,753,420
	26,473,377	31,015,180
The Company	31 March 2017 \$	31 December 2015 \$
Financial assets		
Loans and receivables (carried at amortised cost)		
Other receivables	5,306,218	3,339,838
Cash and cash equivalents	8,122	7,946
	5,314,340	3,347,784
Financial liabilities		
Other liabilities (carried at amortised cost)		
Trade and other payables	2,884,331	2,617,093

30 Fair value measurement

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of financial instruments

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and

Level 3 : inputs for the asset or liability that are not based on observable market date.

Financial instruments measured at amortised cost

Bank loans

At the reporting date, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial period from 1 January 2016 to 31 March 2017

31 Capital management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group defines capital as shareholders' equity. The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the period.

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.

The Group	31 March 2017 \$	31 December 2015 \$
Total borrowings	14,674,953	19,261,760
Less: Cash and cash equivalents	(1,592,914)	(2,733,755)
Net debt	13,082,039	16,528,005
Total equity	9,325,266	15,615,641
Net debt to total equity ratio (times)	1.40	1.06

32 Subsequent event

On 10 August 2017, the Group entered into a definitive sales and purchase agreement to dispose of the entire registered share capital of Supreme Furniture (Kunshan) Co., Ltd to a purchaser for a consideration of Renminbi 19,000,000. As at the date of this report, the Group had received Renminbi 6,500,000 from the purchaser.

33 Comparatives

The Company changed its financial year end from 31 December to 31 March and accordingly, the financial statements for the current period will cover a period of 15 months from 1 January 2016 to 31 March 2017, and as a result, the comparative figures stated in the statement of comprehensive income, statement of changes in equity, statement of cash flow and the related notes are not comparable.

SHAREHOLDING STATISTICS

As at 12 September 2017

ISSUED AND FULLY PAID CAPITAL:	\$41,737,570
TOTAL NUMBER OF SHARES IN ISSUE:	439,400,466
CLASS OF SHARES:	Ordinary shares fully paid
VOTING RIGHTS:	One vote for each ordinary share
TREASURY SHARES:	There are no treasury shares held in the issued share capital of the Company.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-99	134	11.27	1,761	0.00
100-1,000	105	8.83	86,700	0.02
1,001-10,000	225	18.92	1,342,706	0.31
10,001-1,000,000	690	58.03	84,859,304	19.31
1,000,001 and above	35	2.95	353,109,995	80.36
TOTAL	1,189	100.00	439,400,466	100.00

Top 20 largest shareholders as at 12 September 2017

No.	Name	No. of Shares	%
1	DING LEI	125,600,000	28.59
2	PHILLIP SECURITIES PTE LTD	60,547,100	13.78
3	BD CORPORATION PTE LTD	45,579,800	10.37
4	CHUNG KIM YEW	20,493,200	4.66
5	LYE KIM CHYE	17,933,800	4.08
6	JI YANPENG	6,200,000	1.41
7	TOH SOON HUAT	5,923,000	1.35
8	TAN KENG KOK	5,815,000	1.32
9	CHENG YE	5,396,200	1.23
10	HL BANK NOMINEES (S) PTE LTD	5,149,500	1.17
11	ONG HOCK SEONG	4,600,000	1.05
12	SEE MEI LI	4,567,400	1.04
13	GOH AH LEE	4,217,000	0.96
14	CHEN MEI YING	3,548,054	0.81
15	CHUNG YOOK FONG	3,248,000	0.74
16	YAN XIU YUN	2,812,600	0.64
17	CHUNG KAM SENG	2,695,000	0.61
18	CHAN MAI LIN	2,640,000	0.60

SHAREHOLDING STATISTICS

As at 12 September 2017

No.	Size of Shareholdings	No. of Shares	%
19	OCBC SECURITIES PRIVATE LTD	2,600,891	0.59
20	CIMB SECURITIES (SINGAPORE) PTE LTD	2,352,024	0.54
	TOTAL	331,918,569	75.54

Substantial shareholders

Substantial Shareholders (other than Directors)	(No. of Shares)	%	Deemed Interest (No. of shares)	%
DING LEI	125,600,000	28.59	-	-
BD CORPORATION PTE LTD	45,579,800	10.37	-	-
LIM PANG HERN ⁽¹⁾	959,500	0.22	45,579,800	10.37
NG KOK TECK ⁽¹⁾	-	-	45,579,800	10.37
SINO HAIJING HOLDINGS LIMITED	42,000,000	9.60	-	-

Notes:

1. Lim Pang Hern and Ng Kok Teck are deemed to be interested in the 45,579,800 Shares held by BD Corporation Pte. Ltd. as they hold 55% shareholding interest and 35% shareholding interest in BD Corporation Pte. Ltd. respectively.

Shareholdings held in the hand of public

Based on information available to the Company as at 12 September 2017, approximately 50.03% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the SGX-ST Listing Manual has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at **106 International Road Singapore 629175** on **25 October 2017** at **10:00 a.m.** to transact the following business:

No. Ordinary Businesses		
1	To receive and adopt the Audited Accounts for the financial period ended 31 March 2017 together with the Directors' Statement and the Auditors' Report of the Company.	Resolution 1
2	To re-elect as a Director, Mr Yeow See Onn, who is retiring under Article 90 of the Company's Constitution: <i>Mr Yeow See Onn will, upon re-election as a Director of the Company, remain as an Independent Director of the Company as well as the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee, and will be considered independent of the Management.</i>	Resolution 2
3	To note the retirement of Mr Teoh Jin Thean, who is retiring under Article 90 of the Company's Constitution. <i>Mr Teoh Jin Thean will not be seeking re-election and will retire as a Director of the Company at the close of the Annual General Meeting.</i>	
4	To re-elect as a Director, Mr Ding Lei, who is retiring under Article 96 of the Company's Constitution: <i>Mr Ding Lei will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.</i>	Resolution 3
5	To re-elect as a Director, Mr Marcelo Mora, who is retiring under Article 96 of the Company's Constitution: <i>Mr Marcelo Mora will, upon re-election as a Director of the Company, remain as an Independent Director of the Company as well as the Chairman of the Nominating Committee, the Chairman of the Remuneration Committee and a member of the Audit Committee, and will be considered independent of the Management.</i>	Resolution 4
6	To approve the payment of directors' fees of S\$81,300 for the financial year ending 31 March 2018 to be paid quarterly in arrears.	Resolution 5
7	To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.	Resolution 6
8	To transact any other business that may be transacted at an Annual General Meeting.	
No. Special Businesses		
9	To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications: "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:	

NOTICE OF ANNUAL GENERAL MEETING

No.	Special Businesses	
9	(a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively “Instruments”) that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that: (i) the aggregate number of shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below); (ii) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the Company at the time of the passing of this Resolution, after adjusting for: (aa) new shares arising from the conversion or exercise of any convertible securities; (bb) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and (cc) any subsequent bonus issue, consolidation or subdivision of shares; (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles in the Company’s Constitution; and	

NOTICE OF ANNUAL GENERAL MEETING

No.	Special Businesses	
	(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” [See Explanation Note 1]	Resolution 7
10	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, 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.” [See Explanation Note 2]	Resolution 8

By Order of the Board

Lim Pang Hern

Executive Director and Deputy Chairman

10 October 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanation Notes:

1. The Ordinary Resolution 7 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

2. The Ordinary Resolution 8 in item 10 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 Eleventh Annual General Meeting held on 31 May 2016.

Notes:

1. A member entitled to attend and vote at the Twelfth Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf, save that no limit shall be imposed on the number of proxies for nominee companies. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 23 Neythal Road Block B #04-03 Singapore 628588 at least forty-eight (48) hours before the time fixed for the Twelfth Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or by attending the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

Proxy Form No.

OF

PROXY FORM

Twelveth 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**”) herby appoint

Name	Address	NRIC/ Passport No.	Proportion of my/ our shareholding (%)	
			No. of Shares	%

and/ or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of my/ our shareholding (%)	
			No. of Shares	%

or failing “him/her, the Chairman of the Twelveth Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Twelveth Annual General Meeting of the Company, to be held at **106 International Road Singapore 629175** on **25 October 2017 (Wednesday)** at **10:00 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 Yeow See Onn		
3	Re-election of Mr Ding Lei		
4	Re-election of Mr Marcelo Mora		
5	Approval of directors’ fees		
6	Re-appointment of Auditors		
Special Businesses			
7	Authority to allot and issue new shares		
8	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 _____ 2017.

Signature of Shareholder(s) or Common Seal

Number 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.

PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2.
 - (a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Meeting. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
 - (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **23 Neythal Road Block B #04-03 Singapore 628588**, not less than forty-eight (48) hours before the time set for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the Annual General Meeting if he is able to do so.
9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
11. 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.
12. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

This page is intentionally left blank.

LORENZO INTERNATIONAL LIMITED

23 Neythal Road Blk B #04-03 Singapore 628588

Tel: (65) 6748 3003 | Fax: (65) 6748 1551

Email: corporate@lorenzo-international.com

Website: www.lorenzo-international.com

LORENZO

UHIN HOLDING PTE LTD**SUPREME FURNISHING CENTRE LTD****LORENZO CONCEPT PTE LTD**

23 Neythal Road Blk B #04-03 Singapore 628588

Tel: (65) 6745 0330 | Fax: (65) 6745 0770

BUILDERS SHOP PTE LTD

23 Neythal Road Blk B #01-01 Singapore 628588

Tel: (65) 6841 6636 | Fax: (65) 6545 5665

SINGAPORE

UHIN SOFA SDN BHD**UHIN WOOD INDUSTRIES SDN BHD****GINOVA MARKETING SDN BHD****GINOVA FURNISHING SDN BHD**

21 Jalan TSB 8 Taman Industri Sg. Buloh

47000 Sg. Buloh Selangor Darul Ehsan, Malaysia

Tel: (603) 6157 1591 | Fax: (603) 6157 1931

MALAYSIA

LORENZO INTERNATIONAL (KUNSHAN) CO., LTD**SUPREME FURNITURE (KUNSHAN) CO., LTD****LORENZO FURNITURE TRADING (SHANGHAI) CO., LTD**

9 Dongyuan Road, Dianshan Hu Town

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

Tel: (86-512) 5763 9597 | Fax: (86-512) 5763 9598

CHINA

UHIN INTERNATIONAL CO., LTD

93-33 Lane 136 Zhonggang W. Road

Taishan District, New Taipei City 243 Taiwan (R.O.C.)

Tel: (886-2) 2900 0001 | Fax: (886-2) 2900 0002

TAIWAN

DANTE *Redefine*



LORENZO INTERNATIONAL LIMITED
(Reg. No.: 200508277C)

23 Neythal Road Block B #04-03
Singapore 628588

Tel: (65) 6748 3003 | Fax: (65) 6748 1551
Email: corporate@lorenzo-international.com

www.lorenzo-international.com