AR2020

LORENZO

VISION

To be 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.

Contents

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors and our Chairman who was only recently appointed, I am pleased to present to you Lorenzo International Limited's annual report for the financial year ended 31 March 2020 ("FY2020").

LIM PANG HERN, JEFFREY
Executive Director

YEAR IN REVIEW

FY2020 was another challenging year for Lorenzo International Limited ("Lorenzo" or together with its subsidiaries, the "Group") due to the weak retail market in the countries we operated in.

The Group's revenue in FY2020 was S$26.9 million; a decrease of 7.6% compared to S$29.1 million for the financial year ended 31 March 2019 ("FY2019"). Despite our effort to lower our cost of production, our gross profit was S$0.9 million lower than in FY2019 as a result of lower sales revenue generated from all its business units in the countries the Group operates in. The Group managed to reduce its net loss further to S$3.5 million in FY 2020 compared to $5.8 million in FY2019. This was due to our continuous effort to manage and reduce the overall cost of the Group.

GOING FORWARD

Lorenzo held an Extraordinary General Meeting on 13 July 2020 to approve the sale of the property situated at 27 Kaki Bukit Place Singapore 416205 held by its wholly-owned subsidiary company, Uhin Holding Pte Ltd.

Lorenzo announced on 7 October 2020 that it has struck off its wholly-owned dormant subsidiary company, Lorenzo Concept Pte. Ltd. from the Register of Companies.

SUSTAINABILITY

Lorenzo recognises that embracing sustainability practices is important for the long-term development and success of the Group's business. The Sustainability Report for FY2020 will be published together with our Annual Report 2020.

We would be publishing the Sustainability Report for FY2021 and FY2022 shortly after this Annual Report.

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 hard work and contributions during this challenging time.

PHILOSOPHY

DESIGNED WITH YOU IN MIND

Crafted with pride and perfection, Lorenzo sofas are designed with your total well-being in mind. As you sink into the comfort and softness of a Lorenzo sofa, the stress of the day floats away, leaving behind a quiet sense of peace and harmony.From carefully selected hides to the best fabrics and woods, our signature of perfection shines through.

OFFERING YOU TRUE VALUE

Behind LORENZO lies a guiding philosophy to always provide you, our customer, with the best in value, savings, service and price. We make sure that your total experience at LORENZO achieves optimum comfort for you in every sense of the word. After all, our satisfaction comes from yours.

Living Starts Here...

CARE &ASSURANCE

At LORENZO, we believe in sharing with you the secret of caring for your sofa - so that it continues to provide you with extraordinary comfort, year after year. You'll be glad to know that with the right care and maintenance, your Lorenzo sofa will always look as good as new.

THE FINEST MATERIALS

Because we at Lorenzo never settle for second best, we scour the world in search of the finest materials. From carefully selected hides to the best fabrics and woods, our signature of perfection shines through.

OPERATIONAL & FINANCIAL REVIEW

REVIEW OF PERFORMANCES

Revenue

The Group registered lower revenue amounting to S$26.9 million for the financial year ended 31 March 2020 ("FY2020") compared to S$29.1 million in the previous corresponding year ("FY2019"). The decrease in revenue of S$2.2 million was due to lower revenue generated from its Furniture segment. The decrease in revenue was mainly attributable to lower sales generated across all its three business units in Singapore, Malaysia and Taiwan. The lower sales in Singapore and Taiwan were due to weak furniture retail market which was worsened by the COVID-19 situation. The lower sales in Malaysia were due to closure of retail outlets arising from movement control order imposed by the Malaysian government in March 2020.

Cost of Goods Sold and Gross Profit

Cost of sales reduced by S$1.3 million from S$15.3 million to S$14 million. The lower cost of sales was due to reduction of production cost and reduced purchases of finished goods during the financial year under review. Gross profit was S$0.9 million lower than FY2019 as a result of lower sales volume despite a decrease in cost of production.

Other operating income

Other operating income decreased by S$2.2 million from S$4.2 million in FY2019 to S$2 million in FY2020. The decrease was mainly due to the gain from the waiver of loan from directors of Brezza Living Sdn Bhd amounting to S$0.4 million and lower rental income and miscellaneous income of S$0.3 million and S$1.2 million respectively.

Administrative expense

Administrative expense decreased by S$3.7 million compared to S$14.3 million in FY2019. This was mainly due to overall reduction of administrative expenses across the companies in the Group. Reduction of salary related expenses and rental expenses contributed to the decrease.

Distribution and Marketing costs

Distribution and Marketing cost decreased from S$3 million in FY2019 to S$2.5 million in FY2020. The decrease arose mainly from reduction of distribution cost in its Singapore and Taiwan business units.

Other operating expense

Other operating expense increased by S$0.4 million from S$2.9 million in FY2019 to S$3.3 million in FY2020. This was mainly attributable an addition in depreciation charges on right-of-use assets.

Finance cost

Finance cost increase by S$0.4 million compared to S$1.3 million in FY2019. The increase was due to higher interest expense incurred in FY 2020 as a result of lease interest relating to right of use assets on initial adoption of SFRS (I) 16.

Taxation

Income tax expense of the Group decreased from S$0.4 million in FY2019 to S$0.1 million in the year under review. This was attributable mainly to lower foreign withholding tax paid in FY2020.

Loss for the Year

The Group reported a decreased loss of $3.5 million in FY2020 compared to S$5.8 million in FY2019. The factors attributing to the lower losses were explained above.

STATEMENT OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group increased by S$1.1 million from S$13.5 million at 31 March 2019 to S$14.6 million at 31 March 2020. This was mainly attributable to recognition of right of use assets under SFRS (I) 16 in the financial year under review.

Current Assets

The Group's reported current assets amounted to approximately S$14.7 million as at 31 March 2020. (31 March 2019: S$13.6 million). The increase was mainly due to the reclassification of property, plant and equipment to assets held for sale amounted to S$2 million, increase in cash and cash equivalent of S$0.4 million offset by reduction of inventories and trade and other receivables amounting to S$0.9 million and S$0.4 million respectively.

The decrease in inventories was attributable to decrease in inventory levels in its Taiwan unit offset by a reduction in the allowance for stock obsolescence. Decrease in trade and other receivables were due to decrease in both net trade and non-trade receivables, deposits paid and tax recoverable offset by increase in advance to suppliers during the financial year reported on.

Non-Current Liabilities

The Group's non-current liabilities increased to S$2.4 million at 31 March 2020 (31 March 2019: S$0.6 million). The increase was mainly due to recognition of lease liabilities relating to right of use assets under SFRS(1) 16 during the financial year reported on.

Current Liabilities

The Group's current liabilities increased by S$3.7 million from S$33.8 million as at 31 March 2019 to S$37.5 million as at 31 March 2020. The increase was mainly attributable to an increase in other payables and accruals of S$3.2 million, recognition of lease liabilities relating to right of use assets of S$1.9 million offset by a decrease in contract liabilities and bank borrowings amounted to S$1.1 million and S$0.2 million respectively.

Capital and Reserves

As at 31 March 2020, the Group had negative shareholders' equity of S$10.7 million compared to S$7.3 million at 31 March 2019. This was due to accumulated loss offset by foreign exchange translation gain recorded in the financial year.

CASH FLOW STATEMENT

The Group had an operating loss before working capital changes of S$0.3 million for the current financial year. It generated a net cash from operating activities of S$3.4 million in FY2020 compared to a net cash used in operating activities amounted to S$5.5 million

OPERATIONAL & FINANCIAL REVIEW

in FY2019. The Group registered a positive change in inventories and trade and other payables of S$0.8 million and S$2.8 million respectively and higher tax refund offset by a negative change in trade and other receivables and contract liabilities of S$0.1 million and S$1.6 million respectively and higher interest expenses.

Net cash flow used in investing activities was approximately S$0.1 million, as a result of acquisition of property, plant and equipment.

Net cash flow used in financing activities was S$3.6 million compared to net cash flow generated from financing activities of S$5.6 million in FY2019. This arose from repayment of principal element of lease liabilities relating to right-of-use assets, trust receipts and bills payables, bank loans and bank interests.

Cash and cash equivalents decreased by S$0.3 million mainly as a result of net cash generated from operating activities offset by net cash used in investing and financing activities.

SEGMENT REVIEW

For the financial year under review, the Furniture business registered sales revenue of S$26.0 million compared to S$28.2 million in FY2019. The lower sales were the results of decrease in sales for the Singapore, Malaysia and Taiwan market.

Loss before income tax for this segment was S$2.9 million compared to a profit before income tax of S$1.1 million in FY2019. These was mainly owing to reduction in revenue generated and lower other operating income for FY2020.

Revenue for the Building material business remained flat at S$0.9 million. Loss before income tax decreased by S$1.75 million to S$0.05 million from S$1.8 million in FY2019. This was mainly attributable to scale down of operations made in FY2020.

OUR ACHIEVEMENTS

2003/04

- Singapore Promising Brand Award 2003 and finalist for "The Furniture Retailer Award".
- Acquired its own building to host its Singapore HQ operation.
- Singapore Promising Brand Award 2004.

1983

- First retail store was established in Singapore.

1989

- Entered into a joint venture in Malaysia. Lorenzo acquires trademark registration to protect the goodwill associated with the brand and moving towards the direction of worldwide recognition.

2010/11

- LORENZO achieved brand recognition in its key markets with the honor to receive the Singapore Business Superbrands (2010) award.
- Awarded the Service GEM (Furniture and Furnishing/ Electrical and Electronics).
- Awarded the PREMIUM GEM (Furniture and Furnishing) 2011.
- Awarded the Circle of Excellence Singapore for 2011 and 2012.

2005/06

- Established wood-based furniture manufacturing plant in Kunshan, PRC.
- Winner of Singapore Promising Brand Award 2005.
- Silver Award 3 consecutive years' winner of Singapore Promising Brand Award 2003, 2004 & 2005.
- Awarded at the 14th Famous Furniture Fair, Dongguan, PRC:
  - Soft Furniture, Winner Award
  - Bedroom Furniture, Winner Award
  - Booth Design, Winner Award
  - Soft Furniture, Creativity Award
  - Accredited Enterprise 50 Award
  - Golden Bull Award 2005
- Obtained The 3rd Malaysia 100 Outstanding Award
- Successfully listed on the SGX-SESDAQ (Currently known as CATALIST).
- The Furniture Manufacturer Award – Bronze Award Winner.
- Awarded The BrandLaureate, the grammy awards for the Best Brands Consumer Home Furnishing category.
- Supreme Furniture (Kunshan) Co., Ltd has obtained ISO9001:2000 for Design, Development and Production of Sofa.
- Merit Award – Best Presentation for booths 101 m^2 and above.
- Awarded Bronze in the 16th International Famous Furniture Fair, Dongguan, PRC - Living Furniture Category.

39 YEARS OF MANUFACTURING

2012

- Awarded at the 28th Famous Furniture Fair, Dongguan, PRC:
  - Bedroom Category, Gold Award
  - Living Room Category, Silver Award
  - Living Room Category, Creativity Award
  - Awarded the PREMIUM GEM (Furniture and Furnishing)
- Achieved Singapore Service Class (S-Class) certification administrated by SPRING Singapore.
- Awarded 2012/2013 Successful Entrepreneur
  - Top 30 Respected Enterprises

2014/15

- The official sponsorship of WTA Finals Ball Kids - an opportunity for the community to get involved with the WTA Finals
- Sponsorship of Lorenzo STA Junior Championship 2015
- Sponsorship of Lorenzo STA Intermediate Singles & Doubles IV 2015 and environmental performance.

2013

- Lorenzo (Malaysia) achieved brand recognition in its key markets with the honor to receive the Malaysia Business Superbrands (2013) award.
- Winner of the International Furniture Leadership Award (IFLA) 2013.
- Awarded at the 29th Famous Furniture Fair, Dongguan, PRC
  - Living Room Furniture, Gold Winner
  - Living Room Furniture, Gold Medal
  - Living Room Furniture, Creative Award
  - Bedroom Furniture, Gold Medal
  - Bedroom Furniture, Winner Award

2022

Winner of Singapore's Best Customer Service Award 2022/23, organised by The Straits Times in partnership with analytics firm Statista

2019

Malaysian International Furniture Fair 2019 (Best Presentation Award) – Merit

2018

Certified exclusively as the only importer of Italian Genuine Bovine Hides in Asia. The Italian Leather Group specializes in the finishing of Bovine hides, with a passion for continuous search of new solutions for innovative colors, prints and environmental performance.

BOARD OF DIRECTORS

TOH HOCK GHIM
Independent Non-Executive Chairman

Mr. Toh joined the Ministry of Foreign Affairs in October 1966 and had served in Singapore's diplomatic posts in Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong & Macau Special Administrative Regions ("SARs"). He was Ambassador to Vietnam from January 1994 to January 2002 and Consul-General to the Hong Kong and Macau SARs from February 2002 to December 2007. He was appointed as Senior Adviser to the Ministry of Foreign Affairs upon his retirement from the Foreign Service at the end of 2007 till 2014. Mr. Toh obtained his Bachelor of Arts (Political Science) degree from the University of Singapore.

He is currently serving as Independent Non-Executive Director of AnAn International Limited and as Independent Non-Executive Chairman of DISA Limited.

LIM PANG HERN
Executive Director

Mr Lim was appointed Deputy Chairman of the Board on 6 March 2015. He relinquished the position of Deputy Chairman on 24 January 2019 but remains as an Executive Director of the Company. 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.

INDEPENDENT DIRECTORS

JIMMY SOH KING BIN
Lead Independent Director

Mr Soh graduated from Hawaii Pacific University, USA in 1990 with a Bachelor of Science (B.Sc) Double Major in Marketing and Business Management.

Mr Soh has over 20 years of experience in leading change and driving innovation. Through the years, Mr Soh has amassed invaluable international experiences in product development, sales, marketing, operations, finance, multi-channel distribution and food processing.

He is currently a Director of Sol Group of Companies and is also the Co-Founder and Director of Asian Food Network Pte Ltd. Mr Soh serves as Deputy President of the Singapore Food Manufacturers' Association. He also serves as the Vice Chairman on both of Tampines East's Community Club Management Committee and the constituency's Citizens Consultative Committee concurrently.

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.

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 Epsilon Healthcare Limited, Dome Gold Mines Limited and GPS Alliance Holdings Limited.

SOH CHUN BIN
Independent Director

Mr Soh is Chairman of the Group's Nominating Committee. He has more than 19 years of experience in the corporate finance and legal sectors, specialising in capital markets and mergers and acquisitions. He is currently the Managing Director of Icon Law LLC.

Mr Soh began his career as a corporate lawyer and was one of the pioneering lawyers at Stamford Law (now known as Morgan Lewis Stamford) during its inception in the early 2000s, and one of its youngest equity partners. In 2012, he left the legal profession to be the chief executive of several companies (including listed companies), before returning to legal practice in early 2017. He has advised on many Singapore and international initial public offerings of corporations and real estate investment trusts, as well as on post-listing fundraising. His expertise spans many diverse industries, including real estate, resources, infrastructure and technology. He has been recognised as a leading lawyer by legal publications such as Chambers and Partners, and Asialaw. He graduated from the National University of Singapore with a Bachelor of Law (Honours) in 1999.

He currently holds directorships at SGX-listed companies, Geo Energy Resources Limited, Triyards Holdings Limited and Lorenzo International Limited.

CORPORATE STRUCTURE

LORENZO

LORENZO INTERNATIONAL LIMITED

- Lorenzo International (Kunshan) Co., Ltd#
- Uhin Holding Pte Ltd
  - Supreme Furnishing Centre Pte Ltd
  - Uhin International Co., Ltd
  - Lorenzo Furniture Trading (Shanghai) Co., Ltd
  - Uhin Sofa Sdn Bhd
    - Ginova Furnishing Sdn Bhd
      - Ginova Marketing Sdn Bhd
        - Brezza Living Sdn Bhd
    - Uhin Wood Industries Sdn Bhd
    - Monica Design Sdn Bhd
- Builders Shop Pte Ltd

*Shareholdings in subsidiaries is 100% unless otherwise stated.
#Ceased to be a subsidiary company in June 2021.

CORPORATE INFORMATION

Board of Directors
Toh Hock Ghim (Independent Non-Executive Chairman)
Lim Pang Hern (Executive Director)
Jimmy Soh King Bin (Lead Independent Director)
Soh Chun Bin (Independent Director)
Marcelo Mora (Independent Director)

Audit Committee
Jimmy Soh King Bin (Chairman)
Soh Chun Bin
Marcelo Mora

Remuneration Committee
Marcelo Mora (Chairman)
Jimmy Soh King Bin
Soh Chun Bin

Nominating Committee
Soh Chun Bin (Chairman)
Jimmy Soh King Bin
Marcelo Mora
Lim Pang Hern

Registered Office
106 International Road #02-00
Singapore 629 175

Company Secretary
-

Share Registrar
B.A.C.S. Private Limited
77 Robinson Road #06-03
Singapore 068896

Auditors
Foo Kon Tan LLP
Public Accountants and Chartered Accountants
1 Raffles Place #04-61 /62
One Raffles Place Tower 2
Singapore 048616

Partner-in-charge: Chan Ser (since FY2020)
(a member of Institute of Singapore Chartered Accountants)

Bankers
United Overseas Bank Limited
CIMB Bank Berhad
DBS Bank Limited

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Lorenzo International Limited (the "**Company"**) and its subsidiaries (the "**Group**") 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 2018 (the "**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.

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 - The Company is headed by an effective Board which is collectively responsible and works with Management for the long term success of the Company.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group and holds Management accountable for performance.

The Board currently comprises one Executive Director and four Independent Directors. The contribution of the experience and competency of each Director helps in the overall effective management of 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
(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 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 on all matters lies with the entire Board.

The Executive Director 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 compromising 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:

a. review of the annual budget and the performance of the Group;
b. review of the key activities and business strategies;
c. approval of the corporate strategy and direction of the Group;
d. approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;
e. material acquisitions and disposals;
f. corporate or financial restructuring and share issuances;
g. declaration of dividends and other returns to shareholders; and
h. 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 year under review, the number of meetings held and attended by each Director is as follows[i]:

	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**
Lim Pang Hern	1	1	1	1	1	1	1	1
Ding Lei [ii]	1	1	1	1	1	1	1	1
Marcelo Mora	1	1	1	1	1	1	1	1
Jimmy Soh King Bin	1	1	1	1	1	1	1	1
Soh Chun Bin	1	1	1	1	1	1	1	1

i. 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.

ii. Mr Ding Lei retired at the last Annual General Meeting of the Company held on 3 March 2020 and was not re-elected at the AGM. The announcement relating to his cessation as an Executive Chairman and Director of the Company was released via SGXNET on 3 March 2020.

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 and the Group's legal advisors. Such newly-appointed Director shall also, on request, travel to see the operations 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.

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.

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 quarterly 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:

a. unrestricted access to the Company's records and information; and
b. separate and independent unlimited access to the Company Secretary and the Management.

The Company Secretary is available to the Directors at all times to advise on the necessary procedures for any Board and/or Board Committee meetings so as to ensure that all requirements and procedures (including those stipulated in the Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act 1967 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.

Board Composition and Guidance
Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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

Toh Hock Ghim (Independent Non-Executive Chairman)
Lim Pang Hern (Executive Director)
Jimmy Soh King Bin (Lead Independent Director)
Marcelo Mora (Independent Director)
Soh Chun Bin (Independent Director)

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 80 per cent of the Board is made up of Independent Directors, the Company believes the Board shall be able to exercise independent judgement 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 Board after such meetings.

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

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

As at the date of this Annual Report, the positions of Chairman and Chief Executive Officer are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The position of the Chief Executive Officer is currently vacant. As the Chief Executive Officer has not been appointed, the duties of the Chief Executive Officer are concurrently undertaken by the Executive Director, Mr. Lim Pang Hern. The NC and the Board are in the process of identifying suitable candidates to fill the position of the Chief Executive Officer. In the meantime, the Board as a whole has oversight over the operations and strategic direction of the Group's business.

The Chairman 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/she 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 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.

The Chief Executive Officer whose position is currently vacant, 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 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: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

At the date of this Annual Report, the NC comprises four members with a majority, including the NC Chairman, being Independent Directors. They are:

Soh Chun Bin – Chairman
Marcelo Mora
Jimmy Soh King Bin
Lim Pang Hern

The NC is responsible for:

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

Although the NC does not comprise entirely non-executive directors, 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 NC (including the Chairman of the NC) are independent. Further, in the event that a member of the NC has an interest in any matter being considered by the NC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

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, 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
Toh Hock Ghim	Independent Non-Executive Chairman	27 January 2023	-
Lim Pang Hern	Executive Director	6 March 2015	31 December 2018
Jimmy Soh King Bin	Lead Independent Director	18 January 2019	3 March 2020
Marcelo Mora	Independent Director	23 January 2017	3 March 2020
Soh Chun Bin	Independent Director	18 January 2019	3 March 2020

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 which they may make to determine their respective independence. Pursuant to its review, the NC is of the view that Mr Toh Hock Ghim, Mr Jimmy Soh King Bin, Mr Soh Chun Bin 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
Toh Hock Ghim	AnAn International Limited DISA Limited	Hon Corporation Limited FDG Kinetic Limited Auralite Investment Inc. AGV Group Limited Fourth Link Inc.
Lim Pang Hern	GPS Alliance Holdings Limited	-
Jimmy Soh King Bin	-	-
Marcelo Mora	GPS Alliance Holdings Limited	-
Soh Chun Bin	Geo Energy Resources Limited ISOTeam Ltd. Triyards Holdings Limited	Chosen 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 Lim Pang Hern. After assessing each of their contributions and performance, the NC is recommending Mr Lim Pang Hern for re-election at the forthcoming Annual General Meeting.

Further to the above, it should also be noted that the 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 year ended 31 March 2020 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: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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 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.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

CORPORATE GOVERNANCE

At the date of this Annual Report, the RC comprises three members, all of whom, including the RC Chairman, are Independent Directors. They are:

Marcelo Mora – Chairman
Jimmy Soh King Bin
Soh Chun Bin

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 personnel ("Key Management Personnel") and any persons occupying managerial positions who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Group. This review process covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, performance shares, and benefits-in-kind, as the case may be. Pursuant to its review, the 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 year ended 31 March 2020.

Level and Mix of Remuneration
Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 the industry norms/standards, the Group's performance as well as the contribution and performance of each Director when determining the remuneration packages of the Directors.

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

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 agreement with Mr Lim Pang Hern to set out the framework of their respective remuneration. This service agreement 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 agreement includes 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.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

In addition to its strict policies on bribery and money-laundering, the Group also maintains, under its Ethics, strict policies on gifts and entertainment which applies to all employees (including Directors). In the event that gifts, entertainment or other benefits are offered to employees, they must be properly declined if there is a risk of there being an appearance of impropriety. Similarly, all employees must also not offer any gifts, entertainment or other benefits to others if it creates an appearance of impropriety.

The breakdown of remuneration (rounded off to the nearest thousand dollars) of the Directors for the financial year ended 31 March 2020 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
Ding Lei [2]	-	133	-	-	-	133
Lim Pang Hern	-	132	-	9	-	141
Jimmy Soh King Bin	42	-	-	-	-	42
Marcelo Mora	42	-	-	-	-	42
Soh Chun Bin	42	-	-	-	-	42

Notes:

(1) No shares were issued to the Directors under the Company's Share Performance Plan for the financial year ended 31 March 2020.

(2) Mr Ding Lei was not re-elected as a Director of the Company on 3 March 2020.

The breakdown of remuneration (rounded off to the nearest thousand dollars) of the top Key Management Personnel for the financial year ended 31 March 2020 is set out below.

Name Of Key Management Personnel[a]	Fees S$'000	Salary S$'000	Bonus S$'000	Benefits-In-Kind S$'000	Allowances S$'000	Total S$'000
Teo Kok Meng	-	102	-	10	-	112
Chung Kim Yew	-	-	-	40	-	40

Notes:
a. No shares were issued to the Executive Officers under the Company's Share Performance Plan for the financial year ended 31 March 2020.

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

During the financial period year 31 March 2020, the Group did not have any employees who are immediate family members of a director or the CEO.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls
Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interest of the company and its shareholders.

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.

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 2020. This is supported by the written assurance from the Executive Director 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 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 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

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.

At the date of this Annual Report, the AC comprises three members, all of whom, including the AC Chairman, are Independent Directors. They are:

Jimmy Soh King Bin – Chairman
Marcelo Mora
Soh Chun Bin

The AC meets periodically and once every quarter to review the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained within the Group. The 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;
(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 year ended 31 March 2020, 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 auditors and, where relevant, the 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 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 in the financial year ended 31 March 2020. The audit fees paid to the External Auditors for their audit services in the financial year ended 31 March 2020 are S$160,000 (excluding disbursements and GST).

Messrs Foo Kon Tan LLP was also appointed in the financial year ended 31 March 2020 to audit the accounts of the Company and its subsidiaries companies in Singapore and People's Republic of China. 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

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The Company outsources its internal audit function to an external audit firm Nexia TS Risk Advisory Pte Ltd ("Internal Auditors"). Nexia TS Risk Advisory Pte Ltd is not the external auditor of the Company and the Audit Committee noted that the internal audits conducted by Internal Auditors meet the standards set out by the Institute of Internal Auditors. The Internal Auditors last conducted an internal audit of the Group for the financial period ended 31 March 2019 and no internal audit was performed for the financial year ended 31 March 2020.

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

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 AC.

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 is responsible for the review and approval of 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 independent, effective, adequately resourced and adequate to safeguard the Shareholders' investment and the Company's assets as the internal audit function is outsourced to the Internal Auditors.

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

a. reviewing the revenue policies and procedures established;
b. checking invoices raised to sales order and/or contracts;
c. reviewing discrepancies of billing and receipts;
d. reviewing monitoring system for unfulfilled sales order procedures;
e. reviewing processing and banking-in of receipts;
f. reviewing customer complaints and respective corrective action taken;
g. reviewing sales-related deductions and adjustments to ensure that they were supported with documentary evidence and were authorised;

h. reviewing the timeliness of revenue recognition;
i. checking the debtors aging report, the customer invoices and recording of debts in terms of amount period;
j. reviewing documentation and evidence supporting the monitoring of overdue balances and ensure that continuous monitoring is undertaken;
k. reviewing overdue balances and determining whether provisions or write-offs were required based on evidence collected during the monitoring stage;
l. reviewing credit evaluation procedures and credit management and commenting on its effectiveness;
m. checking that provision for bad debts and write offs were approved in accordance with policies and procedures;
n. checking goods received and issued to ensure that inventory records are updated accordingly;
o. reviewing the top-up level for essential spares and inventory;
p. reviewing movements of inventory;
q. reviewing the obsolete or slow moving items;
r. inquiring and observing the adequacy of physical security and control;
s. reviewing turnover of major inventory items and assessing the Group's ability to manage inventory;
t. reviewing stock take procedures and stock take report;
u. reviewing the performance of reconciliation of stock take variance to ensure that it was conducted as approved and taken up in the accounts; and
v. reviewing stock returned and rejected by customers and the reasons given for such returns;
w. reviewing key management/corporate information such as organisation charts, policies and procedures, systems and authorisation limits;
x. interviewing key process owners (managers and employees) on the operating processes and controls;
y. performing walkthrough of processes to understand key controls in place;
z. carrying out control testing through verification and reviewing of relevant documents; and
aa. reviewing employee job functions and responsibilities to assess whether incompatible duties were properly segregated.

The findings from the abovementioned reviews and checks are rated and reported to the 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.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings
Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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.

The Board regards the general meetings of shareholders, in particular the Annual General Meeting, as an opportunity to communicate directly with the Shareholders and encourages attendance and participative dialogue during the Annual General Meeting and any other general meetings of shareholders (hereinafter referred to collectively as "**General Meetings**").

CORPORATE GOVERNANCE

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 clear days before the Annual General Meeting if ordinary resolutions are to be transacted at the meeting or at least 21 clear 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.

Any notice of a general meeting of Shareholders is issued at least 14 clear days before the scheduled date of such meeting.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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 quarterly and full year results is disseminated through SGXNET.

The Company communicates regularly through the following channels:

a. the SGXNET;
b. news and press releases;
c. the annual report; and
d. if it receives any email queries from Shareholders, replies by email.

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

a. the Company's announcement of periodic financial results on the SGXNET;
b. notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;
c. press releases for the Group's quarterly and full-year results as well as other briefings, as appropriate;
d. 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
e. circulars or letters to Shareholders to provide the Shareholders with more information on its major transactions.

The Company does not have an investor relations policy but maintains a corporate website (http://www.lorenzo-international.com/) which allows the public to be aware of the Group's latest development and businesses. The shareholders can provide feedback to the Company via its electronic mail address or its registered office address. Calls and emails requesting information are generally attended to promptly, taking into consideration the fact that Management may need to consult with the Board or any of the Company's relevant advisors before communicating or disseminating certain information.

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.

CORPORATE GOVERNANCE

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material shareholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include communities, customers, employees, regulators, suppliers, shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its shareholders.

Please refer to the Sustainability Report on page 42 to 53 for more details on the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the financial year ended 31 March 2020.

SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Listing Manual requires Singapore-listed companies to describe their corporate governance practices with specific reference to the Code of Corporate Governance issued on 6 August 2018 (the "Code") in their annual reports for the financial year commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provision of the Code.

CORPORATE GOVERNANCE

SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE (Cont'd)

ADDITIONAL INFORMATION

Dealing In Securities

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

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

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

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

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.

The aggregate value of transactions entered into by the Group with interested persons and their associates for the financial year ended 31 March 2020 are as follows:

	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S$100,000 and transactions under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	
	31 March 2020 S$'000	**31 March 2019** S$'000
Sales to a firm of which a director of the Company is a member	-	-
Purchases from a firm of which a director of the Company is a member	-	-
Expenses charged by a firm of which a director of the Company is a member	-	-
Expenses charged to a firm of which a director of the Company is a member	-	-
The Group did not enter into the following transactions which come under the exception under Rule 916 of the SGX-ST Listing Manual		
Rental expenses paid and payable to a firm of which a director of the Company is a member	-	-
Rental expenses in relation to prior years paid and payable to a firm of which a director of the Company is a member	-	-

The Group has not obtained a general mandate from shareholders for interested person transactions.

Material Contracts

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

Accountability

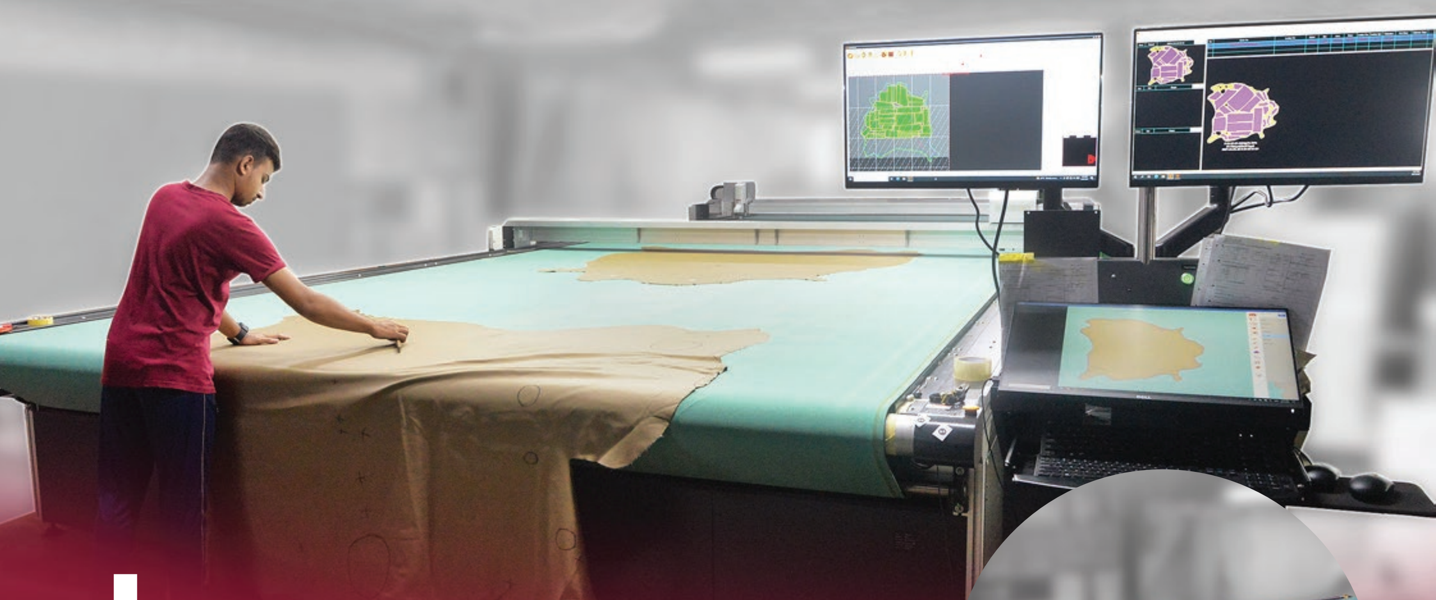
One of the Board's principal duties is to protect and enhance the long-term value and returns to the Shareholders. This accountability to the Shareholders is demonstrated through the presentation of its periodic financial statements as well as the timely announcements and news releases of significant corporate developments and activities so that the Shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Management maintains close contact and communication with the Board by various means, including but not limited to holding meetings with the Board or corresponding via email in which documents are circulated to the Board for their review or for their information. The Company is required to make quarterly announcements in relation to their financial results. 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.

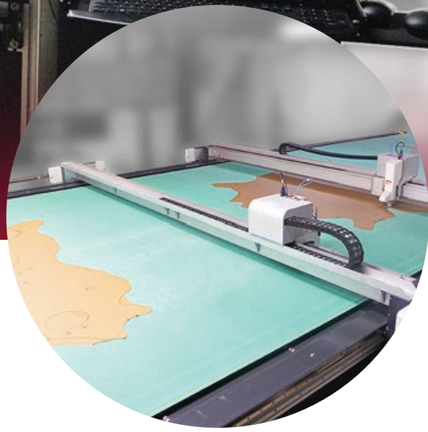
The Company also completes and submits the relevant compliance checklists to SGX (if applicable and when required) to ensure that all announcements, circulars or letters to our Shareholder comply with the minimum requirements set out in the SGX-ST Listing Manual.

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 is proper record keeping and financial reporting to safeguard the integrity and credibility of the Group and to prevent financial irregularities and even fraud. All employees are required under the Ethics to keep accurate and truthful records and reports (including those used for internal purposes and be in compliance with local and global accounting standards as well as laws, rules and regulations of countries in which the Group operates in).

The Group's reputation is valuable and has been achieved 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.



Improves Efficiency Productivity



INVESTMENT IN TECHNOLOGY

To optimise leather usage and savings, our factory has invested in new leather-cutting solution that contributes to a more efficient production cycle and increased yield efficiency. This new technology is equipped with precise hide analysis and leather-cutting solution. It helps factory achieves the highest level of quality regardless of the leather grades with no additional tooling cost. By investing in hide digitization, we can now increase productivity.

With this commitment to enhanced leather efficiency and quality control in mass production, our factory is confident to achieve optimal leather use and material savings. We will continue to advance our operational excellence by managing increased complexity while handling fluctuating production batches and reducing delivery lead time. These would improve our overall manufacturing efficiency which will reduce our cost.

Sustainbility Report

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

Lorenzo International Limited ("Lorenzo" and together with our subsidiaries, our "Group") is pleased to present our Sustainability Report for the financial year ended 31 March 2020 ("FY2020"). In this Sustainability Report, we report on the progress of our sustainability efforts over the financial year, with particular focus on our commitment to working alongside with our valued stakeholders for building a sustainable business.

The Board of Directors ("Board") of our Group maintains oversight over Environmental, Social and Governance ("ESG") key factors and ensures that issues relating to these ESG matters are managed and monitored on a regularly basis. The Board specifically considers sustainability issues as part of its strategic formulation and is committed to engage in the best sustainability practices, recognising how it can enhance our business operations and performance.

Year 2020 was an unprecedented year with the outbreak of COVID-19 and its pervasive impact causing great uncertainties to the global economy, as well as disruption to businesses worldwide. As the world struggles with the challenges faced with the COVID-19 pandemic, our Group continued to face the challenges of weakening consumer demand in furniture retail market as well as hurdles in implementing our financial and operational strategies. Despite the immense challenges, we take up the gauntlet to boost our revenue stream in the export segment as well as adopting cost reduction strategy.

Whilst our Group continues to strive on business restructuring efforts for resilient financial performance, we embrace the value of sustainability which includes but not limited to financial accountability, it is also crucial for our endeavour to achieve ESG goals and ensure long-term value creation for our stakeholders.

As such, we remain committed to working alongside our stakeholders to build a sustainable business model through our business restructuring efforts and continue to practice responsible business practices. We sincerely thank all our partners and stakeholders for their belief in us and for their unwavering support throughout this season.

Sincerely,
Board of Directors
Lorenzo International Limited

SUSTAINABILITY REPORT

ORGANISATIONAL PROFILE

Our Background

Our Group was incorporated on 16 June 2005 in Singapore under the name of Lorenzo International Pte Ltd. Lorenzo was subsequently listed on the mainboard of SGX-ST in January 2008, with registered office, as well our principal place of business being located at 106 International Road #02-00 Singapore 629175.

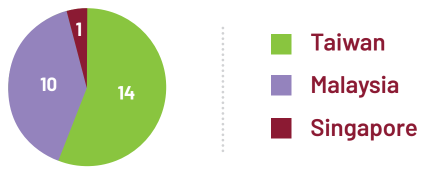
We design, manufacture, assemble, wholesale and retail a wide range of lifestyle furniture. As Lorenzo has had a history dating back to 1983 of being a branded lifestyle furniture retailer, we are committed to upholding the traditional heritage of quality and excellence, by controlling all aspects of the business through vertical integration, including the design, manufacture, assembly and distribution of its conceptualised furniture.

Our Group has been at the forefront of international trade fairs, representing the industry's leading designs and concepts. With our in-house design team, Lorenzo stays ahead of the latest designs and trends in the market to meet consumers' needs and demands. We pride ourselves on the care and quality of our products at every stage of the process from design and sourcing to manufacturing and post-sale services. With an emphasis on quality standards, Lorenzo provides more than comfort and lifestyle; we offer a home and space built on trust and confidence.

Currently, we have 25 wholly-owned stores across Singapore, Malaysia and Taiwan with more than 200 full time employees. Moreover, we have Licensed Retailing System ("LRS") stores across the world. To support the demand in the market, we own manufacturing facilities and assembly plants in Malaysia.

Wholly-owned stores by geographical locations

25 LORENZO STORES



Apart from furniture business, we also involve in trading of building materials by acquiring Builders Shop Pte Ltd, a leading importer, retailer, distributor, supplier and installer of building materials at the end of 2011.

Based on the Group's Annual Report for financial year ended 31 March 2020 ("FY2020"), the revenue generated from each of these operating segments amounted to S$25,952,000 and S$948,000 which are equivalent to 96.5% and 3.5% of total revenue respectively.

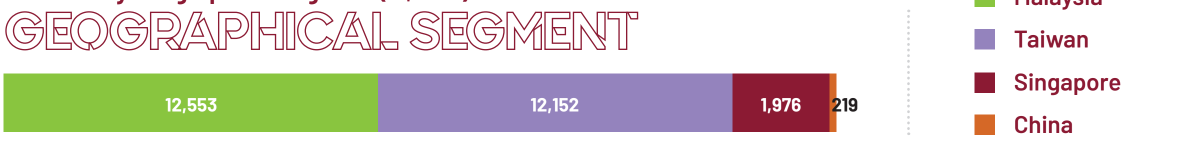
The Group registered lower revenue amounting to S$26.9 million for FY2020 compared to S$29.1 million in FY2019. The decrease of revenue was attributed by the lower sales generated across all its business units in Singapore, Malaysia and Taiwan. The lower sales in Singapore and Taiwan were due to weak furniture retail market which was worsened by the COVID-19 situation. The lower sales in Malaysia were due to closure of retail outlets arising from movement control order imposed by the Malaysian government in March 2020.

ORGANISATIONAL PROFILE (Cont'd)

By geographical segment, Malaysia revenue contribution was the highest, in which it generated 46.7% of our total revenue in FY2020.

Revenue By Geographical Segment (S$'000)

GEOGRAPHICAL SEGMENT



We sell most of our products under the Lorenzo brand name grouped under two main collections – Dante, which offers contemporary lifestyle furniture with strong European influence such as classic leather sofas and Enzo, for wood-based products. The Enzo series of products includes furniture for the living room, dining room and bedroom.

It had been a challenging year in FY2020 in view of diminishing market demand and the outbreak of COVID-19 which led to closure of retail outlets arising from the movement control order imposed by the Malaysia government in March 2020. Our business restructuring strategy is expected to be persistently implemented for another one or two years. In spite of that, quality of our products is not compromised and we will constantly deliver the best to our customers.

OUR VISION

We envision ourselves to be the leading lifestyle furniture provider, enhancing living concepts for every home. We inspire to be the name customers think of when they are looking for the ultimate living experience.

OUR MISSION

We aim to achieve this by providing comfort in style through constant innovation and product development for our customers. We seek to bring exquisite and high quality products and solutions to market, designed with the finest materials and our customers in mind.

Our Supply Chain

We recognise the role of sustainability in value chain management. To streamline our supply chain management, we have established manufacturing facilities and assembly plants in Malaysia. Additionally, we work in tandem with other suppliers for different models of furniture on a consignment basis.

For quality assurance of our products, we assess our suppliers in terms of standard of their deliverables as well as their services at operational level. In FY2020, we have ceased collaboration with one of our main suppliers due to inferior quality of goods provided. We strictly control quality of our products to ensure our vision and mission are achieved. Raw materials that we sourced, mainly leather, PVC, fabric, wood, foam and finishes, are also subject to stringent quality inspections. These controls allow us to maintain our product quality as well as reducing material wastages, which is a key business driver for our continued and sustainable success. The COVID-19 pandemic has not only affected our revenue, it has also posed challenges for our upper supply chain, in both locally and overseas, as a result of national lockdowns globally. Nevertheless, we work in tandem with the suppliers to reduce the impact of supply chain disruption.

Our Corporate Structure

Our Group has 100% shareholdings in all our subsidiaries.

Our Governance Structure

Board of Directors	**Audit Committee:**
Toh Hock Ghim (Independent Non-Executive Chairman)	Jimmy Soh King Bin (Chairman)
Lim Pang Hern (Executive Director)	Marcelo Mora
Jimmy Soh King Bin (Lead Independent Director)	Soh Chun Bin
Marcelo Mora (Independent Director)	
Soh Chun Bin (Independent Director)	
Remuneration Committee	**Nominating Committee**
Marcelo Mora (Chairman)	Soh Chun Bin (Chairman)
Jimmy Soh King Bin	Marcelo Mora
Soh Chun Bin	Jimmy Soh King Bin
	Lim Pang Hern

External Initiatives

Currently, we do not engage in any external initiative but we do not rule out the possibility to engage in such activities in the future. We understand the need to carry out these initiatives and will consider doing so in the future.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

We have prepared this report with reference to the Global Reporting Initiative (GRI) Standards, as well as the Mainboard Listing Rules 711A and 711B of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The sustainability report summarises the Group's sustainable business operations whilst providing information on ESG and economic practices that are material to the Group' business and key stakeholders.

We have not sought external assurance for this report. We relied on internal data monitoring and verification to ensure accuracy.

We are committed to listening to our stakeholders and we value your feedback regarding the report or any aspect of our sustainability performance.

REPORTING PERIOD

This sustainability report focuses on the Group's sustainability efforts and strategies for the period from 1 April 2019 to 31 March 2020 ("FY2020") across the Group's operations in Singapore, Malaysia and Taiwan.

STANDARD

This sustainability report has been prepared in accordance with Rules 711(A) and 711(B), and the Global Reporting Initiative ("GRI") Standards

FEEDBACK CHANNEL

We are committed to listening to your feedback. Please send your feedback and enquiries to

corporate@lorenzo-international.com

STAKEHOLDERS ENGAGEMENT

The Group focuses on creating sustainable value for our key stakeholders, which include our customers, employees, shareholders/ investors, business partners, suppliers and government and regulators. We understand the importance of having constant engagements with our stakeholders so that we could identify potential new risks and opportunities, which will in turn result in further value creation for our stakeholders and business.

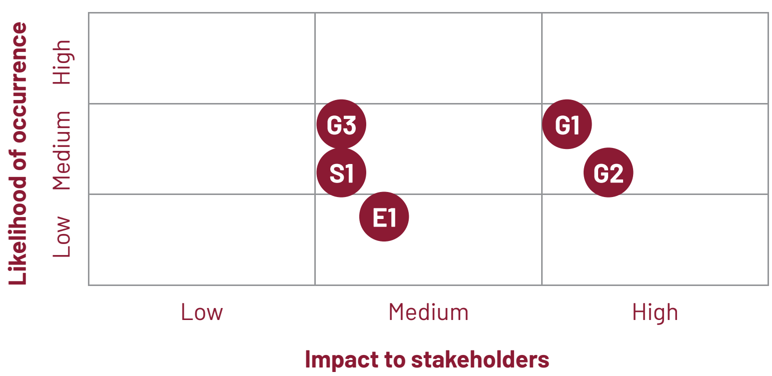
We have made conscious efforts to engage our stakeholders and evaluate their needs and expectations in formal and informal engagements to communicate the Group's sustainability efforts.

Stakeholder Group	Engagement activities	Key concerns
Customers	Daily interactions Enquiry and feedback channels Customer survey	Good product quality Timely delivery of goods Top notch customer service Cost-competitiveness
Employees	Annual employee performance appraisal Regular team meeting Staff communication sessions Internal newsletters	Staff rights and welfare Good working environment Personal development
Investors	Regular investor meetings, board meetings Annual and interim reports Circulars to shareholders	Profitability Transparency Timely reporting
Business Partners	Frequent discussions and meetings	Partnership for opportunities and growth
Suppliers	Periodic supplier evaluation Comparison of quotes Periodic discussions	Compliance with terms and conditions of purchasing policies and procedures Maintenance of ethical standards
Government and Regulations	Discussions with government agencies and departments	Compliance with regulations Timely reporting and resolution of issues

MATERIAL TOPICS

We carried out materiality assessment in accordance with GRI guidelines. The assessment helped us apply a sustainability lens to business risk, opportunity, trendspotting and enterprise risk management processes.

In FY2020, we assessed the ESG issues previously identified in FY2019 and concluded that they are still relevant to our business and stakeholders. The materiality matrix below is used to identify all the sustainability topics and priorities for reporting. We assessed the potential impact on the environment, social and governance aspect and influence on our stakeholders, with an on-going research, discussions and interactions together with our stakeholders.



Based on the matrix and priority illustrated above, we have identified the following material topics for FY2020:

Governance	Social	Environment
G1 – Corporate governance G2 – Anti-corruption and anti-bribery G3 – Socioeconomic compliance	S1 – Diversity and equal opportunity	E1 – Environmental compliance

CORPORATE GOVERNANCE

As our priorities in the sustainability efforts remain to deliver sustainable growth and to protect our stakeholders' interest, the Group is committed to putting in place effective and robust compliance and governance regimes, as well as complying with guidelines of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore where applicable to ensure accountability and transparency in conducting our business.

We have also put in place effective corporate practices to safeguard against fraud, with the aim of protecting shareholders' interests as well as securing the long-term success of our Group. We place heavy emphasis on ethical business conduct on all employees and they are expected to conduct themselves in accordance with the expectations set out in the code of conduct. Unethical conduct or malpractices in relation to corruption and fraud by employees will be met with formal disciplinary proceedings.

Anti-Corruption and Anti-Bribery

Our Group's professional ethics and integrity are always upheld when carrying out business operation. We establish and maintain stringent policies against dishonest and corrupt practices as well as ensure that all business functions are aware of the established code of conduct and ethical business practices in every district we operate. Therefore, acts of corruption and bribery are strictly forbidden in our Group.

In our call to advocate good governance within our Group, we continue to review our whistleblowing policy to ensure it clearly defines the process and reporting channels, by which reports regarding matters such as misconducts, unlawful activities, suspected fraud and other dishonest activities can be made in confidence.

There are also arrangements for an independent investigation for such incidents and appropriate follow-up actions where necessary by the AC Chairman. The AC will subsequently report to the Board on such matters.

A copy of our whistle-blowing policy and procedures could be found on our corporate website (https://www.lorenzo-international.com/whistleblow-policy), as well as in the Employees Handbook, which is made known to all employees of our Group.

In FY2020, there were no reported cases in relation to breaches of code of corporate governance, corruption and bribery. Moving forward, our Group intends to maintain our good track record of having zero reported cases.

Socioeconomic Compliance

Guided by our core values and code of conduct, we are committed to adhering to the law and regulations on social and economic aspects that are in place by the local authorities. Our tone for regulatory compliance is set clearly at the top and consistently reiterated from the Board throughout all levels of our Group.

Management periodically attends and conducts trainings for relevant employees to keep them updated on relevant laws and regulations. Our business practices are also periodically reviewed and updated to reflect changes in compliance requirements.

We are proud to announce that in FY2020, our Group has no reported instances of non-compliance with laws and regulation on social and economic aspects. Moving forward, we will continue to closely monitor existing as well as new laws and regulations, in order to ensure complete compliance.

SOCIAL

Diversity and Equal Opportunity

Our employees are recognised as the Group's greatest asset as they assist the Group achieves its business strategies and sustainable growth. We have developed and integrated human capital strategies on talent attraction, development and retention to enhance our Group's employee retention mechanisms and talent attraction ability.

As part of our talent retention strategies, Our Group embraces diversity and values the importance of creating an all-inclusive environment where our employees are treated respectfully, honestly and equally with one another. We pride ourselves in maintaining a harmonious and diverse workforce spanning difference generations and skill sets. Our Group is committed to creating an environment that provides equal opportunities and benefits to each employee, regardless of his or her gender or age.

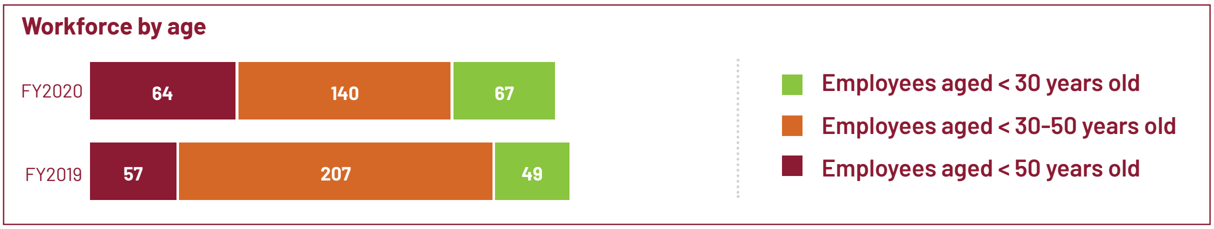
A policy has been adopted in ensuring that only suitable candidates are hired for the jobs through our non-discriminatory and selection process. Our hiring policy governs the procedures from sourcing of potential suitable candidates to recruitment and confirmation of employees.

Our Group also complies with local labour laws and Employment Act as well as supports employee rights and obligations in accordance with local regulations and statutory legislations.

We managed to maintain zero non-compliance with relevant laws and regulations in FY2020 and we aim to maintain the same for FY2021.

As our Group is still in the restructuring process, Management is diligently reviewing our workforce composition and structure to maintain unhindered performance. We will continue to strive to position ourselves well to attract, retain and develop exceptional talents.

Diversity and Equal Opportunity (Cont'd)



COVID-19 Counter Measures

Our employees' safety, health and well-being are of utmost importance to us. In response to the COVID-19 crisis in FY2020, the Group has made conscious efforts to ensure additional safety regulations have been complied with and safety and health of our employees are taken care of.

While Business Continuity Plan was activated for split teams work arrangement to mitigate congestion in the office and showroom, we have also put in place temperature monitoring, enhanced cleaning regimes and other safe workplace protocols to ensure that our employees are protected from the risks of the virus infection.

ENVIRONMENTAL COMPLIANCE

Digital transformation is reshaping on every industry across the globe. However, as this era of innovation accelerates, so does the demand for the resources that fuel our rapidly evolving digital world. Operating in the manufacturing and building materials sector, our Group remains dedicated to our long-term responsibility to protect the environment. We strongly believe that environmental conservation will ultimately lead to the sustainability of our Group's success.

Our policies are consistently reviewed and updated to optimise the management of energy, water, and waste within our Group. We also ensure compliance with relevant environmental laws and regulations. As part of our training and development plan, Management and key employees are required to attend and conduct trainings on environmental regulations and requirements.

In addition to compliance with the environmental related regulations, we take a step forward by incorporating the Reduce, Reuse and Recycle principle in our environmental policies and practices. We actively promote the reduction of paper, electricity and water usage in our office premises and stores. We also advocate reusing papers and paper-based materials and recycling of relevant waste materials. Recycling bins are placed throughout our premises for convenience to increase and encourage recycling activities.

We are pleased to report that there were no reported non-compliance cases with environmental laws and regulations for FY2020. Our Group strives to continue our commitment in building a clean environment and to comply with environmental laws and regulations in coming years.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standard and Disclosure	Location
GRI 2: GENERAL DISCLOSURES 2021	
2-1 Organisational details	45
2-2 Entities included in the organisation's sustainability reporting	47
2-3 Reporting period, frequency and contact point	48
2-4 Restatements of information	No restatements
2-5 External assurance	48
2-6 Activities, value chain and other business relationships	45 – 46
2-7 Employees	51 – 52
2-9 Governance structure and composition	47
2-10 Nomination and selection of the highest governance body	23 – 25
2-11 Chair of the highest governance body	22 – 23
2-12 Role of the highest governance body in overseeing the management of impacts	44
2-15 Conflicts of interest	20
2-16 Communication of critical concerns	50
2-18 Evaluation of the performance of the highest governance body	25 – 26
2-19 Remuneration policies	26 – 29
2-20 Process to determine remuneration	26 – 29
2-22 Statement on sustainable development strategy	44
2-23 Policy commitments	18
2-27 Compliance with laws and regulations	51 – 52
2-29 Approach to stakeholder engagement	48 – 49
GRI 3: MATERIAL TOPICS 2021	
3-1 Process to determine material topics	49 – 50
3-2 List of material topics	49 – 50
3-3 Management of material topics	50 – 52
GRI 205: ANTI-CORRUPTION 2016	
205-3 Confirmed incidents of corruption and actions taken	50
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	
405-1 Diversity of governance bodies and employees	52

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Financial Statement

DIRECTORS' STATEMENT

We submit this statement to the members of the Lorenzo International Limited (the "Company") and its subsidiaries (collectively the "Group") together with the audited financial statements for the financial year ended 31 March 2020.

In our opinion,

(a) the consolidated financial statements of the Group and statement of financial position of 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 2020 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able 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.

Names of directors

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

Lim Pang Hern
Toh Hock Ghim (Independent Non-Executive Chairman) appointed on 27 January 2023
Marcelo Mora (Independent director)
Soh King Bin, Jimmy (Independent director)
Soh Chun Bin (Independent director)

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
The Company - Lorenzo International Limited	As at 1.4.2019	**As at 31.3.2020 and 21.4.2020**	As at 1.4.2019	**As at 31.3.2020 and 21.4.2020**
	Number of ordinary shares			
Lim Pang Hern [1]	959,500	**959,500**	45,579,800	**45,579,800**
Ding Lei [2]	125,600,000	**-**	-	**-**

Note:
1. Mr Lim Pang Hern is deemed to be interested in shares held by BD Corporation Pte. Ltd.
2. Ding Lei ceased to be the director of the Company with effect from March 3, 2020

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

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee
The Audit Committee as at the date of this statement comprises the following members, all of whom are independent directors:

Soh King Bin, Jimmy (Chairman)
Marcelo Mora
Soh Chun Bin

The Audit Committee performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit 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 respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2020 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 Audit Committee;

(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;

Audit Committee (Cont'd)

(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 Audit Committee to the board of directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee 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 Audit Committee.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

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

On behalf of the Directors

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SOH KING BIN, JIMMY

....

LIM PANG HERN

Dated: 29 May 2023

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 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the Company. 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 2020, the Group had a deficit in equity of $10,692,841 (2019: $7,330,087) and net current liabilities of $22,883,720 (2019: $20,200,398) while the Company had a deficit in equity of $4,057,423 (2019: $2,148,576) and net current liabilities of $4,068,012 (2019: $2,164,406). For the financial year ended 31 March 2020, the Group incurred a loss after tax of $3,493,414 (2019: $5,827,604) and a total comprehensive loss of $3,362,754 (2019: $5,781,182), respectively, and reported net operating cash inflows of $3,389,857 (2019: net operating cash outflows of $5,489,620). At the reporting date, the Group's current borrowings amounted to $18,696,498 (2019: $18,924,171).

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. Furthermore, some of the Group's financing arrangements had expired and the amounts outstanding were payable on 30 September 2016, 31 December 2016 and 31 March 2020. At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to $6,412,416 was obtained from the banks. Furthermore, management did not prepare cash flow projections for at least 12 months from the date of financial statements to evaluate the adequacy of cashflows for the Group to continue its operations and pay its liabilities as and when they fall due and to assess the appropriate use of the going concern assumption. Management also did not perform other assessment such as management's plans for future actions in relation to its going concern, in evaluating the Group's ability to continue as a going concern.

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis. Based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

Basis for Disclaimer of Opinion (Cont'd)

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

Therefore, we are not able to form a view as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate since we are not able to obtain sufficient appropriate audit evidence on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the 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 statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

The auditor's report dated 22 January 2020 for the financial year ended 31 March 2019 included a similar qualification on this matter.

(2) Recoverability of amounts due from subsidiaries

As at 31 March 2020, the Company had non-trade amounts of $814,810 (2019: $1,058,290) (Note 11) due from subsidiaries.

These subsidiaries did not have sufficient accessible highly liquid assets to repay the amounts to the Company if demanded at the reporting date. Management did not perform an impairment assessment to determine the expected credit losses on the amounts due from subsidiaries. As at 31 March 2020, the Company did not recognise an impairment loss on these amounts which is a departure from Singapore Financial Reporting Standard (International) 9 *Financial Instruments*.

The auditor's report dated 22 January 2020 for the financial year ended 31 March 2019 included a similar qualification on this matter. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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

(cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(3) Recoverable amount of non-financial assets and reversal of/and impairment losses

The Group had carried out an impairment assessment over its property, plant and equipment (Note 4), investment properties (Note 5), right-of-use assets (Note 6), land use rights (Note 7) and costs of investment in subsidiaries (Note 8) and identified 5 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)), the furniture business in Taiwan (Retail CGU (Taiwan)), rental income from the leasing of properties in China (Leasing CGU (China)) 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 was determined for the following assets:

1. Costs of investment in subsidiaries at the Company level for the Building Materials CGU, Retail CGU (Singapore) and Leasing CGU (China);
2. Plant and equipment and motor vehicles for Retail CGU (Singapore), Retail CGU (Malaysia) and Leasing CGU (China);
3. Investment property for the Leasing CGU (China); and
4. Right-of-use assets for the Retail CGU (Singapore), Retail CGU (Malaysia) and Leasing CGU (China).

Consequently, we were unable to satisfy ourselves by alternative means concerning:

- any reversal of brought forward impairment loss as of 31 March 2020 of $34,988,360 (Note 8), if required, in the costs of investment in subsidiaries of those CGUs;
- any impairment losses and/or reversal of brought forward impairment loss as of 31 March 2020 of $2,571,063 (Note 4), if required, in the plant and equipment and motor vehicles of those CGUs;
- any impairment losses, if required, in the investment property for the Leasing CGU (China); and
- any impairment losses, if required, in the right of use assets for those affected CGUs.

In the absence of other satisfactory evidence, we were thus unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying value of the investments in subsidiaries of $Nil (Note 8) plant and equipment and motor vehicles of $167,980 (Note 4), investment property of $5,970,685 (Note 5), and right of use assets of $7,139,463 (Note 6) as of 31 March 2020.

The auditor's report of the Group for the financial year ended 31 March 2019 dated 22 January 2020 included a similar qualification on this matter. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Basis for Disclaimer of Opinion (Cont'd)

(4) Incremental borrowing rates applied in the recognition of right-of-use assets and lease liabilities

On adoption of SFRS(I) 16 *Leases* with effect from 1 April 2019, the Group was required to recognise a right-of-use asset and a lease liability at commencement for all leases for which it was the lessee, except for short-term leases and leases of low-value assets when such recognition exemptions were applied. The Group recognised a lease liability at the present value of the remaining lease payments using the Group's incremental borrowing rate for the underlying lease asset; and recognised a right-of-use asset, on a lease-by-lease basis, at an amount equal to the lease liability.

In determining the incremental borrowing rate, management did not take into consideration the risk-free rate and the credit spread specific to the leases as well as the remaining lease term for each relevant lease in determining the appropriate incremental borrowing rate. As a result, there was an overstatement of the right-of-use assets and lease liabilities by $103,681 and $93,905 respectively as at 31 March 2020, and an overstatement of depreciation expense by $10,476 and an understatement of interest expense by $20,252 arising from the differential in the incremental borrowing rates applied for the financial year ended 31 March 2020.

(5) Disposal of subsidiary, Lorenzo Furniture (Kunshan) Co., Ltd ("Kunshan")

As disclosed in Note 8 to the consolidated financial statements, between 20 March 2018 and 15 July 2019, the Group entered into multiple agreements including 框架协议 i.e. Framework agreement; 股权转让协议 i.e. Share transfer agreement and 股权转让协议之补充协议 i.e. Supplemental agreement to the Share transfer agreement (collectively the "transfer agreements"), with 上海昆昊木业有限公司 ("Kunhao" or the "Purchaser") in relation to the disposal of 100% equity interest of its subsidiary, Kunshan, (the "Share Transfer"), for a consideration of RMB 88 million less the total indebtedness of Kunshan.

As stipulated under the Share transfer agreement, the conditions precedent to the share transfer were as follows:

i. Approvals, internal and external approvals, including but not limited to the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and approval of the Company's shareholders at a general meeting to be convened and/or its board of directors in respect of the Share Transfer;
ii. Approval of the board of directors and/or the board of shareholders of Kunshan in accordance with the Articles of Association in respect of the Share Transfer; and
iii. Approvals of and registrations and filings with the relevant People's Republic of China ("PRC") governmental authorities in relation to the Share Transfer.

However, all of the above conditions precedent were not met by 20 April 2019 where the Group was required to transfer 100% equity interest in Kunshan to Kunhao pursuant to the Framework agreement. On 15 July 2019, the Group entered into a supplemental agreement to the Share transfer agreement with Kunhao where the original conditions precedent were replaced with a new condition precedent requiring Kunshan to have legal title and ownership over the land-use right and properties at No. 9 Dongyuan Road, Kunshan City [昆山市淀山湖镇东苑路 9 号的土地使用权和房屋产权] prior to its transfer to Kunhao. Kunhao obtained an order of the Chinese Court in PRC (the "Chinese Court") to enforce its legal right under the transfer agreements to transfer the entire equity interest in Kunshan to Kunhao with effect from 18 June 2021 (the "Disposal Date").

Basis for Disclaimer of Opinion (Cont'd)

(5) Disposal of subsidiary, Lorenzo Furniture (Kunshan) Co., Ltd ("Kunshan") (Cont'd)

(5.1) Non-current Assets Held for Sale and Discontinued Operations

The disposal of Kunshan constituted a Major Transaction under Chapter 10 of the Listing Manual of the SGX-ST ("Listing Manual"). Accordingly, the disposal is conditional upon the approval of shareholders of the Company under Rule 1014 of the Listing Manual (the "Listing Manual"). On 15 July 2019, the Group entered into a supplementary agreement with Kunhao which did not include the approval of shareholders of the Company for the Share Transfer in accordance with the Listing Manual requirements as a condition precedent.

SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets and disposal groups to be classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for disposal if their carrying amounts will be recovered principally through disposal, by sale or otherwise, rather than through continuing use.

As described in Note 8, the Group had entered into transfer agreements with Kunhao in respect of the transfer of 100% equity interest in Kunshan to Kunhao. However, the Group management did not evaluate whether the disposal of Kunshan constituted a disposal group and discontinued operations in accordance with the requirements of *SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations* for the financial year ended 31 March 2020. As such, we were unable to determine whether any adjustments on the carrying amounts of the assets and related disclosure information might be necessary for the year ended 31 March 2020.

(5.2) Provisions

In accordance with the condition under the Framework agreement which was legally binding and enforceable, the Group was required to transfer 100% equity interest in Kunshan to Kunhao by 20 April 2019. Otherwise, a penalty of RMB18 million would be payable to Kunhao for a breach of contract. Thus, there existed a present obligation for the Group to pay the penalty of RMB18 million and it was probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount of the obligation could be made. Based on the judgement passed by the Chinese Court, the Group was liable to pay RMB18 million arising from the non-performance under the contract.

The Group did not provide for this liability of RMB18 million in the consolidated statement of financial position as at 31 March 2020. This is not in compliance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Basis for Disclaimer of Opinion (Cont'd)

(5) Disposal of subsidiary, Lorenzo Furniture (Kunshan) Co., Ltd ("Kunshan") (Cont'd)

(5.3) Incomplete books and records of Lorenzo Furniture (Kunshan) Co., Ltd ("Kunshan")

Subsequent to the Disposal Date, the accounting books and records of Kunshan were transferred to Kunhao. Both Kunshan management and its auditors were not allowed access to these financial records of Kunshan for the year ended 31 March 2020. Kunshan represented 25% of the Group's total assets, 21% of the Group's total liabilities, 1% of the Group's total revenue and 12% of the Group's loss after tax for the year ended 31 March 2020.

Accordingly, we were not able to complete our audit procedures as we were not able to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2020 and the transactions and notes to the financial statements of Kunshan for the year then ended. Any adjustments that might have been found to be necessary might have a consequential significant effect on the Group's financial statements for the year ended 31 March 2020 and the related disclosures.

(6) Inventories

The carrying amounts of inventories in Lorenzo Furniture (Kunshan) Co., Ltd amounted to $78,255 as at 31 March 2020.

Management did not perform a physical inventory count to ensure the existence of inventory as of 31 March 2020. We were thus unable to satisfy ourselves by alternative means concerning the inventory quantities held and the completeness, existence and accuracy of the carrying amount of inventories of $78,255 and the associated allowance for inventory of $1,418,254 as of 31 March 2020.

(7) Revenue recognition

During the financial year ended 31 March 2020, one of the subsidiaries of the Group initially recognised revenue from the sale of goods of $400,000 and subsequently issued a credit note of $64,545 for sales return.

In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, revenue is recognised when a performance obligation is satisfied by transferring a promised good or service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. Revenue from the sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied and the customer obtains control of the goods.

Due to the lack of documentary evidence available to us, we were unable to ascertain the occurrence of revenue of $335,455 recognised for the year ended 31 March 2020.

Basis for Disclaimer of Opinion (Cont'd)

(8) Amount due to contract customers

As highlighted in our auditor's report dated 22 January 2020, as a result of the qualification on the existence, accuracy and valuation of the amount due to contract customers of $109,993 as of 31 March 2018, we were unable to determine whether the opening balances as at 1 April 2018 were fairly stated. We were unable to obtain sufficient and appropriate audit evidence to ascertain the appropriate accounting periods i.e. which financial year ended – whether 31 March 2019, 31 March 2018 or earlier, should the amount due to customers of $109,993 and the prior year's contract revenue of $150,869 be recognised in. Since opening balances of the carrying values of amount due to contract customers affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the financial year ended 31 March 2019. Our audit opinion on the financial statements for the year ended 31 March 2019 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

(9) Provision of intra-group financial guarantee contract liabilities – Company level

As at 31 March 2020, the Company extended intra-group financial guarantees comprising corporate guarantees aggregating to $12,900,000 to financial institutions in respect of banking facilities drawn down by its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the financial institutions if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Some of the subsidiaries' financing arrangements had expired and no extension for repayment was obtained from the financial institutions. Furthermore, these subsidiaries had also defaulted on the principal payments on their borrowings.

However, the management did not assess and provide for any intra-group financial guarantee contract liabilities. This is not in compliance with SFRS(I) 9 *Financial Instruments.*

(10) Provision for claims and damages

As disclosed in Note 30 to the consolidated financial statements, based on the judgement passed by the High Court of the Republic of Singapore on 19 April 2023, it is adjudged that the plaintiff is entitled to a sum of $51 million for the costs of replacing the facade of a building tower and is entitled to a sum of $2.6 million for the losses from the fall of the stone panel on 10 February 2011. Builders Shop Pte. Ltd., together with several other defendants, are jointly and severally liable for the sums above.

The Group did not evaluate and provide for these claims and damages in the consolidated financial statements for the year ended 31 March 2020. This is not in compliance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*

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

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 Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International), 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 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 to cease operations, or has no realistic alternative but to do so.

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

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 financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *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, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ser.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 29 May 2023

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

	Note	The Company		The Group	
		31 March 2020 $	31 March 2019 $	**31 March 2020 $**	31 March 2019 $
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**10,589**	15,830	**465,995**	4,466,175
Investment properties	5	**-**	-	**5,970,685**	8,113,103
Right of use assets	6	**-**	-	**8,183,050**	-
Land use rights	7	**-**	-	**-**	869,276
Subsidiaries	8	**-**	-	**-**	-
Deferred tax assets	19	**-**	-	**12,525**	14,035
		10,589	15,830	**14,632,255**	13,462,589
Current Assets					
Land use rights	7	**-**	-	**-**	24,015
Inventories	10	**-**	-	**7,631,141**	8,506,869
Trade and other receivables	11	**870,927**	1,096,573	**3,740,690**	4,110,956
Cash and bank balances	13	**1,871**	4,687	**1,291,517**	923,582
		872,798	1,101,260	**12,663,348**	13,565,422
Assets held for sale	9	**-**	-	**1,997,000**	-
		872,798	1,101,260	**14,660,348**	13,565,422
Total assets		**883,387**	1,117,090	**29,292,603**	27,028,011
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	**39,948,675**	39,948,675	**39,948,675**	39,948,675
Reserves	15	**(44,006,098)**	(42,097,251)	**(50,641,516)**	(47,278,762)
Total equity		**(4,057,423)**	(2,148,576)	**(10,692,841)**	(7,330,087)
Non-Current Liabilities					
Borrowings	16	**-**	-	**98,863**	27,133
Contract liabilities	17	**-**	-	**-**	469,418
Lease liabilities	18	**-**	-	**2,246,786**	-
Deferred tax liabilities	19	**-**	-	**95,727**	95,727
		-	-	**2,441,376**	592,278
Current Liabilities					
Trade and other payables	20	**4,872,558**	3,193,670	**13,988,290**	10,783,496
Contract liabilities	17	**-**	-	**2,814,876**	3,908,754
Lease liabilities	18			**1,880,984**	-
Borrowings	16	**-**	-	**18,696,498**	18,924,171
Amounts due to directors	21	**68,252**	71,996	**68,252**	71,996
Current tax payable		**-**	-	**95,168**	77,403
		4,940,810	3,265,666	**37,544,068**	33,765,820
Total liabilities		**4,940,810**	3,265,666	**39,985,444**	34,358,098
Total equity and liabilities		**883,387**	1,117,090	**29,292,603**	27,028,011

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 March 2020

	Note	2020 $	2019 $
Revenue	3	**26,900,129**	29,065,297
Cost of sales		**(13,981,097)**	(15,267,053)
Gross profit		**12,919,032**	13,798,244
Other income	22	**1,995,002**	4,161,717
Distribution costs		**(2,531,952)**	(3,041,302)
Administrative expenses		**(10,524,316)**	(14,258,000)
Other operating expenses		**(3,304,246)**	(2,933,502)
Finance costs	23	**(1,748,318)**	(1,294,173)
Impairment loss on trade and other receivables	11	**(183,329)**	(1,867,534)
Loss before taxation	24	**(3,378,127)**	(5,434,550)
Tax expense	25	**(115,287)**	(393,054)
Loss after taxation		**(3,493,414)**	(5,827,604)
Loss for the year attributable to owners of the Company		**(3,493,414)**	(5,827,604)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations, at nil tax		**130,660**	46,422
Other comprehensive income for the year, net of nil tax		**130,660**	46,422
Total comprehensive loss for the year attributable to owners of the Company		**(3,362,754)**	(5,781,182)
Loss per share (cents)			
- basic	26	**(0.80)**	(1.33)
- diluted	26	**(0.80)**	(1.33)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2020

	Share capital $	Translation reserve $	Merger reserve $	Capital reserve $	Accumulated losses $	Total equity $
At 1 April 2018	39,948,675	(5,207,365)	(3,282,141)	838,050	(33,846,124)	(1,548,905)
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(5,827,604)	(5,827,604)
Other comprehensive income	-	46,422	-	-	-	46,422
Total comprehensive loss for the year	-	46,422	-	-	(5,827,604)	(5,781,182)
At 31 March 2019	39,948,675	(5,160,943)	(3,282,141)	838,050	(39,673,728)	(7,330,087)
At 1 April 2019	**39,948,675**	**(5,160,943)**	**(3,282,141)**	**838,050**	**(39,673,728)**	**(7,330,087)**
Total comprehensive loss for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(3,493,414)**	**(3,493,414)**
Other comprehensive income	**-**	**130,660**	**-**	**-**	**-**	**130,660**
Total comprehensive loss for the year	**-**	**130,660**	**-**	**-**	**(3,493,414)**	**(3,362,754)**
At 31 March 2020	**39,948,675**	**(5,030,283)**	**(3,282,141)**	**838,050**	**(43,167,142)**	**(10,692,841)**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the financial year ended 31 March 2020

	Note	2020 $	2019 $
Cash Flows from Operating Activities			
Loss before taxation		**(3,378,127)**	(5,434,550)
Adjustments for:			
Impairment loss on trade and other receivables, net	11	**183,329**	1,867,534
Depreciation of property, plant and equipment	4	**272,879**	598,399
Depreciation of right-of-use assets	6, 24	**1,658,242**	-
Depreciation of investment properties	5, 24	**568,859**	573,446
Amortisation of land-use-rights	7, 24	**-**	24,110
Impairment loss on property, plant and equipment	4, 24	**-**	517,892
Gain on disposal of property, plant and equipment	22	**(31,292)**	(11,111)
Inventories written off	10, 24	**-**	20,311
Allowance for inventory obsolescence	10, 24	**251,947**	-
Reversal of allowance for inventory obsolescence	10, 24	**(10,616)**	(228,815)
Waiver of loans from directors of a subsidiary	22	**-**	(374,358)
Interest income	22	**(3,791)**	(4,086)
Interest expense	23	**1,744,115**	1,267,937
Operating profit/(loss) before working capital changes		**1,255,545**	(1,183,291)
Change in inventories		**753,635**	(1,251,588)
Change in trade and other receivables		**(130,919)**	1,080,643
Change in trade and other payables		**2,778,380**	(2,948,149)
Change in contract liabilities		**(1,609,453)**	(841,593)
Cash generated from/(used in) from operations		**3,047,188**	(5,143,978)
Income tax refund		**445,606**	108,584
Income tax paid		**(102,937)**	(454,226)
Net cash generated from/(used in) operating activities		**3,389,857**	(5,489,620)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	4	**(129,452)**	(490,006)
Acquisition of investment properties	5	**-**	(185,488)
Proceeds from disposal of property, plant and equipment		**31,292**	72,835
Interest received		**3,791**	4,086
Net cash used in investing activities		**(94,369)**	(598,573)
Cash Flows from Financing Activities			
Repayment of finance lease liabilities	(Note A)	**-**	(39,073)
Principal element of lease payments	(Note C)	**(1,517,008)**	-
(Repayment of)/proceeds from bank loans	(Note A)	**(392,583)**	5,841,724
(Repayment of)/proceeds from trust receipts and bills payables	(Note A)	**(282,688)**	722,995
(Repayment of)/advances from directors	(Note A)	**(3,744)**	71,996
Interest paid	(Note B&C)	**(1,372,965)**	(960,482)
Net cash (used in)/generated from financing activities		**(3,568,988)**	5,637,160
Net changes in cash and cash equivalents		**(273,500)**	(451,033)
Deficit in cash and cash equivalents at beginning of year		**(4,796,015)**	(4,330,873)
Exchange differences on translation of cash and cash equivalents		**39,325**	(14,109)
Deficit in cash and cash equivalents at end of year	13	**(5,030,190)**	(4,796,015)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

(cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities, excluding equity item

<u>Note A</u>

		Cash flows	Non-cash flows	
	As at 1 April 2019 $	Proceeds from/ (principal repayment) $	Foreign currency translation reserve $	As at 31 March 2020 $
Bank loans (Note 16.2)	**9,555,636**	**(392,583)**	**(25,334)**	**9,137,719**
Bills payables and trust receipts (Note 16.3)	**3,628,263**	**(282,688)**	**(9,640)**	**3,335,935**
Amounts due to directors (Note 21)	**71,996**	**(3,744)**	**-**	**68,252**

		Cash flows	Non-cash flows	
	As at 1 April 2018 $	Proceeds from/ (principal repayment) $	Foreign currency translation reserve $	As at 31 March 2019 $
Finance lease liabilities (Note 16.1)	87,021	(39,073)	(140)	47,808
Bank loans (Note 16.2)	3,740,630	5,841,724	(26,718)	9,555,636
Bills payable and trust receipts (Note 16.3)	2,910,873	722,995	(5,605)	3,628,263
Amounts due to directors (Note 21)	-	71,996	-	71,996

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

(cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities, excluding equity item (Cont'd)

Note B

		Cash flows	Non-cash flows	
	As at 1 April 2019 $	Interest paid $	Interest expense $	As at 31 March 2020 $
Interest payables (Note 20)	735,097	(1,253,415)	1,624,565	1,106,247

		Cash flows	Non-cash flows	
	As at 1 April 2018 $	Interest paid $	Interest expense $	As at 31 March 2019 $
Interest payables (Note 20)	427,642	(960,482)	1,267,937	735,097

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Reconciliation of movements of liabilities to cash flows arising from financing activities, excluding equity item (Cont'd)

Note C

			Cash flows		Non-cash changes				
Group	Note	**At 1 April 2019**	**Principal elements of lease payments**	**Interest paid**	**Adoption of SFRS(I) 16**	**New Leases**	**Interest expense**	**Foreign currency translation reserve**	**At 31 March 2020**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
2020									
Finance lease liabilities	16.1	**47,808**	**-**	**-**	**(47,808)**	**-**	**-**	**-**	**-**
Lease liabilities	18	**-**	**(1,517,008)**	**(119,550)**	**2,377,126**	**3,207,933**	**119,550**	**59,719**	**4,127,770**

1 General information

The consolidated financial statements of the Group and statement of financial position of the Company for the year ended 31 March 2020 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, and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard.

The registered office and principal place of business is located at 106 International Road #02-00 Singapore 629175.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are stated in Note 8.

2(a) Basis of preparation

The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)") including related interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar ("SGD") which is the Company's functional currency. All financial information has been presented in SGD unless otherwise stated.

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

Going concern basis

The Group had deficit in equity of $10,692,841 and net current liabilities of $22,883,720 while the Company had deficit in equity of $4,057,423 and net current liabilities of $4,068,012. For the financial year ended 31 March 2020, the Group incurred a loss after tax of $3,493,414 and a total comprehensive loss of $3,362,754 respectively.

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, 31 December 2016 and 31 March 2020.

At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to $6,412,416 was obtained from the banks. Management did not prepare cash flow projection to assess the appropriateness of going concern assumption. However, the management of the Group believes that the Group and the Company will be able to continue operations and meet their liabilities as and when they fall due.

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

<u>Going concern basis (Cont'd)</u>
The ability of Group and the Company to continue as a going concern depends on its business unit in Taiwan which has been profit making. Results of its Malaysia's business unit have also improved. In addition, the Group received royalty and dividend income from its Taiwan business unit that enable it to meet its operating needs in Singapore. However, this would change if any winding up proceedings is taken against the Company. The Company's management has been in discussions with potential investors to raise capital and strengthen the Company's balance sheet. However, such discussions have not been concluded in any binding agreement.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the 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 statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year

On 1 April 2019, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except for the adoption of SFRS(I) 16 Leases:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	*Leases*	1 April 2019
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*	1 April 2019

Adoption of SFRS(I) 16 Leases
SFRS(I) 16 Leases supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases - Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 April 2019. The Group has elected the transition to SFRS(I) 16 using the cumulative catch-up approach which requires the Group to recognise lease liabilities at the present value of future lease payment using incremental borrowing rate ("IBR") applicable to the leased asset and to recognise right-of-use asset equal to their lease liabilities at the date of initial application without restatement of comparatives under SFRS(I) 1-17.

(a) Definition of a lease
The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

Adoption of SFRS(I) 16 Leases (Cont'd)

(a) Definition of a lease (Cont'd)

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 April 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 April 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

(i) Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for leasing of outlet premises, showrooms, warehouses and office premises were not recognised as liabilities in the statements of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the consolidated statement of cash flows.

Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statements of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the consolidated statement of cash flows. Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis.

On 1 April 2019, the Group has applied the following SFRS(I) 16 transition provisions under the cumulative catch-up approach for each lease, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease assets;

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

Adoption of SFRS(I) 16 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

(i) Former operating leases (Cont'd)

- recognises a right-of-use asset, on a lease-by-lease basis for outlet premises, showrooms, warehouses and office premises, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application; and

- applies SFRS(I) 1-36 Impairment of Assets to perform an impairment review of the right-of-use assets.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the cumulative catch-up approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to portfolio of leases with reasonably similar characteristics;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- use hindsight for determining the lease term when the contract contains options to extend or terminate the lease

(ii) Former finance leases

On 1 April 2019, with regards to the Group's leases of motor vehicles that were formerly classified as finance lease under SFRS(I) 1-17, the carrying amounts of the leased assets and obligations under finance lease immediately before the date of initial application shall be the carrying amounts of right-of-use assets and lease liabilities at the date of initial application. Subsequently, the Group accounts for these right-of-use assets and lease liabilities in accordance with SFRS(I) 16.

The Group's incremental borrowing rate applied to measure the Group's lease liabilities recognised in the consolidated statement of financial position on 1 April 2019 ranges between 3.33% to 5.25%.

(c) Lessor accounting

SFRS(I) 16 has not changed substantially how the Group as lessor accounts for leases, except when it is the intermediate lessor of sublease. Under SFRS(I) 16, the Group continues to classify leases, where it is the lessor, as either finance lease or operating lease and to account for the two types of leases differently. However, SFRS(I) 16 changes and expands the disclosures required, in particular, regarding how the Group as lessor manages the risks arising from its residual interest in leased assets. The Group had subleased certain assets as a lessor and reclassified these sublease agreements as finance lease.

(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

Adoption of SFRS(I) 16 Leases (Cont'd)

(d) Financial impact of initial application of SFRS(I) 16

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 March 2019 and the Group's lease liabilities recognised in the consolidated statement of financial position on 1 April 2019 is as follows:

	$
Finance lease liabilities at 31 March 2019 reclassified to lease liabilities	47,808
Operating lease commitments as of 31 March 2019	2,533,370
Discounted using incremental borrowing rate	(204,052)
Lease liabilities as at 1 April 2019	2,377,126

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 April 2019 are as follows:

	Increase/ (Decrease) $
Assets	
Right-of-use assets	*6,648,098
Liabilities	
Lease liabilities	2,377,126

	$
* Adoption of SFRS(I) 16 – initial recognition at 1 April 2019	2,329,318
* Leasehold properties reclassified to right-of-use asset upon adoption of SFRS(I) 16	3,425,489
* Land use rights reclassified to right-of-use asset upon adoption of SFRS(I) 16	893,291
	6,648,098

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Group has adopted SFRS(I) INT 23 for the first time in the current year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method

The impact of SFRS(I) INT 23 to the consolidated financial statements has been assessed to be insignificant.

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following new or amended SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective.

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
Amendments to SFRS(I) 16	COVID-19 Related Rent Concessions	1 June 2020
Amendment to SFRS(I) 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to SFRS(I) 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 3	Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to SFRS(I) 1-1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 1-1	Non-current Liabilities with Covenants	1 January 2025
Amendments to SFRS(I) 17	Insurance Contracts	1 January 2023
Amendments to SFRS(I) 4	Extension of the Temporary Exemption from Applying FRS 109	1 January 2023
Amendments to SFRS(I) 1- 1 and SFRS(I) Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8	Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to SFRS(I) 17	Initial Application of SFRS(I) 17 and SFRS(I) 9—Comparative Information	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined
Annual Improvements to SFRSs 2018 - 2020		
- Amendments to SFRS(I) 1	Subsidiary as a First-time Adopter	1 January 2022
- Amendments to SFRS(I) 9	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
- Amendments to SFRS(I) 16	Lease Incentives	1 January 2022
- Amendments to SFRS(I) 1-41	Taxation in Fair Value Measurements	1 January 2022
- SFRS(I) 17	Insurance Contracts	1 January 2023

Management does not anticipate that the adoption of the above SFRS(I) in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with SFRS(I) 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future reporting periods affected.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

(a) Significant judgements in applying accounting policies

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 year in which such determination is made. The Group's current tax payable and deferred tax liabilities as at 31 March 2020 amounted to $95,168 (2019 - $77,403) and $95,727 (2019 - $95,727) 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 year, the Group recognised shareholdings of certain group entities, for which a deferred tax asset as at 31 March 2020 amounting to $12,525 (2019 - $14,035) 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.

Determining the lease term of contracts with renewal options
The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has numerous lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

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

Probability of success of litigation cases
The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities.

Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

An entity in the Group is a defendant in a legal action involving the alleged injuries caused by debris from a fallen granite slab from a building in 2011. The directors believe that, based on legal advice, there is a present obligation that will probably require an outflow of resources. However, no provision for the liability has been made by the Group as at 31 March 2019 and 31 March 2020 in view of the existence of a letter of undertaking by the previous shareholder of the subsidiary.

Further details are given in Note 30 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 right 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 this arrangement is a right to control the use of the land for a specified period of time. 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.

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, investment properties and right-of-use assets (including land use rights)
Property, plant and equipment, investment properties and right-of-use assets 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, investment properties and right-of-use assets 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, investment properties and right-of-use assets as at 31 March 2020 are disclosed in Notes 4, 5 and 6 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, investment properties, right-of-use assets and land use rights increase/decreases by 10% from management's estimate, the Group's loss for the year will increase/decrease by approximately $249,998 (2019 - $119,596).

2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

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

Impairment of non-financial assets

Property, plant and equipment, investment properties, right-of-use assets (including 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, investment properties, right-of-use assets, land use rights and investments in subsidiaries at the end of the reporting period are disclosed in Notes 4 to 8 to the financial statements respectively. The details of the impairment testing are disclosed in the respective notes.

Allowance for expected credit losses (ECL) of trade and other receivables

Allowance for ECL of receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, current market conditions, assumptions and expectations of future conditions.

For other receivables, the Group and the Company apply the general approach to determine ECL. ECL is measured as an allowance equal to 12-month ECL for stage-1 (low credit risk) assets, or lifetime ECL for stage-2 (deterioration in credit risk) or stage-3 (credit impaired) assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within 12 months after the reporting date.

For trade receivables, the Group applies the simplified approach and uses a provision matrix to calculate ECL. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with current market conditions and forward-looking information. The assessment of the correlation between historical observed default rates, forecast of economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast of economic conditions.

The carrying amounts of the Company's and the Group's trade and other receivables (excluding prepayments, advances to suppliers and tax recoverable) as at 31 March 2020 amount to $870,927 (2019 - $1,089,136) and $2,670,727 (2019 - $2,967,265) respectively.

2(d) Critical accounting judgements and key sources of estimation uncertainty (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 primarily based 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 decrease/increase by 10% of management estimates, the Group's loss for the year will increase/decrease by $763,114 (2019 - $850,687). The carrying amount of the Group's inventory is disclosed in Note 10 to the financial statements.

Estimation of the incremental borrowing rate ("IBR")

For the purpose of calculating the right-of-use ("ROU") assets and lease liabilities, the Group applies an IBR on transition to SFRS(I) 16. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available. The carrying amount of the Group's ROU assets and lease liabilities are disclosed in Note 6 and 18 respectively. A reasonable change in the estimated IBR will impact the Group's ROU assets and lease liabilities by approximately $103,681 and $93,905 respectively.

2(e) 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 intra-group 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 interests even if that results in a deficit balance.

Subsidiary

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:

(i) power over the investee;
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

2(e) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Subsidiary (Cont'd)

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

Non-controlling interest

Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in ownership interests in subsidiaries without change of control

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 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 Company.

Changes in ownership interests in subsidiaries resulting in loss of control

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

2(e) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Changes in ownership interests in subsidiaries resulting in loss of control (Cont'd)

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 SFRS(I)).

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 initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously-held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 1-39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2(e) Significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the depreciable amount of these assets over their estimated useful lives as follows:

Plant and equipment (including office equipment)	3 to 10 years
Motor vehicles	5 to 6 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

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

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

Investment in subsidiaries

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

2(e) Significant accounting policies (Cont'd)

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation and are not occupied by the Group.

Investment properties are treated as non-current investments and 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:

Investment properties	over the remaining year of lease

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is recognised as additions and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from the disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

Leases (policy applicable on or after 1 April 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

2(e) Significant accounting policies (Cont'd)

Leases (policy applicable on or after 1 April 2019) (Cont'd)

(i) The Group as lessee (Cont'd)

(a) Lease liability (Cont'd)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position. The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

2(e) Significant accounting policies (Cont'd)

Leases (policy applicable on or after 1 April 2019) (Cont'd)

(i) The Group as lessee (Cont'd)

(b) Right-of-use assets (Cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold properties	: Over the remaining year of lease
Land use rights	: Over the lease period of 50 years
Office, outlet premises, warehouse and showrooms	: 2 to 10 years
Motor vehicle	: 2 to 5 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group enters into leasing arrangement for its lease of outlet premises, warehouses, showrooms, motor vehicles and office premises as a lessee. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for these leases.

(ii) The Group as lessor

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of the sublease entered into that resulted on a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract. The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease. The Group regularly reviews the estimated unguaranteed residual values used in calculating the gross investment in the lease.

2(e) Significant accounting policies (Cont'd)

Leases (policy applicable on or after 1 April 2019) (Cont'd)

(ii) The Group as lessor (Cont'd)

Intermediate lessor in sublease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then it classifies the sublease as an operating lease.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "finance lease receivables" in the statements of financial position. Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statements of financial position, which represents the lease payments owed to the head lessor.

Leases (policy applicable before 1 April 2019)

(i) The Group as lessee

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income when incurred.

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as property, plant and equipment and borrowings respectively, at the inception of the lease, based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in the consolidated statement of profit or loss and other comprehensive income on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2(e) Significant accounting policies (Cont'd)

Leases (policy applicable before 1 April 2019) (Cont'd)

(ii) The Group as lessor

(a) Operating lease

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when and only when the entity becomes party to the contractual provisions of the instruments.

(a) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(b) Financial assets

Measurement

Initial recognition and measurement
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling the financial assets.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(b) Financial assets (Cont'd)

Measurement (Cont'd)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to expected credit loss assessment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through the amortisation process.

At the reporting date, the Group's financial assets at amortised cost include trade and other receivables (excluding prepayments, advances to suppliers and tax recoverable) and cash and bank balances.

Fair value through other comprehensive income (debt instruments)
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI ("FVOCI"). Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

At the reporting date, the Group does not have any financial asset at fair value through other comprehensive income (debt instruments).

Financial assets designated at fair value through OCI (equity instruments)
On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. At the reporting date, the Group does not hold any equity instrument at FVOCI.

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(b) Financial assets (Cont'd)

Financial assets at fair value through profit and loss
Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income from these financial assets is included in other income.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss. At the reporting date, the Group does not have any financial asset at fair value through profit and loss.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statements of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(b) Financial assets (Cont'd)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

In respect of the measurement of loss allowance at an amount equal to the lifetime expected credit losses as at the reporting date, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Definition of default
The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings). Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(c) Financial liabilities

Initial recognition and measurement

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. At the reporting date, the Group's financial liabilities include trade and other payables (excluding deferred grant income), borrowings, amount due to directors and lease liabilities.

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.

Subsequent measurement for financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Derecognition

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

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.

2(e) Significant accounting policies (Cont'd)

Disposal groups held for sale and discontinued operations

Disposal groups are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sales transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or lopenss. Any cumulative income or expense recognised directly in equity relating to the disposal group classified as held for sale is presented separately as other reserve in the consolidated statement of changes in equity.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

(i) represents a separate major line of business or geographical area of operations;
(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(iii) is a subsidiary acquired exclusively with a view to resale.

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.

Borrowings

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 year of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the year 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 statements 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. 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 statements of financial position.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2(e) Significant accounting policies (Cont'd)

Contract liabilities and contract assets

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If the customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

Contract liabilities are recognised as revenue when the Group performs under the contract.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

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 the Company's Constitution grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

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 and transaction costs in the statements of financial position.

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

2(e) Significant accounting policies (Cont'd)

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 statements of financial position 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 years 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 nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

2(e) Significant accounting policies (Cont'd)

Income tax (Cont'd)

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 certain of the employees. The contributions to national pension schemes are charged to the profit or loss in the year 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.

2(e) 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.

<u>Key management personnel</u>

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.

2(e) Significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets, other than inventories and deferred tax assets, subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the entity at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill.

Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

2(e) Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

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 assets 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 reporting period.

Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. If a performance obligation is satisfied over time, the revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied and the customer obtains control of the goods. Control of an asset refers to an entity's ability to direct the use of and obtain substantially all of the remaining benefits (that is, the potential cash inflows or savings in outflows) from the asset.

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 year.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

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

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.

2(e) Significant accounting policies (Cont'd)

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 Dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations are recognised in other comprehensive income and accumulated in the currency translation reserve.

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

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

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 Dollar 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 translation reserve.

Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing net profit or loss for the year attributable to the owners of the Company by the number of ordinary shares outstanding during the financial year.

2(e) Significant accounting policies (Cont'd)

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker who makes strategic resources allocation decisions.

3 Revenue

The Group	2020 $	2019 $
Sale of goods	**26,866,041**	28,804,435
Contract revenue	**34,088**	260,862
	26,900,129	29,065,297

The Group	Sale of goods $	Contract revenue $	Total $
2020			
Goods transferred at a point in time	**26,866,041**	**-**	**26,866,041**
Services transferred over time	**-**	**34,088**	**34,088**
	26,866,041	**34,088**	**26,900,129**
2019			
Goods transferred at a point in time	28,804,435	-	28,804,435
Services transferred over time	-	260,862	260,862
	28,804,435	260,862	29,065,297

4 Property, plant and equipment

The Company	Office equipment $
Cost	
At 1 April 2018	20,160
Additions	13,911
At 31 March 2019	**34,071**
Additions	**1,712**
At 31 March 2020	**35,783**
Accumulated depreciation	
At 1 April 2018	15,665
Depreciation	2,576
At 31 March 2019	**18,241**
Depreciation	**6,953**
At 31 March 2020	**25,194**
Net book value	
At 31 March 2020	**10,589**
At 31 March 2019	15,830

4 Property, plant and equipment (Cont'd)

The Group	**Leasehold properties $**	**Plant and equipment $**	**Motor vehicles $**	**Total $**
Cost				
At 1 April 2018	4,913,343	15,456,428	1,964,201	22,333,972
Additions	-	367,435	122,571	490,006
Disposals	-	(307,048)	(38,699)	(345,747)
Translation differences	(65,667)	(214,076)	(22,013)	(301,756)
At 31 March 2019	**4,847,676**	**15,302,739**	**2,026,060**	**22,176,475**
Additions	**-**	**129,452**	**-**	**129,452**
Disposals	**-**	**(996,119)**	**(66,043)**	**(1,062,162)**
Reclassified to right-of-use assets	**(4,269,587)**	**-**	**-**	**(4,269,587)**
Reclassified to assets held for sale	**(578,089)**	**-**	**-**	**(578,089)**
Translation differences	**-**	**39,725**	**45,405**	**85,130**
At 31 March 2020	**-**	**14,475,797**	**2,005,422**	**16,481,219**
Accumulated depreciation and impairment losses				
At 1 April 2018	900,899	14,466,403	1,732,920	17,100,222
Depreciation	80,859	357,989	159,551	598,399
Impairment losses (Note 24)	-	507,516	10,376	517,892
Disposals	-	(245,324)	(38,699)	(284,023)
Translation differences	(11,820)	(193,074)	(17,296)	(222,190)
At 31 March 2019	**969,938**	**14,893,510**	**1,846,852**	**17,710,300**
Depreciation	**-**	**199,864**	**73,015**	**272,879**
Reclassified to right-of-use assets	**(844,098)**	**-**	**-**	**(844,098)**
Reclassified to assets held for sale	**(125,840)**	**-**	**-**	**(125,840)**
Disposals	**-**	**(996,351)**	**(65,811)**	**(1,062,162)**
Translation differences	**-**	**27,589**	**36,556**	**64,145**
At 31 March 2020	**-**	**14,124,612**	**1,890,612**	**16,015,224**

	2020 $	2019 $
Comprising:		
Accumulated depreciation	**13,444,161**	15,139,237
Accumulated impairment losses	**2,571,063**	2,571,063
	16,015,224	17,710,300

The Group	**2020 $**	2019 $
Depreciation charged to profit and loss under:		
Cost of sales (Note 24)	**-**	138,436
Other operating expenses (Note 24)	**272,879**	459,963
	272,879	598,399

As at 31 March 2020, the Group's leasehold properties with carrying amounts of $3,331,839 (2019 - $3,877,738 included under property, plant and equipment) are mortgaged to financial institutions to secure bank borrowings (Note 16).

The Group	**Leasehold Properties $**	**Plant and equipment $**	**Motor vehicles $**	**Total $**
Net book value				
At 31 March 2020	**-**	**351,185**	**114,810**	**465,995**
At 31 March 2019	3,877,738	409,229	179,208	4,466,175

4 Property, plant and equipment (Cont'd)

The details of the leasehold properties under property, plant and equipment are as follows:

	Location	Type	Floor Area
#1.	No. 54, Jalan BT U5/BT, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	Leasehold 99 years expiring December 2096	948 sq m
#2.	No. 33, Jalan BR U5/BR, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	Leasehold 99 years expiring December 2096	491 sq m
3.	No. 16-1, 16-2, 16-3, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring November 2100	460 sq m
4.	No. 18-1, 18-2, 18-3, Jalan PJU 5/8, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring November 2100	460 sq m
5.	No. 21, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan	Leasehold 99 years expiring March 2091	8,346 sq m
6.	No. 13, Jalan Bulan U5/BN, Section U5, Sungai Buloh, Batu 3, 40170 Shah Alam, Selangor Darul Ehsan	Leasehold 99 years expiring March 2096	312 sq m
7.	No. 19, Jalan Tiara 2D/KU1, Bandar Baru Klang, 41150 Klang Selangor Darul Ehsan	Leasehold 99 years expiring May 2093	440 sq m
8.	No. 21, Jalan Tiara 2D/KU1, Bandar Baru Klang, 41150 Klang Selangor Darul Ehsan	Leasehold 99 years expiring May 2093	440 sq m
9.	No. 23, Jalan Tiara 2D/KU1, Bandar Baru Klang, 41150 Klang Selangor Darul Ehsan	Leasehold 99 years expiring May 2093	440 sq m

\# The leasehold properties had been classified to assets held for sale in February 2020.

Impairment testing of property, plant and equipment

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), Retail CGU (Malaysia) and Retail CGU (Taiwan) since each of the CGU is able to generate cash inflows independently from its business in the three regions.

As at 31 March 2020 and 31 March 2019, under the requirements of FRS 36 *Impairment of Assets*, the losses for the past few years and for the current year were indicators of impairment which requires management to perform impairment testing of the property, plant and equipment (Note 4), investment properties (Note 5), right-of-use assets (Note 6), land use rights (Note 7) and cost of investments in subsidiaries (Note 8).

There was no indicator of impairment for Retail CGU (Taiwan).

4 Property, plant and equipment (Cont'd)

The carrying amounts by CGU of property plant and equipment are as follows:

2020	Retail CGU Singapore $	Retail CGU Malaysia $	Retail CGU Taiwan $	Buildings Materials CGU $	Leasing CGU $	Total $
The Group						
Property, plant and equipment (net) (Note 4)	**10,589**	**154,823**	**298,015**	**-**	**2,568**	**465,995**
2019						
The Group						
Property, plant and equipment (net) (Note 4)	15,830	4,049,434	398,335	-	2,576	4,466,175

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 $Nil (2019 - $517,892) mainly for plant and equipment at the Group level.

Impairment loss on the Building Materials CGU

Plant and equipment

As there was no indication 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 and depreciated, management concluded that the recoverable amount of $Nil determined for this CGU was appropriate as at 31 March 2020 and 31 March 2019.

Impairment testing on the Retail CGU (Malaysia)

Plant and equipment and right-of-use assets

As at 31 March 2020, no recoverable amount was determined by management despite presence of indicators of impairment arising from the CGU.

Leasehold properties

In the last financial year, management determined the recoverable amount for the leasehold properties using fair value less cost to sell. The fair value less cost to sell of the leasehold properties 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 included the use of unobservable inputs.

The direct market comparison approach estimated the value of the properties by comparing to the prices of similar properties in the same location. Appropriate adjustments had 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 amount of the leasehold properties at Group level had been estimated to be higher than its carrying amounts, therefore, no impairment was required for the financial year ended 31 March 2019.

As at 31 March 2020, no recoverable amount was determined by management despite presence of indicators of impairment arising from the leasehold properties (included within right-of-use assets) for the financial year ended 31 March 2020.

4 Property, plant and equipment (Cont'd)

Impairment testing on the Retail CGU (Singapore)
Plant and equipment, motor vehicles and right-of-use assets
An impairment loss of $211,017 on plant and equipment and motor vehicles was previously provided at the Group level as at 31 March 2019. No recoverable amount was determined for the plant and equipment and motor vehicles and right-of-use assets based on the higher of fair value less costs to sell and the value in use computation for the financial years ended 31 March 2020 and 31 March 2019.

Impairment testing on the Leasing CGU (China)
Plant and equipment and right-of-use assets
An impairment loss of $306,875 on plant and equipment was previously provided at the Group level as at 31 March 2019. No recoverable amount was determined for the plant and equipment and right-of-use assets based on the higher of fair value less costs to sell and the value in use computation for the financial years ended 31 March 2020 and 31 March 2019.

5 Investment properties

The Group	**2020** **$**	2019 $
Cost		
At beginning of year	**14,060,189**	14,247,167
Additions	**-**	185,488
Reclassified to assets held for sale (Note 9)	**(2,327,517)**	-
Translation differences	**(34,918)**	(372,466)
At end of year	**11,697,754**	14,060,189
Accumulated depreciation		
At beginning of year	**5,947,086**	5,526,900
Depreciation (Note 24)	**568,859**	573,446
Reclassified to assets held for sale (Note 9)	**(782,766)**	-
Translation differences	**(6,110)**	(153,260)
At end of year	**5,727,069**	5,947,086
Net book value		
At end of year	**5,970,685**	8,113,103
Comprising net book value of:		
Leasing CGU (Singapore)	**-**	1,649,421
Leasing CGU (China)	**5,970,685**	6,463,682
	5,970,685	8,113,103

The amounts recognised in profit or loss for investment properties are set out as below:

The Group	**2020** **$**	2019 $
Rental income (Note 22)	**1,268,514**	1,612,466
Direct operating expenses		
- Investment properties that generate rental income	**(15,640)**	(28,413)
	1,252,874	1,584,053

5 Investment properties (Cont'd)

As at 31 March 2020, the Group's investment properties with carrying amounts of $5,970,685 (2019 - $8,113,103) is mortgaged to financial institutions to secure bank borrowings (Note 16).

The details of the investment properties are as follows:

	Location	Type	Floor Area
1.	9 Dongyuan Road, Dianshan Hu Town, Kunshan City, Jiangsu Province, People's Republic of China	Leasehold 50 years expiring March 2057	45,458 sq m
2.	27 Kaki Bukit Place, Singapore	Leasehold 60 years expiring November 2055	1,218 sq m

In the last financial year ended 31 March 2019, the fair value of the investment properties located in Singapore and China was independently assessed by Knight Frank Petty Limited at $5,000,000 and $17,611,042 respectively.

During the current financial year, the investment property located in Singapore was reclassified as asset held for sale following the acceptance of the option to purchase the property by an external purchaser on 14 January 2020.

The fair value is a Level 3 in the hierarchy of the fair value measurement.

Impairment testing of investment properties and land use rights
In the last financial year ended 31 March 2019, management determined the recoverable amount for the investment properties and land use rights using fair value less cost to sell. The fair value less cost to sell of the investment properties and land use rights 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 includes the use of unobservable inputs.

The direct market comparison approach estimated the value of the properties by comparing to the prices of similar properties in the same location. Appropriate adjustments had 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 amount of the investment properties and land use rights at Group level had been estimated to be higher than its carrying amounts of the operational CGU, therefore, no impairment was required for the financial year ended 31 March 2019.

As at 31 March 2020, no recoverable amount was determined for the investment property and land use rights (included within right-of-use assets) located in China. Furthermore, there was no disclosure made to the fair value of the investment property and non-disclosure in accordance with the requirements under SFRS(I) 1-36 *Impairment of Assets*.

6 Right-of-use assets

The Group	2020 $
Cost:	
Adoption of SFRS(I) 16 - initial recognition at 1 April 2019	2,329,318
Reclassified from property, plant and equipment upon adoption of SFRS(I) 16	3,425,489
Reclassified from land use rights upon adoption of SFRS(I) 16	893,291
Addition	3,207,933
Derecognition	(77,265)
Translation differences	107,895
At 31 March 2020	9,886,661
Accumulated depreciation:	
At 1 April 2019	-
Depreciation (Note 24)	1,658,242
Translation differences	45,369
At 31 March 2020	1,703,611
Net book value:	
At end of year	8,183,050

The breakdown of right-of-use assets is as follows:

	Leasehold properties $	Land use rights $	Motor Vehicles $	Leasing of outlet premises, showrooms, warehouses and office premises $	Total $
Cost:					
Adoption of SFRS(I) 16 - initial recognition at 1 April 2019	-	-	-	2,329,318	2,329,318
Reclassified from property, plant and equipment upon adoption of SFRS(I) 16	3,425,489	-	-	-	3,425,489
Reclassified from land use rights upon adoption of SFRS(I) 16	-	893,291	-	-	893,291
Addition	-	-	247,321	2,960,612	3,207,933
Derecognition	-	-	-	(77,265)	(77,265)
Translation differences	(16,052)	-	-	123,947	107,895
At 31 March 2020	3,409,437	893,291	247,321	5,336,612	9,886,661
Accumulated depreciation:					
At 1 April 2019	-	-	-	-	-
Depreciation	80,393	23,467	17,786	1,536,596	1,658,242
Translation differences	(2,795)	3,135	-	45,029	45,369
At 31 March 2020	77,598	26,602	17,786	1,581,625	1,703,611
Net book value:					
At end of year	3,331,839	866,689	229,535	3,754,987	8,183,050

6 Right-of-use assets (Cont'd)

The carrying amounts by CGU of right-of-use assets are as follows:

2020	Retail CGU Singapore $	Retail CGU Malaysia $	Retail CGU Taiwan $	Leasing CGU China $	Total $
The Group					
Right-of-use assets (net) (Note 6)	**131,816**	**6,140,958**	**1,043,587**	**866,689**	**8,183,050**

7 Land use rights

The Group	2020 $	2019 $
Cost:		
At beginning of year	**1,200,754**	1,238,873
Reclassified to right-of-use assets	**(1,200,754)**	-
Translation differences	-	(38,119)
At end of year	-	1,200,754
Accumulated amortisation:		
At beginning of year	**307,463**	292,447
Reclassified to right-of-use assets	**(307,463)**	-
Amortisation (Note 24)	-	24,110
Translation differences	-	(9,094)
At end of year	-	307,463
Net book value:		
At end of year	-	893,291

The Group	2020 $	2019 $
Represented by:		
Current	-	24,015
Non-current	-	869,276
	-	893,291
Comprising net book value of :		
Leasing CGU (China)	-	893,291

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 right 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 assessed that the substance of this arrangement is an operating lease over the right to use the land, and that the upfront payment represents prepaid lease rental for the right to use the land. This right to use 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 land use rights are mortgaged to financial institutions to secure bank borrowings (Note 16). In the last financial year ended 31 March 2019, the fair value of the land use rights located in China is $15,269,918 based on the independent valuation by Knight Frank Petty Limited. The fair value is a Level 3 in the hierarchy of the fair value measurement.

Please refer to Note 5 for the impairment testing on land use rights.

8 Subsidiaries

The Company	2020 $	2019 $
Unquoted equity investments, at cost	**34,988,360**	34,988,360
Accumulated impairment losses:		
At beginning of year	**(34,988,360)**	(34,988,360)
Impairment loss	**-**	-
At end of year	**(34,988,360)**	(34,988,360)
Net carrying amount	**-**	-
Comprising carrying amount of:		
Retail CGU (Singapore)	**-**	-
Leasing CGU (China)	**-**	-
Building Materials CGU	**-**	-
	-	-

Impairment testing of cost of investment in subsidiaries

The recoverable amount of each subsidiary, as a cash-generating unit, should be determined based on the higher of fair value less costs to sell and the value-in-use calculation. As at 31 March 2020 and 31 March 2019, however, no recoverable amount was determined by management for the Building Material CGU, Retail CGU (Singapore) and Leasing CGU (China) based on the higher of fair value less cost to sell and the value-in-use computation for any possible reversal of accumulated impairment losses of $34,988,360 (2019: $34,988,360) provided previously as at 31 March 2020.

8 Subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ Principal place of business	Ownership interest 2020 %	Ownership interest 2019 %	Principal activities
Held by the Company				
Uhin Holding Pte Ltd #	Singapore	**100**	100	Investment holding and trading of sofa sets, wood- based furniture and accessories
Lorenzo Furniture (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
Held by Uhin Holding Pte Ltd				
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. **	People's Republic of China	**100**	100	Retail sale of furniture
Lorenzo Furniture (Shanghai) Co., Ltd.	People's Republic of China	**100**	100	Inactive
Held by Uhin Sofa Sdn Bhd				
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
Held by Ginova Furnishing Sdn Bhd				
Ginova Marketing Sdn. Bhd. *	Malaysia	**100**	100	Retail sale of furniture
Held by Ginova Marketing Sdn Bhd				
Brezza Living Sdn. Bhd. *	Malaysia	**100**	100	Retail sale of furniture

Audited by Foo Kon Tan LLP
* Audited by other firms of auditors – Grant Thornton Malaysia
** Audited by other firms of auditors – Grant Thornton Taiwan
*** Audited by Foo Kon Tan LLP for consolidation purposes

8 Subsidiaries (Cont'd)

Between 20 March 2018 and 15 July 2019, the Group entered into multiple agreements including 框架协议 i.e. Framework agreement; 股权转让协议 i.e. Share transfer agreement and 股权转让协议之补充协议 i.e. Supplemental agreement to the Share transfer agreement (collectively the "transfer agreements"), with 上海昆昊木业有限公司 ("Kunhao" or the "Purchaser") in relation to the disposal of 100% equity interest of its subsidiary, Kunshan, (the "Share Transfer"), for a consideration of RMB 88 million less the total indebtedness of Kunshan.

The Group agreed to transfer 100% equity interest of Kunshan to Kunhao by 20 April 2019. Otherwise, a penalty of RMB18 million would be payable for a breach of contract. In accordance with the Framework agreement, if Kunshan could not complete the Share Transfer by 20 April 2019, the Company would be obligated to compensate RMB18 million and other incurred expenses to Kunhao; If Kunhao do not accept the Share Transfer, Kunhao would be liable to compensate RMB18 million and other incurred expenses to the Company.

As stipulated under the Share transfer agreement, the conditions precedent to the share transfer were as follows:

i. Approvals, internal and external approvals, including but not limited to the approval of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and approval of the Company's shareholders at a general meeting to be convened and/or its board of directors in respect of the Share Transfer;
ii. Approval of the board of directors and/or the board of shareholders of Kunshan in accordance with the Articles of Association in respect of the Share Transfer; and
iii. Approvals of and registrations and filings with the relevant People's Republic of China ("PRC") governmental authorities in relation to the Share Transfer.

On 15 July 2019, the Group entered into a supplemental agreement to the Share transfer agreement with Kunhao where the original conditions precedent were replaced with a new condition precedent requiring Kunshan to have legal title and ownership over the land-use right and properties at No. 9 Dongyuan Road, Kunshan City [昆山市淀山湖镇东苑路 9 号的土地使用权和房屋产权] prior to its transfer to Kunhao. Kunhao obtained an order of the Chinese Court in PRC (the "Chinese Court") to enforce its legal right under the transfer agreements to transfer the entire equity interest in Kunshan to Kunhao with effect from 18 June 2021.

9 Assets held for sale

On 4 February 2020 and 19 February 2020, the Group had entered into sales and purchase agreements with third parties for the disposal of its leasehold properties in Malaysia for a total consideration of RM2,920,000 (equivalent to $966,812). The leasehold properties had been pledged to a bank as security for the bank facilities granted to the Malaysian subsidiaries.

On 14 January 2020, an external third party had accepted the option to purchase the investment property located at 27 Kaki Bukit Place, Singapore for a purchase consideration of S$4,860,000. The investment property was mortgaged to a financial institution to secure bank borrowings.

The above properties are classified as assets held for sale and measured at the lower of their carrying amount and fair value less cost to sell at the reporting date since the carrying amount of these properties will be recovered principally through sale rather than continuing use.

The Group	**2020** **$**
(1) No. 54, Jalan BT U5/BT, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	129,051
(2) No. 33, Jalan BR U5/BR, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan	323,198
(3) 27 Kaki Bukit Place, Singapore	1,544,751
	1,997,000

10 Inventories

The Group	**2020** **$**	2019 $
Raw materials, at cost	**1,404,038**	2,922,152
Work-in-progress, at cost	**515,944**	457,446
Finished goods, at cost	**8,425,635**	10,563,816
	10,345,617	13,943,414
Less: Allowance for slow moving inventories		
At the beginning of year	**(5,436,545)**	(5,685,671)
Allowance for inventory obsolescence	**(251,947)**	-
Reversal of allowance for inventory obsolescence	**10,616**	228,815
Inventory written off	**-**	20,311
Utilisation of allowance	**2,963,400**	-
	(2,714,476)	(5,436,545)
	7,631,141	8,506,869

The cost of inventories recognised as an expense and included in cost of sales amounted to $11,651,998 (2019 - $13,873,720) (Note 24) for the year ended 31 March 2020.

In addition, inventories have been reduced by $251,947 (2019 - $Nil) as a result of the write down to net realisable value. A reversal of allowance for inventories of $10,616 (2019 - $228,815) was made as a result of the Group's ability to sell the inventories at a higher net realisable value. The write-downs and reversals are included in 'cost of sales'.

During the current financial year, included in other operating expenses, was inventories written off that were no longer used in production amounted to $Nil (2019 - $20,311) (Note 24).

11 Trade and other receivables

	The Company		The Group	
	2020	2019	**2020**	2019
	$	$	**$**	$
Current				
Trade receivables				
- third parties	**-**	-	**3,314,019**	3,668,617
Contract assets			**6,736**	1,864
Gross (A)	**-**	-	**3,320,755**	3,670,481
Less: Allowance for impairment				
At beginning of year	**-**	-	**(2,126,827)**	(4,652,558)
Allowance made during the year	**-**	-	**(335,965)**	(1,918,751)
Impairment loss written off			**464,784**	4,444,482
Reversal of impairment loss	**-**	-	**66,392**	-
At end of year (B)	**-**	-	**(1,931,616)**	(2,126,827)
Net trade receivables (A)-(B)		-	**1,389,139**	1,543,654
Current				
Other receivables:				
Retention sums receivables (Note 12)	**-**	-	**90,695**	81,596
Finance lease receivables	**-**	-	**61,428**	-
Other receivables	**2,806,287**	2,807,666	**3,079,023**	4,287,793
Less: Allowance for impairment on other receivables				
At beginning of year	**(2,800,000)**	(2,800,000)	**(4,032,753)**	(4,156,268)
Impairment loss written off	**-**	-	**812,751**	-
Reversal of allowance during the year	**-**	-	**86,244**	51,217
Translation differences	**-**	-	**(18,312)**	72,298
At end of year	**(2,800,000)**	(2,800,000)	**(3,152,070)**	(4,032,753)
Net other receivables	**6,287**	7,666	**79,076**	336,636
Lease deposits	**8,200**	8,200	**973,062**	1,024,242
Other deposits	**23,230**	14,980	**78,938**	62,733
Grant receivables	**18,400**	-	**150,512**	-
Amounts due from subsidiaries (non-trade)	**814,810**	1,058,290	**-**	-
Total at amortised costs	**870,927**	1,089,136	**2,670,727**	2,967,265
Prepayments	**-**	7,437	**378,329**	383,545
Advances to suppliers	**-**	-	**633,700**	264,390
Tax recoverable	**-**	-	**57,934**	495,756
Total current trade and other receivables	**870,927**	1,096,573	**3,740,690**	4,110,956

Trade and other receivables of $250,077 (2019 - $288,213) of the Group are amounts due from firms of which a director of the Company is a member.

Contract assets relate to unbilled receivables upon delivery of goods which have yet to be invoiced.

During the financial year, the Group had recognised finance lease receivables because the Group entered into a sublease of certain showhouse premises to third party for monthly lease payments. The remaining finance lease receivables as at 31 March 2020 are expected to be received within one (1) year or less.

The finance lease receivables have an average effective interest rate of approximately 3.33% per annum.

11 Trade and other receivables (Cont'd)

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

As at the reporting date, the subsidiaries did not have sufficient accessible highly liquid assets to repay the amount to the Company if demanded at the reporting date. Management did not perform an impairment assessment to determine the expected credit losses on the amounts due from subsidiaries.

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2020	2019	**2020**	2019
	$	$	**$**	$
Current				
Singapore Dollar	**870,927**	1,093,555	**830,424**	804,123
Malaysian Ringgit	**-**	3,018	**1,664,117**	1,979,543
New Taiwan Dollar	**-**	-	**780,700**	828,892
Renminbi	**-**	-	**465,449**	498,398
	870,927	1,096,573	**3,740,690**	4,110,956

Trade receivables are granted credit terms ranging from 30 to 60 days (2019 - 30 to 60) days.

The credit risk for trade and other receivables (excluding prepayments, advance to suppliers and tax recoverable) based on the information provided by management is as follows:

	The Company		The Group	
	2020	2019	**2020**	2019
	$	$	**$**	$
By geographical area				
Singapore	**870,927**	1,086,118	**792,611**	775,466
People's Republic of China	**-**	-	**355,520**	233,487
Malaysia	**-**	3,018	**1,026,278**	1,346,150
Taiwan	**-**	-	**496,318**	612,162
	870,927	1,089,136	**2,670,727**	2,967,265

The credit risk for trade and other receivables (based on the information provided by management) is as follows:

	The Company		The Group	
	2020	2019	**2020**	2019
	$	$	**$**	$
By geographical area				
Singapore	**870,927**	1,093,555	**830,424**	804,123
People's Republic of China	**-**	-	**465,449**	498,398
Malaysia	**-**	3,018	**1,664,117**	1,979,543
Taiwan	**-**	-	**780,700**	828,892
	870,927	1,096,573	**3,740,690**	4,110,956

11 Trade and other receivables (Cont'd)

The ageing analysis of trade and other receivables (excluding prepayments, advances to suppliers and tax recoverable) are as follows:

The Company	Gross $	Impairment losses $	Net $
31 March 2020			
Not past due and not impaired	**56,117**	**-**	**56,117**
Past due less than 30 days	**-**	**-**	**-**
Past due 31 to 60 days	**-**	**-**	**-**
Past due over 60 days	**3,614,810**	**(2,800,000)**	**814,810**
	3,670,927	**(2,800,000)**	**870,927**
31 March 2019			
Not past due and not impaired	30,846	-	30,846
Past due less than 30 days	-	-	-
Past due 31 to 60 days	-	-	-
Past due over 60 days	3,858,290	(2,800,000)	1,058,290
	3,889,136	(2,800,000)	1,089,136

Expected credit loss – other receivables (the Company and the Group)
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. As the Vendor was facing financial difficulties, the Company had provided for the entire deposit outstanding and recognised an impairment loss of $2.8 million in prior years.

The Group	Gross $	Impairment losses $	Net $
31 March 2020			
Not past due and not credit-impaired	**1,464,816**	**-**	**1,464,816**
Past due less than 30 days	**57,683**	**-**	**57,683**
Past due 31 to 60 days	**54,055**	**-**	**54,055**
Past due over 60 days	**6,177,859**	**(5,083,686)**	**1,094,173**
	7,754,413	**(5,083,686)**	**2,670,727**
31 March 2019			
Not past due and not credit-impaired	2,508,293	-	2,508,293
Past due less than 30 days	151,508	-	151,508
Past due 31 to 60 days	158,738	-	158,738
Past due over 60 days	6,308,306	(6,159,580)	148,726
	9,126,845	(6,159,580)	2,967,265

Financial assets that are neither past due nor credit-impaired
As of 31 March 2020, trade and other receivables for the Company of $56,117 (2019 - $30,846) and for the Group of $1,464,816 (2019 - $2,508,293) are not past due and not impaired. Based on historical default rates, the Group believes that no expected credit losses is necessary in respect of trade and other receivables not past due as they mainly arise from customers that have a good credit record with the Group.

Financial assets that are past due but not credit-impaired
As of 31 March 2020, trade and other receivables for the Company of $814,810 (2019 - $1,058,290) and for the Group of $1,205,911 (2019 - $458,972) are past due but not impaired. Based on historical default rates, the Group believes that no expected credit losses is necessary in respect of trade and other receivables past due up to 60 days as they mainly arise from customers that have a good credit record with the Group.

11 Trade and other receivables (Cont'd)

Financial assets that are past due and credit-impaired
As of 31 March 2020, trade and other receivables for the Company of $ 2,800,000 (2019 - $2,800,000) and for the Group of $5,083,686 (2019 - $6,159,580) are past due and impaired. For the year ended 31 March 2020, the Group assessed the recoverability of trade and other receivables past due and recognised a net impairment loss allowance of $183,329 (2019 - $1,867,534). The impaired trade and other receivables are those balances which are not considered to be collectible.

Please refer to Note 31 for details of credit risk and foreign currency risk exposures.

12 Contracts work-in-progress

The Group	Note	2020 $	2019 $
Contracts work-in-progress at end of the reporting period:			
Contract costs incurred		-	-
Attributable profits		-	-
Less: Progress billings		-	-
		-	-
Presented as:			
Amounts due (to)/from customers (included in trade and other payables or receivables)		-	-
Retentions on construction contracts			
- Current	11	90,695	81,596
		90,695	81,596
Contract revenue recognised during the year	3	34,088	260,862

13 Cash and bank balances

	The Company		The Group	
	2020 $	2019 $	2020 $	2019 $
Fixed deposits	-	-	-	49,403
Cash on hand	1	1	17,305	73,336
Cash at bank	1,870	4,686	1,274,212	800,843
	1,871	4,687	1,291,517	923,582

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2020 $	2019 $	2020 $	2019 $
Singapore Dollar	1,871	4,687	40,475	302,699
Malaysian Ringgit	-	-	311,602	137,828
New Taiwan Dollar	-	-	913,401	240,448
Renminbi	-	-	26,039	242,607
	1,871	4,687	1,291,517	923,582

13 Cash and bank balances (Cont'd)

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

The Group	2020 % per annum	2019 % per annum
Singapore Dollar	-	0.3%

Please refer to Note 31 for details of foreign currency risk exposures.

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

The Group	2020 $	2019 $
Fixed deposits	-	49,403
Cash on hand	17,305	73,336
Cash at bank	1,274,212	800,843
Less: Bank overdrafts (secured) (Note 16.3)	(6,321,707)	(5,719,597)
As per statement of cash flows	(5,030,190)	(4,796,015)

14 Share capital

The Company and The Group	2020 Number of ordinary shares	2019 Number of ordinary shares	2020 $	2019 $
Issues and fully paid, with no par value				
Balance at beginning and at end of year	439,400,466	439,400,466	39,948,675	39,948,675

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.

15 Reserves

	The Company		The Group	
	2020 $	2019 $	2020 $	2019 $
Translation reserve	-	-	(5,030,283)	(5,160,943)
Merger reserve	-	-	(3,282,141)	(3,282,141)
Capital reserve	-	-	838,050	838,050
Accumulated losses	(44,006,098)	(42,097,251)	(43,167,142)	(39,673,728)
	(44,006,098)	(42,097,251)	(50,641,516)	(47,278,762)

Translation reserve
Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to the presentation currency of the Group.

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.

15 Reserves (Cont'd)

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.

16 Borrowings

The Group	Note	**2020 $**	2019 $
Non-current			
Finance lease liabilities	16.1	**-**	27,133
Bank loans (secured)	16.2	**98,863**	-
		98,863	27,133
Current			
Finance lease liabilities	16.1	**-**	20,675
Bank loans (secured)	16.2	**9,038,856**	9,555,636
Other borrowings (secured)	16.3	**9,657,642**	9,347,860
		18,696,498	18,924,171
Total		**18,795,361**	18,951,304

16.1 Finance lease liabilities

The Group	**2020 $**	2019 $
Future minimum lease payments:		
Due not later than one year	**-**	23,045
Due later than one year and not later than five years	**-**	32,815
Due later than five years	**-**	-
	-	55,860
Future finance charges on finance leases	**-**	(8,052)
Present value of minimum lease payments	**-**	47,808
Present value of minimum lease payments:		
Due not later than one year	**-**	20,675
Due later than one year and not later than five years	**-**	27,133
Due later than five years	**-**	-
	-	47,808
Represented by:		
Current liabilities	**-**	20,675
Non-current liabilities	**-**	27,133
	-	47,808

16 Borrowings (Cont'd)

16.2 Bank loans (secured)

The Group

Loan	Currency	Year of maturity	2020 $	2019 $
(a)	SGD	#2016	**421,651**	421,651
(b)	SGD	#2016	**3,000,000**	3,000,000
(c)	RM	*2022	**328,242**	407,985
(d)	RMB	2020	**5,387,826**	5,726,000
			9,137,719	9,555,636

(a) Interest is charged at the Local Enterprise Finance Scheme ("LEFS") lending rate of 2.84% (2019 - 2.84%) per annum. The bank loan is secured by:

(i) a mortgage over the Group's investment properties (Note 5);
(ii) a corporate guarantee by the Company; and
(iii) a corporate guarantee by a subsidiary.

(b) Interest is charged at 2.45 % (2019 - 2.45%) per annum. The bank loan is secured by a joint guarantee by the Company and a subsidiary.

(c) Interest is charged at the rates ranging 3.75% to 5.17 % (2019 - 4.50%) 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) Interest is charged at 7.11% (2019 - 7.11%) per annum. The bank loan is secured by mortgage over one of the Group's investment properties (Note 5) and land use rights (Note 7).

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 2019, the Group's bank loans amounting to $174,361, 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 borrowings had expired on 31 December 2016. Consequently, the bank had sent out multiple payment reminders.

16 Borrowings (Cont'd)

16.3 Other borrowings

The Group	2020 $	2019 $
# Trust receipts (secured)	**674,757**	674,757
* Bills payable (secured)	**2,661,178**	2,953,506
	3,335,935	3,628,263
* Bank overdrafts (secured) (Note 13)	**6,321,707**	5,719,597
	9,657,642	9,347,860

Other bank borrowings are secured by:

(a) a first legal mortgage of the Group's leasehold properties. (Note 4 and 6);
(b) a debenture over a subsidiary's present and future fixed and floating assets for $3,608,990 (2019 - $3,620,980);
(c) a guarantee given by a subsidiary; and
(d) a guarantee given by the Company.

Other borrowings which amounted to $674,757 had expired on 31 December 2016. Consequently, the bank had sent out multiple payment reminders.

* Other borrowings which amounted to $1,860,083 and $455,925 had expired on 30 September 2016 and 31 March 2020 respectively. Consequently, the bank had sent out multiple payment reminders.

During the year, a subsidiary had breached its loan covenants as the subsidiary did not fulfil the requirement to maintain a minimum net tangible assets. Furthermore, some of the Group's financing arrangements had expired and the amounts outstanding were payable on 30 September 2016, 31 December 2016 and 31 March 2020. At the reporting date, no letter of extension on the repayment dates for these outstanding loans and borrowings at year end amounting to $6,412,416 was obtained from the banks.

16.4 Currency risk

Borrowings are denominated in the following currencies:

The Group	2020 $	2019 $
Singapore Dollar	**9,422,289**	8,446,723
United States Dollar	**-**	408,515
Euro	**-**	102,229
Malaysian Ringgit	**3,985,246**	4,267,836
Renminbi	**5,387,826**	5,726,001
	18,795,361	18,951,304

16.5 Weighted average interest rates

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

The Group	2020 % per annum	2019 % per annum
Finance lease liabilities	**-**	2.8
Bank loans (secured)	**4.5**	6.3
Trust receipts (secured)	**2.8**	2.8
Bills payable (secured)	**4.9**	4.9
Bank overdrafts (secured)	**6.7**	6.5

Please refer to Note 31 for details of liquidity, interest rate and foreign currency risks exposures.

16 Borrowings (Cont'd)

16.6 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:

The Group	Carrying amounts $	Fair values $
2020		
Bank loans (secured)	**98,863**	**98,863**
2019		
Finance lease liabilities	27,133	17,794

17 Contract liabilities

The Group	2020 $	2019 $
Non-current liabilities		
Contract liabilities	**-**	469,418
Current liabilities		
Contract liabilities	**2,814,876**	3,908,754
	2,814,876	4,378,172

The remaining performance obligations as at 31 March 2020 are part of contracts that have original expected duration of one (1) year or less.

Contract liabilities relate primarily to
(a) Advance consideration received from customers; and
(b) Advance rental from the tenant for the leasing of investment properties.

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 year of the membership.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the year are as follows:

The Group	2020 $	2019 $
Revenue recognised that was included in contract liabilities at the beginning of the year	**(3,234,327)**	(2,039,217)
Increases due to cash received, excluding amounts recognised as revenue during the year	**1,671,031**	1,077,821

18 Lease liabilities

The Group	2020 $
Undiscounted lease payments due:	
- Year 1	1,989,357
-Year 2 to 5	2,011,899
-More than Year 5	381,349
	4,382,605
Less: Future interest cost	(254,835)
Lease liability	4,127,770
Presented as:	
-Non-current	2,246,786
-Current	1,880,984
	4,127,770

Interest expense on lease liabilities of S$119,550 (2019: $2,106) is recognised within "finance expense" in profit or loss (Note 23).

Amounts recognised in profit or loss

2020 – Lease under SFRS(I) 16	2020 $
Interest on lease liabilities	119,550
Expenses related to short-term leases:	
- Rental of office equipment	45,646
- Rental of premises	2,648,883

2019 – Lease under SFRS(I) 1-17	2019 $
Operating lease expense	4,760,950
Interest on finance lease liabilities	2,106

(i) The Group as lessee

The Group has lease contracts for outlet premises, showrooms, warehouses, office premises and motor vehicles used for its operations purposes. These leases are generally having lease term of 2 to 10 years.

The Group and the Company also have leases of premises, staff hostel and office equipment with lease terms of less than 12 months. The Group and the Company apply "short-term leases" recognition exemption for these leases.

(ii) The Group as lessor

Investment properties

Operating leases, in which the Group is the lessor, relate to investment properties owned by the Group with lease term expiring in October 2020. The lease is classified as operating lease because the risk and reward incidental to ownership of the asset are not substantially transferred.

Total cash outflows for all leases in the year amount to $4,331,087.

18 Lease liabilities (Cont'd)

(iii) The Group as intermediate lessor of sublease

The Group acts as an intermediate lessor under arrangement whereby it subleases out certain warehouse premises to third party for monthly lease payments. These subleases are classified as finance lease because they are for substantial portion of the remaining head lease terms.

(a) Subleases - classified as finance lease

The Group's sublease of its right-of-use of the warehouse premises is accounted for by derecognising the right-of-use assets relating to the head leases and recognising the net investment in the sublease under the Group's finance lease receivables (Note 11).

Further information about liquidity risks are disclosed in Note 31.

19 Deferred taxation

The Group	2020 $	2019 $
Deferred tax assets		
Balance at beginning of year	**14,035**	44,487
Translation differences	**858**	(456)
Recognised in profit or loss (Note 25)	**(2,368)**	(29,996)
Balance at end of year	**12,525**	14,035

The balances are attributable to the following:

The Group	2020 $	2019 $
Property, plant and equipment	**12,525**	14,035

The Group	2020 $	2019 $
Deferred tax liabilities		
Balance at beginning of year	**95,727**	164,643
Recognised in profit or loss (Note 25)	**-**	(68,916)
Balance at end of year	**95,727**	95,727

The balances are attributable to the following:

The Group	2020 $	2019 $
Property, plant and equipment	**9,957**	9,957
Unremitted earnings of subsidiary	**85,770**	85,770
	95,727	95,727

Deferred tax assets and deferred tax liabilities are not expected to be recoverable/payable within the next 12 months.

20 Trade and other payables

	The Company		The Group	
	2020	2019	**2020**	2019
	$	$	**$**	$
Trade payables to third parties	**-**	-	**2,727,040**	2,810,479
Other payables	**1,450,687**	1,229,707	**6,912,451**	5,205,596
Amounts due to subsidiaries - non-trade	**1,588,085**	1,196,918	**-**	-
Accrued employee benefits	**648,027**	375,390	**1,266,939**	976,960
Accrued expenses	**1,167,359**	391,655	**1,825,101**	1,055,364
Interest payables	**-**	-	**1,106,247**	735,097
Deferred grant income	**18,400**	-	**150,512**	-
	4,872,558	3,193,670	**13,988,290**	10,783,496

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

Trade and other payables of $369,779 (2019 - $380,656) of the Group and $88,133 (2019 - $91,878) 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	
	2020	2019	**2020**	2019
	$	$	**$**	$
Singapore Dollar	**4,872,558**	3,193,670	**7,898,543**	5,600,803
United States Dollar	**-**	-	**-**	720,511
Euro	**-**	-	**-**	10,169
Malaysian Ringgit	**-**	-	**2,724,026**	2,366,891
New Taiwan Dollar	**-**	-	**433,273**	707,487
Renminbi	**-**	-	**2,932,448**	1,377,635
	4,872,558	3,193,670	**13,988,290**	10,783,496

Further details of liquidity risks and foreign currency risk on trade and other payables are disclosed in Note 31.

21 Amounts due to directors

The amounts due to directors, comprise of amounts paid on behalf of the Company of $68,252 (2019 - $71,996). 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 31.

22 Other income

The Group	2020 $	2019 $
Government grants	-	52,914
Interest income	**3,791**	4,086
Rental income	**1,268,514**	1,612,466
Sundry income	**180,242**	1,353,677
Gain on disposal of property, plant and equipment	**31,292**	11,111
Transportation income	**225,118**	139,370
Exchange gain, net	**269,333**	591,420
Waiver of loans from directors of a subsidiary	-	374,358
Membership subscription fees	**16,712**	22,315
	1,995,002	4,161,717

23 Finance costs

The Group	2020 $	2019 $
Interest expense		
- Lease liabilities	**119,550**	2,106
- bank loans	**1,093,365**	641,900
- trust receipts and bills payable	**168,708**	236,882
- bank overdrafts	**362,492**	387,049
	1,744,115	1,267,937
Trade financing charges	**4,203**	26,236
	1,748,318	1,294,173

24 Loss before taxation

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

The Group	Note	2020 $	2019 $
Included under "cost of sales"			
Cost of inventories included in cost of sales	10	**11,651,998**	13,873,720
Reversal of allowance for inventory obsolescence	10	**(10,616)**	(228,815)
Allowance for inventory obsolescence	10	**251,947**	-
Depreciation of property, plant and equipment	4	-	138,436
Staff costs (A)		**1,041,713**	1,034,587
Included under "distribution cost and administrative expenses"			
Operating lease expense		**2,694,529**	4,760,950
Directors' fees		**126,000**	87,619
Staff costs (A)		**5,598,047**	6,805,004
Audit fees:			
- auditors of the Company		**172,999**	187,809
- other auditors		**45,113**	48,604
Non-audit fees:			
- Tax fees		**25,000**	23,500

24 Loss before taxation (Cont'd)

The following items have been included in arriving at loss before taxation (Cont'd):

The Group	Note	2020 $	2019 $
Included under "other operating expenses"			
Amortisation of land use rights	7	**-**	24,110
Depreciation of property, plant and equipment	4	**272,879**	459,963
Depreciation of right of use assets	6	**1,658,242**	-
Depreciation of investment properties	5	**568,859**	573,446
Inventories written off	10	**-**	20,311
Impairment loss on property, plant and equipment	4	**-**	517,892

A)Staff costs

	2020 $	2019 $
Key management personnel - directors:		
Directors' remuneration other than fees		
- salaries and other related costs	**265,636**	280,406
- Contributions to defined contribution plans	**9,360**	9,360
Key management personnel - other than directors		
- salaries and other related costs	**178,600**	341,658
- Contributions to defined contribution plans	**20,750**	25,740
	474,346	657,164
Other than key management personnel		
- salaries, wages and other related costs	**5,646,348**	6,547,962
- Contributions to defined contribution plans	**519,066**	634,465
	6,165,414	7,182,427
	6,639,760	7,839,591

25 Tax expense

The Group	2020 $	2019 $
Current tax expense		
Current year	**95,693**	155,278
Adjustments for prior years	**6,056**	41,503
	101,749	196,781
Deferred tax expense/(credit)		
Movements in temporary differences	**2,368**	(38,920)
Withholding tax on overseas income	**11,170**	235,193
	115,287	393,054

25 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 loss before taxation as a result of the following:

The Group	2020 $	2019 $
Loss before taxation	**(3,378,127)**	(5,434,550)
Tax at domestic rates applicable to individual group entities	**(641,829)**	(993,890)
Tax effect on non-deductible expenses (a)	**445,984**	1,656,622
Tax effect on non-taxable income	**(16,365)**	(76,278)
Deferred tax assets on temporary differences not recognised	**342,213**	272,368
Utilisation of deferred tax assets on temporary differences not recognised in prior years	**(31,942)**	(718,887)
Adjustment for prior years for current tax	**6,056**	41,503
Tax incentives	**-**	(23,577)
Withholding tax on overseas income	**11,170**	235,193
	115,287	393,054

(a) Expenses not deductible for tax purposes relate mainly to depreciation and amortisation of non-qualifying assets and other disallowed expenses incurred in the ordinary course of business.

The domestic tax rates applicable to the results 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 Furniture (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
Uhin Sofa Sdn. Bhd.	Malaysia	24.0%	Full tax
Uhin International Co., Ltd.	Republic of China (Taiwan)	20.0%	Full tax

Unrecognised deferred tax assets

At the reporting date the Group had unabsorbed tax losses and capital allowances of approximately $34.4 million (2019 - $32.7 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 $8.6 million (2019 - $7.6 million) related to certain subsidiaries expire from 2020 through 2024.

Deferred tax assets of approximately $6.9 million (2019 - $6.6 million) have not been recognised in respect of these tax losses and capital allowances because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

26 Loss per share

The Group	2020 $	2019 $
Loss attributable to owners of the Company	**(3,493,414)**	(5,827,604)
Weighted average number of ordinary shares issued during the year	**439,400,466**	439,400,466
Loss per share (cents):		
- basic	**(0.80)**	(1.33)
- diluted	**(0.80)**	(1.33)

Basic earnings per share is calculated by dividing the net loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings or loss per share, the weighted average number of shares are adjusted for the effects of all dilutive potential ordinary shares as at 31 March 2020 and 31 March 2019. As at 31 March 2020, the basic and diluted losses per ordinary share were the same since the Group did not have any stock options or potential dilutive ordinary shares.

27 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:

The Group	2020 $	2019 $
Purchases from a firm of which a director of the Company is a member	**41,003**	19,218
Sales to		
- a firm of which a director of the Company is a member	**45,047**	20,550
Expenses charged to a firm of which a director of the Company is a member	**598**	559
Expenses charged by a firm of which a director of the Company is a member	**19,881**	27,107

28 Commitments

Operating lease commitments (non-cancellable)

A Where the Group is a lessee

As at 31 March 2019, the Group was committed to making the following payments in respect of non-cancellable operating leases of outlet premises, showrooms, warehouses and office premises:

The Group	2019 $
Not later than one year	930,048
Later than one year and not later than five years	1,603,322

These operating leases expire between May 2020 and August 2025 (2019: December 2019 and July 2021) 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 lease in respect of rental of investment properties:

The Group	**2020** **$**	2019 $
Not later than one year	**656,333**	264,000
Later than one year and not later than five years	**-**	77,000

This non-cancellable lease has remaining lease terms which expires on October 2020 and contains renewal options.

29 Operating segments

In the last financial period, the Group decided to monitor the operating results based on the nature of its business. Consequently, the Group had changed its presentation of segment reporting into 2 main segments, which the Group was primarily engaged in:

(i) Furniture business and
(ii) Building Material

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.

Corporate expenses and income taxes are managed on a group basis and are not allocated to operating segments.

29 Operating segments (Cont'd)

	Furniture business		Building materials		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**25,952**	28,156	**948**	909	**-**	-	**26,900**	29,065
Gross profit	**13,677**	13,432	**(758)**	366	**-**	-	**12,919**	13,798
Segment results	**(1,431)**	2,169	**184**	(1,582)	**(383)**	(4,728)	**(1,630)**	(4,141)
Finance costs	**(1,519)**	(1,102)	**(229)**	(192)	**-**	-	**(1,748)**	(1,294)
Loss before taxation	**(2,950)**	1,067	**(45)**	(1,774)	**(383)**	(4,728)	**(3,378)**	(5,435)
Tax expense							**(115)**	(393)
Loss for the year							**(3,493)**	(5,828)
Other information								
Segment assets	**28,811**	25,932	**343**	527	**68**	59	**29,222**	26,518
Segment liabilities	**31,306**	27,006	**5,136**	4,907	**3,352**	2,271	**39,794**	34,184
Additions of property, plant and equipment	**129**	477	**-**	-	**-**	13	**129**	490
Additions of investment property	**-**	185	**-**	-	**-**	-	**-**	185
Additions of right-of-use assets	**3,208**	-	**-**	-	**-**	-	**3,208**	-
Depreciation of property, plant and equipment	**273**	598	**-**	-	**-**	-	**273**	598
Depreciation of investment properties	**568**	573	**-**	-	**-**	-	**568**	573
Depreciation of right-of-use assets	**1,658**	-	**-**	-	**-**	-	**1,658**	-
Amortisation of land use rights	**-**	24	**-**	-	**-**	-	**-**	24
Gain on disposal of property, plant and equipment	**(31)**	(11)	**-**	-	**-**	-	**(31)**	(11)
Impairment loss on property, plant and equipment	**-**	518	**-**	-	**-**	-	**-**	518
Reversal of allowance for inventory obsolescence	**(11)**	(229)	**-**	-	**-**	-	**(11)**	(229)
Allowance for inventory obsolescence	**252**	-	**-**	-	**-**	-	**252**	-
Inventory written off	**-**	20	**-**	-	**-**	-	**-**	20
Impairment loss on trade and other receivables, net	**101**	71	**82**	1,797	**-**	-	**183**	1,868
Waive of loans from directors of a subsidiary	**-**	(374)	**-**	-	**-**	-	**-**	(374)
Interest income	**(4)**	(4)	**-**	-	**-**	-	**(4)**	(4)
Interest expense	**1,519**	1,102	**229**	192	**-**	-	**1,748**	1,294

29 Operating segments (Cont'd)

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

The Group	2020 $'000	2019 $'000
Revenue		
Singapore	**1,976**	2,439
Malaysia	**12,553**	13,072
Taiwan	**12,152**	13,403
China	**219**	151
Others	**-**	-
	26,900	29,065

The Group	2020 $'000	2019 $'000
Non-current assets		
Singapore	**143**	1,666
Malaysia	**6,296**	4,049
Taiwan	**1,353**	412
China	**6,840**	7,336
	14,632	13,463

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

The Group	2020 $'000	2019 $'000
Revenue		
Total revenue for reportable segments	**26,900**	29,065
Consolidated revenue	**26,900**	29,065
Profit or loss		
Total loss for reportable segments	**(1,630)**	(4,141)
Finance costs	**(1,748)**	(1,294)
Consolidated loss before tax	**(3,378)**	(5,435)

The Group	2020 $'000	2019 $'000
Segment assets		
Total assets for reportable segments	**29,222**	26,518
Tax recoverable	**58**	496
Deferred tax assets	**13**	14
Consolidated total assets	**29,293**	27,028
Segment liabilities		
Total liabilities for reportable segments	**39,794**	34,184
Current tax payable	**95**	78
Deferred tax liabilities	**96**	96
Consolidated total liabilities	**39,985**	34,358

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

30 Contingencies

The Company

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. On 19 April 2023, judgement has been passed by the High Court of the Republic of Singapore where the plaintiff is awarded damages claim aggregating $53.6 million from the subsidiary and other defendants jointly and severally. In accordance with the agreement, the main contractor and sub-contractor should be responsible for work defects. The Company is contesting the claim rigorously. The former shareholder of the subsidiary has provided an undertaking in writing to the Company for an amount of up to $5 million for all actual and proven damages arising from the claim by the plaintiff.

The directors are of the view that no material losses will arise in respect of the legal suit as the amount of undertaking of $5 million should be sufficient to cover for the loss.

31 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.

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.

31 Financial risk management (Cont'd)

Credit risk (Cont'd)
The Group and the Company apply the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For all other financial assets, the Group and the Company apply the general approach.

As at the reporting date, the Company's subsidiaries did not have sufficient accessible highly liquid assets to repay the amount to the Company if demanded for repayment. Management did not perform an impairment assessment to determine the expected credit losses on the amounts due from subsidiaries of $814,810 (2019 - $1,058,290).

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's and the Company's respective maximum exposure to credit risk, before taking into account any collateral held.

The Group has no significant debtor.

<u>Exposure to credit risk</u>
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 2020, the Company has provided guarantees to banks in respect of loan facilities granted to subsidiaries amounting to $6.8 million (2019 - $7 million).

(ii) At 31 March 2020, the Company and a subsidiary have provided a joint guarantee to a bank in respect of a loan facility granted to subsidiaries amounting to $6.1 million (2019 - $6.1 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 $12.9 million (2019 - $13.1 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 since the borrowings are collateralised by the related mortgaged properties.

<u>Cash and cash equivalents</u>
Cash is placed with financial institutions which are regulated and have good credit ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

31 Financial risk management (Cont'd)

Exposure to credit risk (Cont'd)

The Group's and the Company's major classes of financial assets are trade and other receivables (excluding prepayments, advances to suppliers and tax recoverable), and cash and cash equivalents.

The tables below detail the credit quality of the Group's and the Company's financial assets, as well as maximum exposure to credit risk:

Group	12-month or lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
2020				
Trade receivables	**Lifetime ECL**	**3,320,755**	**(1,931,616)**	**1,389,139**
Other receivables	**12-month ECL**	**4,433,658**	**(3,152,070)**	**1,281,588**
		7,754,413	**(5,083,686)**	**2,670,727**
2019				
Trade receivables	Lifetime ECL	3,670,481	(2,126,827)	1,543,654
Other receivables	12-month ECL	5,456,364	(4,032,753)	1,423,611
		9,126,845	(6,159,580)	2,967,265

Company	12-month or Lifetime ECL	Gross carrying Amount $	Loss allowance $	Net carrying amount $
2020				
Other receivables	**12-month ECL**	**2,856,117**	**(2,800,000)**	**56,117**
Amounts due from subsidiaries (non-trade)	**12-month ECL**	**814,810**	**-**	**814,810**
		3,670,927	**(2,800,000)**	**870,927**
2019				
Other receivables	12-month ECL	2,830,846	(2,800,000)	30,846
Amounts due from subsidiaries (non-trade)	12-month ECL	1,058,290	-	1,058,290
		3,889,136	(2,800,000)	1,089,136

31 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 borrowings which are contractually repriced at intervals of less than 6 months.

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

Sensitivity analysis for interest rate risk
A 75 (2019 - 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	Loss before tax - (increase)/decrease 75bp Increase $	75bp Decrease $	Equity - increase/(decrease) 75bp Increase $	75bp Decrease $
31 March 2020				
Variable rate borrowings	**(68,533)**	**68,533**	**(68,533)**	**68,533**
	(68,533)	**68,533**	**(68,533)**	**68,533**
31 March 2019				
Variable rate borrowings	(71,667)	71,667	(71,667)	71,667
	(71,667)	71,667	(71,667)	71,667

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 monetary financial instruments that are denominated in a currency other than the respective functional currencies of Group entities.

The Company is not exposed to significant foreign currency risk since its transactions are denominated in Singapore dollars which is its functional currency.

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

31 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

The Group	US Dollar 2020 $'000	US Dollar 2019 $'000	Euro 2020 $'000	Euro 2019 $'000	Malaysian Ringgit 2020 $'000	Malaysian Ringgit 2019 $'000	New Taiwan Dollar 2020 $'000	New Taiwan Dollar 2019 $'000	Renminbi 2020 $'000	Renminbi 2019 $'000	Total 2020 $'000	Total 2019 $'000
Financial Assets												
Trade and other receivables [1]	-	-	-	-	**1,026**	1,346	**496**	612	**356**	233	**1,878**	2,191
Cash and bank balances	-	-	-	-	**312**	138	**913**	240	**26**	243	**1,251**	621
	-	-	-	-	**1,338**	1,484	**1,409**	852	**382**	476	**3,129**	2,812
Financial Liabilities												
Trade and other payables (excluding deferred grant income)	-	721	-	10	**2,724**	2,367	**433**	707	**2,932**	1,378	**6,089**	5,183
Lease liabilities	-	-	-	-	**2,819**	-	**1,150**	-	-	-	**3,969**	-
Borrowings	-	409	-	102	**3,985**	4,268	-	-	**5,388**	5,726	**9,373**	10,505
	-	1,130	-	112	**9,528**	6,635	**1,583**	707	**8,320**	7,104	**19,431**	15,688
Net currency exposure on financial assets and (financial liabilities)	-	(1,130)	-	(112)	**(8,190)**	(5,151)	**(174)**	145	**(7,938)**	(6,628)	**(16,302)**	(12,876)

[1] *Excluded prepayment, advances to suppliers and income tax recoverable*

31 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

A 5% strengthening of the above currencies against the respective functional currencies of the Group entities at year end would have increased/decreased loss before tax and decreased/increased equity by the amounts shown below. 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)			
	2020		2019	
	Loss before tax $'000	**Equity $'000**	Loss before tax $'000	Equity $'000
The Group				
United States dollar	**-**	**-**	56	(56)
Euro	**-**	**-**	6	(6)
Malaysian Ringgit	**410**	**(410)**	258	(258)
New Taiwan Dollar	**9**	**(9)**	(7)	7
Renminbi	**397**	**(397)**	331	(331)

Similarly, a 5% weakening would have the equal but opposite effect.

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 and the Company do 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 financial liabilities based on contractual undiscounted cash flows, including estimated interest payments:

The Group		**Contractual undiscounted cash flow**			
	Carrying amount $	**Total $**	**Less than 1 year $**	**Between 2 and 5 years $**	**Over 5 years $**
31 March 2020					
Trade and other payables (excluding deferred grant income)	**13,837,778**	**13,837,778**	**13,837,778**	**-**	**-**
Amounts due to directors	**68,252**	**68,252**	**68,252**	**-**	**-**
Lease liabilities	**4,127,770**	**4,382,605**	**1,989,357**	**2,011,899**	**381,349**
Borrowings	**18,795,361**	**18,842,377**	**18,741,160**	**101,217**	**-**
	36,829,161	**37,131,012**	**34,636,547**	**2,113,116**	**381,349**
31 March 2019					
Trade and other payables	10,783,496	10,783,496	10,783,496	-	-
Amount due to directors	71,996	71,996	71,996	-	-
Finance lease liabilities	47,808	55,860	23,045	32,815	-
Borrowings	18,903,496	18,903,496	18,728,596	174,900	-
	29,806,796	29,814,848	29,607,133	207,715	-

31 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The Company	Carrying amount $	Contractual undiscounted cash flow Total $	Less than 1 year $	Between 2 and 5 years $	Over 5 years $
31 March 2020					
Financial guarantee contracts	**12,900,000**	**12,900,000**	**12,900,000**	-	-
Trade and other payables (excluding deferred grant income)	**4,854,158**	**4,854,158**	**4,854,158**	-	-
	17,754,158	**17,754,158**	**17,754,158**	-	-
31 March 2019					
Financial guarantee contracts	13,100,000	13,100,000	13,100,000	-	-
Trade and other payables	3,193,670	3,193,670	3,193,670	-	-
	16,293,670	16,293,670	16,293,670	-	-

Subject to the going concern assumption in Note 2(a), 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 maintain sufficient level of cash and cash equivalents and available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

32 Financial instruments

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	Note	2020 $	2019 $
Financial assets			
At amortised cost			
Trade and other receivables	11	**2,670,727**	2,967,265
Cash and bank balances	13	**1,291,517**	923,582
		3,962,244	3,890,847
Financial liabilities			
At amortised cost			
Borrowings	16	**18,795,361**	18,951,304
Lease liabilities	18	**4,127,770**	-
Trade and other payables (excluding deferred grant income)	20	**13,837,778**	10,783,496
Amounts due to directors	21	**68,252**	71,996
		36,829,161	29,806,796

The Company	Note	2020 $	2019 $
Financial assets			
At amortised cost			
Other receivables	11	**870,927**	1,089,136
Cash and bank balances	13	**1,871**	4,687
		872,798	1,093,823
Financial liabilities			
At amortised cost			
Trade and other payables (excluding deferred grant income)	20	**4,854,158**	3,193,670
Amounts due to directors	21	**68,252**	71,996
		4,922,410	3,265,666

33 Fair value measurement

Definition of fair value
SFRS(I) 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 data.

Financial instruments measured at amortised cost

Borrowings
The carrying amounts of non-current borrowings approximate their fair values as they bear interest at rates which approximate the prevailing borrowing rate for similar types of lending and borrowing arrangements.

The fair value of non-current bank borrowings is disclosed in Note 16.

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 (excluding prepayments, advances to suppliers, and tax recoverable), cash and bank balances, trade and other payables (excluding deferred grant income), borrowings and amounts due to directors approximate their fair values because of the short period to maturity.

Fair value measurement of non-financial assets

Leasehold properties (Note 4), investment properties (Note 5), and land-use-rights (Note 7)
In the last financial year, the fair value of non-financial assets included in (Level 3 hierarchy) was determined as follows:-

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct comparison method	- Price per square meter - Expected average rental growth	The estimated fair value would increase /(decrease) if: - Price per square meter was higher/(lower); - Expected average rental growth was higher/(lower);

As at 31 March 2020, there was no disclosure made to the fair value of leasehold properties, investment properties and land-use-rights except for the investment property located at 27 Kaki Bukit Place, Singapore and leasehold properties in Malaysia which were disposed for a consideration of $4,860,000 and $966,812 respectively and reclassified as assets held for sale.

There was no transfer between level 1, 2 and 3 during the year.

34 Capital management

The Group's objectives when managing capital are:

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

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

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

Except for compliance with the capital reserve requirement by subsidiaries in ROC (Note 15), 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 external borrowings less cash and bank balances. Net asset comprises total equity.

The Group	2020 $	2019 $
Total external borrowings	18,795,361	18,951,304
Less: Cash and bank balances	(1,291,517)	(923,582)
Net debt	17,503,844	18,027,722
Total equity	(10,692,841)	(7,330,087)
Net debt to total equity ratio (times)	n.m.	n.m.

n.m. – not meaningful

35 Events after end of reporting period

On 7 October 2020, one of the subsidiaries, Lorenzo Concept Pte. Ltd. was struck off from the Register of Companies pursuant to Section 344A of the Act. Lorenzo Concept Pte. Ltd. has not commenced any business or operations since incorporation.

On 29 March 2021, a Court in China ordered the Company to pay damages of RMB18 million to Kunhao for failure to complete transfer of shares in Lorenzo Furniture (Kunshan) Co., Ltd ("Kunshan") to Kunhao within one month from 17 March 2021.

On 18 June 2021, the Company was informed by Kunhao that it had successfully obtained a Court order in relation to the transfer of Kunshan's shares from the Company to Kunhao. The Company's legal adviser has corroborated the change in the shareholder of Kunshan from the Company to Kunhao. Accordingly, Kunshan ceased to be a subsidiary company of the Company with effect from 18 June 2021.

On 10 February 2023, the Company had received a notification of delisting from Singapore Exchange Regulation Pte. Ltd.. At the date of this notification, the Company had not submitted any trading resumption proposal nor any application for an extension of time to meet the requirements under Listing Rule 1304(1) since the suspension of trading over the Company's shares on 14 December 2018.

SHAREHOLDERS STATISTICS

as of 18 May 2023

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 of each ordinary share
NO. OF TREASURY SHARES AND PERCENTAGE: There are no treasury shares held in the issued share capital of the Company
NO. OF SUBSIDIARY HOLDING HELD AND PERCENTAGE: Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-99	130	11.23	1,739	0.00
100-1,000	104	8.99	85,162	0.02
1,001 - 10,000	219	18.93	1,318,546	0.30
10,001 - 1,000,000	670	57.91	82,676,604	18.82
1,000,001 & ABOVE	34	2.94	355,318,415	80.86
TOTAL	1,157	100.00	439,400,466	100.00

TOP 20 LARGEST SHAREHOLDERS AS AT 18 MAY 2023

No.	Name	No. of Shares	%
1	DING LEI	125,600,000	28.58
2	BD CORPORATION PTE LTD	45,579,800	10.37
3	CHIANG TIN TIAH	21,000,000	4.78
4	BERNICE HUANG SHUZHEN	21,000,000	4.78
5	CHUNG KIM YEW	20,493,200	4.66
6	PHILLIP SECURITIES PTE LTD	19,963,150	4.55
7	LYE KIM CHYE	17,933,800	4.08
8	GOH SOON KHIAN	8,695,600	1.98
9	RAFFLES NOMINEES (PTE) LIMITED	6,691,400	1.52
10	JI YANPENG	6,200,000	1.41
11	TOH SOON HUAT	5,923,000	1.35
12	TAN KENG KOK	5,815,000	1.32
13	CHENG YE	5,309,200	1.21
14	GOH AH LEE	4,217,000	0.96
15	CHEN MEI YING	3,548,054	0.81
16	SIOW CHEE MENG	3,450,500	0.79
17	SEE MEI LI	3,305,900	0.75
18	CHUNG YOOK FONG	3,248,000	0.74
19	YAN XIU YUN	2,812,600	0.64
20	CHUNG KAM SENG	2,695,000	0.61
		333,481,204	75.89

SHAREHOLDERS STATISTICS

as of 18 May 2023

SUBSTANTIAL SHAREHOLDERS (OTHER THAN DIRECTORS)

No.	Name	No. of Shares	%	No. of Shares	%
1	DING LEI	125,600,000	28.58	-	-
2	BD CORPORATION PTE LTD	45,579,800	10.37	-	-
3	LIM PANG HERN (i)	959,500	0.22	45,579,800	10.37

Notes:

1) Lim Pang Hern is deemed to be interested in the 45,579,800 Shares held by BD Corporation Pte Ltd as he holds 100% shareholding interest in BD Corporation Pte Ltd.

Shareholdings held in the hand of public

Based on information available to the Company at 18 May 2023, approximately 55.35% 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 Fifteenth Annual General Meeting of the Company will be held at **106 International Road Singapore 629175 on 14 June 2023 at 11.00 a.m.** to transact the following business:

This Notice along with its accompanying Proxy Form has been made available on SGXNet which may be accessed at the URL: http://www.sgx.com/securities/company-announcements. **A printed copy of this Notice and the accompanying Proxy Form will NOT be despatched to Shareholders.**

	ORDINARY BUSINESSES	
1	To receive and adopt the Audited Accounts for the financial year ended 31 March 2020 together with the Directors' Statement and the Auditors' Report of the Company.	**Resolution 1**
2	To re-elect as a Director, Mr Lim Pang Hern, who is retiring under Article 90 of the Company's Constitution: Mr Lim Pang Hern will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.	**Resolution 2**
3	To re-elect as a Director, Mr Toh Hock Ghim who is retiring under Article 96 of the Company's Constitution and who, being eligible, is offering himself for re-election as a Director. Mr Toh Hock Ghim will, upon re-election as a Director of the Company, remain as Independent Non-Executive Chairman of the Board of Directors.	**Resolution 3**
4	To approve the payment of directors' fees of S$126,000 for the financial year ending 31 March 2021 to be paid quarterly in arrears.	**Resolution 4**
5	To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.	**Resolution 5**
6	To transact any other business that may be transacted at an Annual General Meeting.	
	SPECIAL BUSINESSES	
7	To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications: "That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to: (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and	

SPECIAL BUSINESSES (Cont'd)

7 (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

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **Resolution 6**

[See Explanation Note 1]

By Order of the Board
Lim Pang Hern
Executive Director
30 May 2023

Explanatory Notes:

1. The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

Notes:

1) A member entitled to attend and vote at the Fifteenth 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 106 International Road Singapore 629175 at least forty-eight (48) hours before the time fixed for the Fifteenth 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Lim Pang Hern and Mr Toh Hock Ghim are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 14 June 2023 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	MR LIM PANG HERN	**MR TOH HOCK GHIM**
Date of Appointment	6 March 2015	27 January 2023
Date of last re-appointment	31 December 2018	-
Age	60	81
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr. Lim Pang Hern for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr. Lim Pang Hern possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr. Toh Hock Ghim for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr. Toh Hock Ghim possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for the presentation of the Company's aims and policies, business development of the Group and day-to-day operations of the Group's subsidiaries in Singapore.	Non- Executive
Job Title (e.g., Lead ID, AC Chairman, AC Member etc.)	Executive Director and member of the Remuneration Committee	Independent Director, Chairman of the Board of Directors

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM PANG HERN	MR TOH HOCK GHIM
Working experience and occupation(s) during the past 10 years	1 July 2014 to Present Executive Director – GPS Alliance Holdings Limited	December 2011 to Present Independent Non-Executive Director – AnAn International Limited January 2008 to Present Independent Non-Executive Chairman – DISA Limited January 2020 to November 2021 Non-Executive Chairman – Hon Corporation Limited July 2008 to April 2021 Independent Non-Executive Director – FDG Kinetic Limited December 2018 to January 2020 Independent Director – Auralite Investment Inc. April 2016 to January 2019 Independent Non-Executive Director – AGV Group Limited April 2017 to September 2018 Independent Director – Fourth Link Inc.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 959,500	No
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM PANG HERN	MR TOH HOCK GHIM
Other Principal Commitments* Including Directorships# (for the last 5 years) * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the past 5 years): None Present: GPS Alliance Holdings Limited	Past (for the past 5 years): January 2020 to November 2021 Hon Corporation Limited July 2008 to April 2021 FDG Kinetic Limited December 2018 to January 2020 Auralite Investment Inc. April 2016 to January 2019 AGV Group Limited April 2017 to September 2018 Fourth Link Inc. Present: December 2011 to Present AnAn International Limited January 2008 to Present DISA Limited
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM PANG HERN	MR TOH HOCK GHIM
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIM PANG HERN	MR TOH HOCK GHIM
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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PROXY FORM

FIFTEENTH ANNUAL GENERAL MEETING

LORENZO INTERNATIONAL LIMITED
(incorporated in the Republic of Singapore | Company Registration No.: 200508277C)

I / We ____

(Name) of ____

(Address) ____

being a member / members of Lorenzo International Limited (the "**Company"**) hereby appoint

Name	Address	NRIC/ 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 Fifteenth Annual General Meeting (the "**Meeting**"), as my/our proxy/ proxies to vote for me/us on my/our behalf at the Fifteenth Annual General Meeting of the Company, to be held at **106 International Road Singapore 629175** on **14 June 2023 at 11.00 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.

Ordinary Resolutions Relating To:			
No.	**Ordinary Businesses**	**For**	**Against**
1	Adoption of Accounts		
2	Re-election of Mr Lim Pang Hern		
3	Re-election of Mr Toh Hock Ghim		
4	Approval of directors' fees		
5	Re-appointment of Auditors		
	Special Businesses	**For**	**Against**
6	Authority to allot and issue new shares		

PROXY FORM

FIFTEENTH ANNUAL GENERAL MEETING

LORENZO INTERNATIONAL LIMITED
(incorporated in the Republic of Singapore | Company Registration No.: 200508277C)

(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 _________________ 2023.

Number of Shares held In	
CDP Register	
Member’s Register	
TOTAL	

____
Signature of Shareholder(s) of Common Seal
Important: Please read notes overleaf.

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

FIFTEENTH ANNUAL GENERAL MEETING

LORENZO INTERNATIONAL LIMITED
(incorporated in the Republic of Singapore | Company Registration No.: 200508277C)

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 2001), 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 1967) 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 1967) 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 106 International Road, Singapore 629175, 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 1967 of Singapore.

8. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the Annual General Meeting if he is able to do so.

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

11. 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.

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LORENZO

LORENZO INTERNATIONAL LIMITED

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SINGAPORE

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Builders Shop Pte Ltd
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Monica Design Sdn Bhd
Ginova Marketing Sdn Bhd
Brezza Living Sdn Bhd
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YEARS OF MANUFACTURING

ASIA'S ONLY & CERTIFIED
EXCLUSIVELY IMPORTER OF
100% ITALIAN
GENUINE BOVINE HIDES

ITALIAN
LEATHER
GROUP

LORENZO

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