

LORENZO INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200508277C)

DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “**Board**”) of Lorenzo International Limited (the “**Company**”) refers to the unaudited full year financial results announcements for the financial year ended 31 December 2015 (“**FY2015**”) released via the SGXNet on 26 February 2016 (Reference No. SG160226OTHRIJZ1) (the “**Unaudited Financial Statements**”). Further reference is made to the Audited Financial Statements of the Company for FY2015 (the “**Audited Financial Statements**”) in the Annual Report of the Company for FY2015 released via SGXNet on 16 May 2016 (Reference No. SG160516OTHRT7HY).

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight and clarify the material differences between the Unaudited Financial Statements and Audited Financial Statements for FY2015. The material differences and the reasons for such material differences are set out in the explanatory notes below.

1(a) Statement of profit or loss and other comprehensive income

	Group			
	Unaudited FY 2015	Audited FY2015	Difference	Explanation
	\$'000	\$'000	\$'000	
Revenue	53,157	53,752	595	Note A
Cost of sales	(31,953)	(32,237)	(284)	Note A
Gross Profit	21,204	21,515	311	
Other operating income	2,104	2,011	(93)	Note B
Administrative expenses	(22,733)	(23,024)	(291)	Note C
Distribution and marketing costs	(6,251)	(6,278)	(27)	Note D
Other operating expenses	(8,759)	(11,370)	(2,611)	Note E
Finance costs	(930)	(909)	21	
Loss before tax	(15,365)	(18,055)	(2,690)	
Taxation	(533)	(711)	(178)	Note F
Loss Profit after tax	(15,898)	(18,766)	(2,868)	

Other comprehensive income:

Available-for-sale financial assets reclassification to profit or loss, at nil tax	-	-		
Foreign currency translation differences – foreign operations, at nil tax	(1,456)	(1,274)	182	Note Q

Other comprehensive loss for the year, net of tax

(1,456) (1,274) 182

Total comprehensive loss for the year attributable to owners of the Company

(17,354) (20,040)

1(b) Statement of Financial Position

	Group		Difference	Explanation
	Unaudited FY 2015 S\$'000	Audited FY2015 S\$'000		
ASSETS:				
Non-Current Assets				
Land use rights	1,229	1,210	(19)	Note G
Property, plant and equipment	21,458	21,038	(420)	Note H
Other receivables	549	575	26	Note I
Deferred tax assets	196	7	(189)	Note J
	23,432	22,830	(602)	
Current Assets:				
Land use rights	33	33	-	
Inventories, at cost	20,140	16,426	(3,714)	Note E(ii)
Trade and other receivables	9,592	9,129	(463)	Note K
Fixed deposits with banks	361	361	-	
Cash and cash equivalents	2,360	2,373	13	Note L
	32,486	28,322	(4,164)	
Total assets	55,918	51,152	(4,766)	
EQUITY AND LIABILITIES:				
Capital and Reserve				
Share capital	36,554	36,554	-	
Reserves	(18,253)	(20,938)	(2,685)	Note M
	18,301	15,616	(2,685)	
Non-current liabilities				
Borrowings	289	347	58	Note N
Deferred tax	180	190	10	Note O
Deferred income	37	40	3	Note P
	506	577	71	
Current Liabilities				
Trade and other payables	18,004	15,952	(2,052)	
Deferred income	43	31	(12)	Note O
Provision for taxation	122	61	(61)	Note F
Borrowings	18,942	18,915	(27)	Note N
	37,111	34,959	(2,152)	
Total equity and liabilities	55,918	51,152	(4,766)	

	Company			
	Unaudited FY 2015	Audited FY2015	Difference	Explanation
ASSETS:	S\$'000	S\$'000	S\$'000	
Non-Current Assets				
Property, plant and equipment	61	61	-	Note E(i)
Investment in subsidiaries	30,254	25,372	(4,882)	
	30,315	25,433	(4,882)	
Current Assets:				
Amount due from subsidiaries	3,209	3,209	-	
Trade and other receivables	176	176	-	
Cash and cash equivalents	8	8	-	
	3,393	3,393	-	
Total assets	33,708	28,826	(4,882)	
EQUITY AND LIABILITIES:				
Capital and Reserve				
Share capital	36,554	36,554	-	Note E(i)
Reserves	(5,463)	(10,345)	(4,882)	
	31,091	26,209	(4,882)	
Current Liabilities				
Trade and other payables	837	837	-	
Amount due to a subsidiary	1,780	1,780	-	
	2,617	2,617	-	
Total equity and liabilities	33,708	28,826	(4,882)	

Note A

The difference was due to an adjustment for the project income and cost of sales understated.

Note B

The difference was due to an adjustment to offset between FOREX gain and FOREX loss.

Note C

The difference was due to an adjustment for under-provision of administrative staff salaries, related costs and sundry expenses for the Company's PRC subsidiaries for December 2015.

Note D

The difference was due to an adjustment for under-provision of bonus and related central provident fund contributions.

Note E

- (i) Subsequent to the impairment test carried out for the investment in subsidiaries, there was an impairment loss on investment in subsidiaries of \$4.9m.
- (ii) An additional provision for slow-moving stocks of \$2.9m in Uhin Holding Pte Ltd was made.

Note F

Reversal of tax over-provided in prior years.

Note G

The difference was due to an adjustment for under-provision of amortisation of land use rights.

Note H

As a result of and as explained in Note E, an impairment loss on plant and equipment in Builders Shop Pte Ltd of \$0.4m was recognised.

Note I

Reclassification of current other receivables to non-current other receivables.

Note J

The difference was due to the reversal of the deferred tax assets arising from temporary difference

and unused tax losses.
Note K The difference was due to reclassification of trade and other receivables and trade and other payables.
Note L The difference was due to an adjustment for recognising the additional cash collection from trade receivables.
Note M The difference was due to an adjustment for impairment loss on plant, property and equipment and provision for slow-moving stocks mentioned above.
Note N Reclassification of current to non-current borrowings and accrued for interest of borrowings.
Note O The difference was due to an adjustment for under-provision of prior year and current year deferred tax liabilities.
Note P The difference was due to amortisation of deferred membership income and reversal of membership income.
Note Q Changes were made to foreign currency translation as result of the matters as explained under Notes A to F.

BY ORDER OF THE BOARD

Teoh Jin Thean

Executive Director/

Chief Executive Officer

18 May 2016