



LORENZO
ANNUAL REPORT 2014



VISION

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

MISSION

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

LIVE THE DREAM

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

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

Attesting to its promise of excellence, Lorenzo also acts as an Original Design Manufacturer to design and manufacture furniture under customers’ brand, as well as an Original Equipment Manufacturer to manufacture based on customers’ designs. Evolving to meet the varied needs of today’s consumers, Lorenzo acquired Builders Shop Pte Ltd (“Builders Shop”), a leading importer, retailer, distributor, supplier and installer of building materials at the end of 2011. Builders Shop specializes in the supply and installation of exquisite granite, marble, limestones, travertine, quartz, onyx and tiles to both individual retail customers and large scale project and property developments.

Together, the Group delivers the ultimate living experience by offering exquisite, high quality building materials to accompany well-designed furniture, creating and enhancing living concepts for every home.

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MESSAGE FROM THE CHAIRMAN



Lim Pang Hern
Executive Director and
Deputy Chairman

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present to you our Annual Report for the financial year ended 31 December 2014 ("FY2014").

Legacies from the global financial crisis continued to weigh on growth during 2014, while new challenges emerged, including geopolitical conflicts such as in Ukraine as well as the Ebola epidemic¹.

Largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy has been revised downward to 3.3 percent for this year, 0.4 percentage point lower than in the IMF's April 2014 World Economic Outlook (WEO)².

These continuing economic uncertainties have brought about a mood of caution among consumers. In Singapore, prices of private residential properties decreased by 1.1% in the 4th Quarter 2014, more than the 0.7% decline in the previous quarter. This was the fifth straight quarter of gradual price decline. For the year 2014 as a whole, prices of private residential properties decreased by 4.0%, compared with an increase of 1.1% in 2013. This is the first year of overall price decline since 2008³. In terms of take-up rates for new launches, developers sold 7,316 units in 2014, significantly lower than the 14,948 units sold in 2013 and a further decline from the 22,197 sold in 2012.

THE YEAR 2014 MARKED ANOTHER MILESTONE YEAR FOR LORENZO. WE ARE CONVINCED THAT OUR DEVELOPMENT IN PARALLEL WITH CONSISTENTLY SOUND ORGANIZATIONAL MANAGEMENT WILL LEAD LORENZO ON A PATH TO SUSTAINABLE GROWTH, BECOMING THE MOST ADMIRERD AND DYNAMIC INTERNATIONAL FURNISHING BRAND.

In the public housing sector, the number of resale transactions for the full year of 2014 was 17,318, a decrease of 4.3% compared to 2013⁴.

Meanwhile in Malaysia, according to the first half 2014 Property Industry Survey by the Real Estate and Housing Developers' Association Malaysia (Rehda), properties in the affordable housing price range below RM1 million have been facing a tough sell largely because of homebuyers' difficulty in getting financing and a glut of unreleased lots.

Also, more than 30 percent of properties in the RM250,000 to RM1 million range were still left unsold after completion in the past three years. Close to 90% of Malaysia's property firms reported a slowdown in sales due to the cooling measures announced in Malaysia's Budget 2014⁵.

The weak residential market in both countries inevitably affected the demand for furniture.

The Year In Review

In the face of these challenging market conditions, our revenue in FY2014 saw a marginal increase of S\$1.14 million, or 1.4%. I am however pleased to advise that our profit before tax for the year was S\$4.64 million, compared to the previous year's loss of S\$3.14 million. This gratifying turnaround is due largely to a reduction in costs and an improvement in other operating income.

¹ <http://www.un.org/en/development/desa/publications/wesp-2015.html>

² <http://www.imf.org/external/pubs/ft/weo/2014/02/>

³ <http://www.ur.gov.sg/uol/media-room/news/2015/jan/pr15-03.aspx>

⁴ <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/C8556B3D7E9A9DDF48257DD50081D1A7?OpenDocument>

⁵ <http://www.thestar.com.my/Business/Business-News/2014/09/12/Property-cools/?style=biz>



Official Ball Kids Sponsor for WTA Finals

Sponsorship of WTA Finals Ball Kids

2014 saw the Women's Tennis Association staging its first ever Finals in Singapore, and Lorenzo was proud to be named Official Ball Kids Sponsor for the event. The five-year sponsorship – titled "Live The Dream" – allows youngsters to get up close to their role models: the world's top women tennis professionals who have dedicated themselves to the achievement of their dreams.

This sponsorship initiative is designed to help build positive perceptions of the Company and create an emotional connection with our customers. Our commitment to tennis goes beyond the international glamour of the WTA Finals. We are delighted to confirm that we have also concluded an agreement to sponsor the Singapore Tennis Association's Ball-Kids programme for four years from 2014.

Our hope is that our support of the ball-kids will inspire youths everywhere to always pursue their dreams to live the life they've imagined, whether in sports or in other areas.

Looking Ahead

We continue to view our prospects in the coming year with caution, given the challenges presented by enduring weakness in the European economy and downward revisions in China's economic forecasts. Current global deflationary pressures, resulting primarily from the massive decline in oil prices over the past

year, may also have a negative effect on consumer spending in our markets. We anticipate that ongoing cooling measures in our core property markets will cause consumer sentiment to remain flat and we do not expect a significant improvement in export sales. As in the previous year, we face operational challenges in the management of foreign exchange movements as well as adverse developments in the prices of raw materials and the costs of labour. The Group will continue to actively pursue new opportunities to improve future income streams and deliver value to Shareholders.

On 14 March 2014 the Company issued 43,317,693 new ordinary shares at S\$0.066 per share pursuant to a placement share exercise. This move helps to strengthen our financial position and provide adequate finance for both the growth of our existing business or potential new acquisitions.

In Appreciation

On behalf of the Board of Directors, I would like to express sincere thanks to all our valued customers, suppliers and business associates for their long-standing support of Lorenzo and their confidence in the Company.

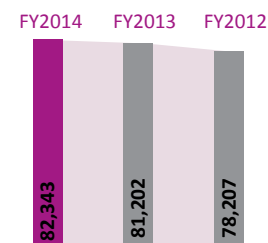
My personal thanks go to my Board of Directors for their invaluable guidance and their professionalism in executing their corporate responsibilities.

Finally, my deep appreciation goes to our management and staff for their dedication and committed service to the Company.

OPERATIONS AND FINANCIAL REVIEW



Revenue showed a modest increase of S\$ 1.1 million or 1.3% from S\$81.2 million in FY2013 to S\$82.3 million in FY2014.



TOTAL REVENUE

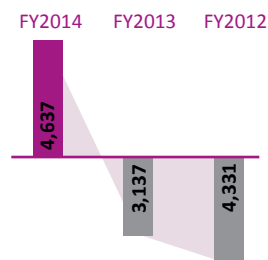
S\$82.3
MILLION

Builders Shop contributed S\$14.1 million to the overall revenue, an increase of S\$1.5 million from S\$12.6 million in the financial year end 31 December 2013 ("FY2013") to S\$14.1 million in FY2014. Our key retail business segment registered a decrease of S\$2.9 million or 5.2% from S\$56.3 million in FY2013 to S\$53.4 million in FY2014. This decline was due to stagnant local furniture sales in Singapore and Malaysia. Export markets revenue improved by S\$2.9 million from S\$7.2 million in FY2013 to S\$10.1 million in FY2014. Sales from LRS stores declined by 7.5% from S\$5.1 million in FY2013 to S\$4.7 million in FY2014.

Although revenue increased in FY2014, our cost of sales decreased marginally by 1.0% from S\$46.4 million in FY2013 to S\$45.9 million in FY2014. This resulted in an increase in gross profit of 4.5% from S\$34.8 million in FY2013 to S\$36.4 million in FY2014. Thus, the gross profit margin increased from 42.9% in FY2013 to 44.2% in FY2014.

Due to the increase in revenue and lower operating expenses, pre-tax profit was S\$4.6 million in FY2014 compared to a loss in FY2013 of S\$3.1 million.

Other operating income, arising typically from transportation revenue, sundry income, and foreign exchange gains arising from timing differences, increased from S\$1.9 million in FY2013 to S\$4.4 million in FY2014, mainly due to net reversal of provision in prior years of S\$1.5 million for slow moving stocks, which were sold in FY2014, plus increase in transportation income of S\$0.4 million.



NET PROFIT BEFORE TAX

S\$4.6
MILLION

Administrative expenses decreased marginally by 3.9% from S\$25.8 million in FY2013 to S\$24.8 million in FY2014, mainly due to a decrease in salary-related expense and rental expense. Distribution and Marketing Costs decreased by S\$1.8 million or by 18.8% from S\$9.7 million in FY2013 to S\$7.9 million in FY2014 mainly due to a decrease in trade fair expenses of S\$0.4 million, delivery and handling charges of S\$0.4 million and advertisement and promotion expenses of S\$1.0 million. Other operating expenses decreased by S\$0.8 million or by 25.3% from S\$3.3 million in FY2013 to S\$2.5 million in FY2014 mainly due to the decrease in provision for stock obsolescence.

Finance costs declined by 8.3% from S\$1.01 million in FY2013 to S\$0.92 million in FY2014 due to lower bank loans for the period under review. The Group's income tax expenses decreased by S\$0.06 million or 5.2% from S\$1.23 million in FY2013 to S\$1.17 million in FY2014, as a result of profit generated from certain Group subsidiaries which were not subject to tax expense.

Lorenzo new retail showroom in Singapore at One KM Designer Store



Lorenzo sponsorship of Myanmar Exclusive Dealer for Furniture Fair 2014

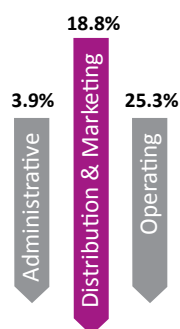


As a result of the above factors, the Group reported a net profit after tax of S\$3.5million for FY2014 as compared to a net loss after tax of S\$4.4 million for FY2013.

The Group's non-current assets decreased by S\$1.9 million from S\$28.1 million as at 31 December 2013 to S\$26.2 million as at 31 December 2014 due to depreciation of property, plant and equipment.

Current portion of the bank borrowings increased from S\$19.1 million as at 31 December 2013 to S\$25.0 million as at 31 December 2014 primarily due to an increase in trust receipts issued for the purchases of raw material.

As at 31 December 2014, the Group's net gearing ratio stood at 0.8 times as compared to 31 December 2013's 0.76 times.



NET PROFIT AFTER TAX

S\$3.5
MILLION



Revenue by Geographic Locations

The Asia Pacific region continued to be the main source of revenues for the Group, contributing 99% of the total revenue in FY2014.

GROUP	FY2014	FY2013	FY2012
Asia Pacific	81,504	76,860	74,850
Middle East and Africa	453	2,783	2,450
North and South America	279	704	462
Europe	107	855	455
Total Revenue	82,343	81,202	78,207

OPERATIONS AND FINANCIAL REVIEW

Revenue by Business Segment

Revenue from the retail business segment remained the main contributor, contributing 64.9% of total revenue in FY2014. The retail business segment also enjoyed high gross margins compared to other business segments. Builders Shop saw a continuing improvement, contributing S\$14.1 million in revenue in FY2014, up from S\$12.6 million in FY2013. The key retail segment registered a decline, contributing S\$53.4 million in revenues, a drop from the FY2013 performance of S\$56.3 million. This was primarily due to flat consumer sentiment across markets.

The export segment of our business saw an improvement with revenues of S\$10.1 million in FY2014 compared to S\$7.2 million in FY2013. Revenues from our LRS stores declined, registering S\$4.7 million, down from S\$5.1 million in FY2013.

EXPORT REVENUE

S\$10.1
MILLION

GROUP	FY2014	FY2013	FY2012
Retail Segment	53,411	56,314	55,836
Export Segment	10,051	7,186	8,212
LRS Licensing	4,736	5,118	4,870
Others (BSPL)	14,145	12,584	9,289
Total Revenue	82,343	81,202	78,207

Retail Statistics

Our total number of stores decreased from 65 in FY2013 to 59 in FY2014, as a result of the closure of five retail stores in China and two in Singapore. These closures were balanced by the addition of two retail stores in Taiwan. At the end of FY2014, we operated 43 retail stores, down from 48 in FY2013. The number of LRS stores decreased by one to 16.

GROUP	FY2014	FY2013	FY2012
Retail Stores			
Malaysia	20	20	21
Taiwan	16	14	16
Singapore	4	6	6
China	3	8	5
Total Retail Stores	43	48	48
LRS Stores			
China	7	5	3
Malaysia	6	8	10
Other Country	3	4	3
Total LRS stores	16	17	16
Total No. of Stores	59	65	64



PRESTIGIOUS AWARDS

AWARDS

FINANCIAL HIGHLIGHTS

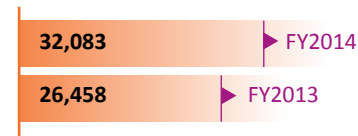
TOTAL REVENUE S\$'000

+1.4%

GROSS PROFIT S\$'000

+4.5%

NET ASSETS S\$'000

+21.3%

	AS OF 31 DEC 2014	AS OF 31 DEC 2013	AS OF 31 DEC 2012
Profit & Loss (S\$'000)			
Revenue	82,343	81,202	78,207
Operating Profit	5,559	(2,131)	(3,281)
Net Profit/(Loss) Before Tax	4,637	(3,137)	(4,331)
Net Profit/(Loss) After Tax	3,471	(4,366)	(5,640)
Analysis			
Revenue Growth	1.4%	3.8%	4.7%
Net Profit Growth	179.5%	22.6%	-371.6%
Operating (Loss)/Profit Margin	6.8%	-2.6%	-4.2%
Net (Loss)/Profit Before Tax Margin	5.6%	-3.9%	-5.5%
Net(Loss)/Profit Margin	4.2%	-5.4%	-7.2%
Balance Sheet (S\$'000)			
Non-Current Assets	26,242	28,056	31,568
Current Assets	49,470	38,455	46,273
Current Liabilities	(42,725)	(38,935)	(44,831)
Non-Current Liabilities	(903)	(1,118)	(1,439)
Net Assets	32,083	26,458	31,571
Shareholders' Equity	32,083	26,458	31,571
Analysis			
Total Assets	75,711	66,511	77,841
Net Gearing Ratio (x)	0.8	0.76	0.71
Return on Total Asset	4.6%	-6.6%	-7.2%
Return on Equity	10.8%	-16.5%	-17.9%

OUR 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.

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.

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.

Care And 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.



D A N T E

Dante speaks of the classic collection that finds favour in everyone's eyes. Much like Dante Alighieri, Italy's greatest poet – his works withstand the test of time, never to run out of style.



E N Z O

Derived from the name Lorenzo, meaning crowned with laurels, Enzo is stylish and graceful, simple and elegant. It embraces the philosophy of zen – a quiet, uncomplicated lifestyle perfect for the minimalist in you.



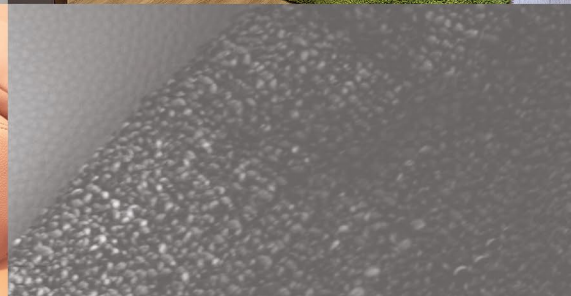
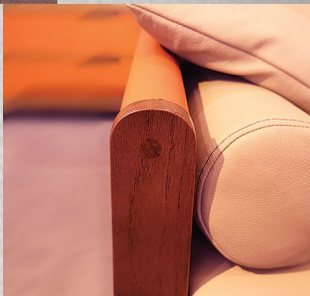


*Life should be immersed in the simple
pleasure at all times...*

- New Collection By **LORENZO**



Prime Habitat is our newly launched collection - Made from imported North America solid oak as the main materials, Prime Habitat is designed and handcrafted professionally with eco-friendly materials.



BOARD OF DIRECTORS



Lim Pang Hern Executive Director and Deputy Chairman

Mr Lim was appointed Deputy Chairman of the Board on 6 March 2015. He is responsible for the business development of the Group.

Mr Lim started as an apprentice in the Material Handling Department with a German Company. Within five years, he was promoted to head the Material Handling and Engineering Departments.

He founded BD Cranetech Pte Ltd, a company specializing in Hoist and Crane, in 1991. Under his leadership, the company proudly received the SME 500 Award in 2009 and 2013 as well as the 2012 Enterprise 50 Award.

Currently, Mr Lim sits on the board of an Australian listed company, GPS Alliance Holdings Limited as an Executive Director, a position he has held since 2014.

With his vast knowledge and experience, he now has a group of companies with diverse business in cranes, properties, marine, precast, galvanizing and construction. Mr Lim attained his City & Guilds Diploma in Electrical Engineering in 1988 and received his Master in Technological Entrepreneurship from SIM University of Singapore in 2011.



Teoh Jin Thean Executive Director and Chief Executive Officer

Mr Teoh was appointed Executive Director of the Board on 23 September 2014. He was appointed Chief Executive Officer of the Company ("CEO") on 6 March 2015 and is responsible for the strategic investment initiatives of the Group.

Mr Teoh has many years of working experience in the Financial & Investment Advisory arena before joining our Group. He started his career as an auditor with Coopers & Lybrand in New Zealand. Following that, he ventured into the stockbroking industry as an Equity Analyst and has worked for the likes of DBS Investment Research and Kleinwort Benson. He was also an Executive Director and Co-Founder of New Independent Pte Ltd (formerly a Licensed Financial Adviser) from 2001 to August 2012. From September 2012 to March 2013, he was a Licensed Financial Adviser Representative with Raffles Health Insurance (RHI), wholly-owned subsidiary of Raffles Medical Group. His responsibilities involved advising and marketing of medical and life insurance plans and investment advisory. In addition, he also served as a Director (Business Development) of 1Sports from July 2013 to September 2014.

Mr Teoh is a member of the Institute of Singapore Chartered Accountants.



Goh Ah Lee Executive Director

Mr Goh was the co-founder of the business in Singapore in 1983 and has led the Group in establishing itself as the leading sofa retailer in the furniture industry. He was appointed Executive Chairman on 16th June 2005 and Group Managing Director on 24th June 2009. He was later re-designated as Executive Director on 6th March 2015 as part of a succession plan. As Executive Director, Mr Goh will be responsible for the general administration of the Company and work together with the CEO in business development.

Mr Goh has been instrumental in the development and running of our retail operations in Singapore. Together with his fellow directors and key executives, he is also involved in progress reviews and implementation of workflow initiatives for the furtherance of business competitiveness.

He served as the President of the Singapore Furniture Industries Council (SFIC) from 2010 to 2012 before taking on the position of Presidential Advisor in the Executive Committee in 2012.



Lee Fut Hua Executive Director and Finance Director

Mr Lee was the Group Financial Controller since 2004 before being appointed as Finance Director on 24 June 2009. He is primarily responsible for the Group's accounting and financial operations, overseeing its financial reporting requirements and ensuring compliance with relevant regulations.

Mr Lee has over 15 years of experience in accounting and finance before joining our Group in February 2001. Previously, he was a Corporate Development manager with HL Cement Co Pte Ltd, a position he held since April 1998. His responsibilities there included overseeing the corporate finance and accounts division. From 1986 to 1998, he held the position of Accounting Manager with Sintat Rent-A-Car (Pte) Limited and was in charge of the finance and accounting activities for Singapore and Malaysia. He is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr Lee is also a member of the Singapore Institute of Directors.

INDEPENDENT DIRECTORS



Yeow See Onn Lead Independent Director

Mr Yeow was appointed to our Board as an Independent Director on 3 October 2014. He is a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants and a CPA Australia, with more than 25 years of hands-on and leadership experience across multiple finance disciplines, project management and general management with Asia-Pacific wide exposure.

Mr Yeow has held several key appointments in various organizations. From September 2013 to September 2014 he was an Executive Director of Global2Res Pte Ltd, a company which he started and to which he provided general management direction. Prior to this, he held several senior business leadership positions in Visa Worldwide Pte Ltd/Visa International, where he was most recently a Senior Business Leader - Controllershship (Asia Pacific and Central Eastern Europe, Middle East and Africa) from December 2011 to March 2013. His main responsibilities were to oversee the financial controls, local statutory financial reporting and consolidated group financial reporting for AP and CEMEA. He is currently working as the Chief Financial Officer of Red Dot Payment Pte Ltd.



Choo Yong Fee Independent Director

Mr Choo was re-appointed to our Board as an Independent Director on 1 February 2012.

He is the Chairman of Cheng Meng Decoration & Furniture (Su Zhou) Co Ltd, and Deputy Managing Director of Cheng Meng Furniture Co Pte Ltd. Both companies specialize in interior fit-out works and custom furniture manufacturing. Mr Choo has served on various furniture related committees of educational institutions and government statutory boards. He was the president of Singapore Furniture Industries Council from 1994 to 1998, and currently serves as Presidential Advisor in the Executive Committee.



Lie Chin-Chin Independent Director

Ms Lie was appointed to our Board as an Independent Director on 28 March 2006.

She is a practising advocate and solicitor of the Supreme Court of Singapore. She started her legal career in 1992 with Messrs Michael Khoo and BB Ong, before joining Messrs Lie Kee Pong Partnership in 1995.

Ms Lie is currently a Director of Messrs Characterist LLC (incorporating Messrs Lie Kee Pong Partnership), a position she has held since 2000.

KEY MANAGEMENT



Ng Siong Lin Managing Director of Builders Shop

Mr Ng was appointed as Managing Director of Builders Shop, on 1 March 2012.

He has amassed more than 20 years of experience in the furniture industry and is a prominent stakeholder in the “Furniture & Building Material Industry”. Mr Ng is currently the Chairman of the Board of Directors of International Furniture Fair Singapore (IFFS) Pte Ltd and the organiser of IFFS.

He served as the President of the Singapore Furniture Industries Council (SFIC) from 2006 to 2010 before taking on the position as Presidential Advisor in the Executive Committee in 2010.



Chong See Keong Accounts & Finance Manager

Mr Chong is our Accounts & Finance Manager and is in charge of the finance and accounting operations for our companies in Malaysia. He joined Uhin Sofa Sdn Bhd in 1998 as Cost and Management Accountant and was later re-designated as the Accounts & Finance Manager in 2001. He also helped to oversee the Human Resource and Administration department in Malaysia from 1999 to 2002.

Prior to joining us, he was a Financial Controller with Pentatech Holdings Sdn Bhd in 1994 where he was responsible for the accounts, finance and administration of the Company. In 1996, he was promoted to Assistant General Manager with added responsibility of overseeing the Sales Department. From 1987 to 1994, he held the position of Credit Controller in Ericsson Telecommunications Sdn Bhd and was later promoted to Assistant Manager – Management Accounting taking charge of their costing department.

CORPORATE STRUCTURE

LORENZO INTERNATIONAL LIMITED



Board of Directors

Lim Pang Hern (Executive Director/Deputy Chairman)
 Teoh Jin Thean (Executive Director/Chief Executive Officer)
 Lee Fut Hua (Executive Director/Finance Director)
 Goh Ah Lee (Executive Director)
 Yeow See Onn (Independent Director)
 Lie Chin Chin (Independent Director)
 Choo Yong Fee (Independent Director)

Company Secretary

Ong Beng Hong, LLB (Hons)

Registered Office

27 Kaki Bukit Place, Eunos Techpark, Singapore 416205

Share Registrar

B.A.C.S. Pte Ltd
 63 Cantonment Road, Singapore 089758

Auditors

Foo Kon Tan LLP
 Public Accountants and Chartered Accountants
 47 Hill Street #05-01 Singapore Chinese Chamber
 of Commerce & Industry Building Singapore 179365

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

Bankers

United Overseas Bank Limited
 DBS Bank Ltd
 The Hongkong and Shanghai Banking
 Corporation Limited
 Malayan Banking Berhad
 RHB Bank Berhad

Audit Committee

Yeow See Onn (Chairman)
 Lie Chin-Chin
 Choo Yong Fee

Remuneration Committee

Choo Yong Fee (Chairman)
 Yeow See Onn
 Lie Chin-Chin

Nominating Committee

Lie Chin-Chin (Chairman)
 Yeow See Onn
 Choo Yong Fee

Key Management

Ng Siong Lin (Managing Director of Builders Shop)
 Chong See Keong (Accounts & Finance Manager)



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CORPORATE GOVERNANCE

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of Directors (the “**Board**”) believes that sound and responsible corporate governance is an integral part of the Company in ensuring transparency and creating long-term value and returns to its Shareholders.

The Board and the management of the Company (“**Management**”) are committed to complying with and adhering to the benchmark set by the Code of Corporate Governance 2012 (“**Code**”) and they are devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Board reviews the Company’s governance practices, processes and structures regularly using the Governance and Transparency Index launched by The Business Times and the Singapore Corporate Governance & Financial Reporting Centre. This report outlines the main corporate governance practices, processes and structures, with specific reference to the guidelines of the Code that were put in place during the year. The Company has generally complied with the spirit and intent of the Code.

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 are 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 a country in which the Group has operations set a higher standard, then the Group will ensure compliance with such laws and regulations. The Ethics provide guidelines to the Group’s employees on *inter alia* the following matters:

- i. respecting human rights;
- ii. compliance with observance of laws and regulations;
- iii. acting in fairness in the Group’s business dealings;
- iv. protecting and respecting intellectual property;
- v. maintaining confidentiality obligations; and
- vi. not using one’s position in the Group for personal gain.

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

(A) BOARD MATTERS

Board’s Conduct of its Affairs

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

As at the date of this Annual Report, the Board comprises four Executive Directors and three Independent Directors. The contribution of the experience and competency of each Director helps in the overall effective management of the Company and its subsidiaries (the “**Group**”).

The Board’s principal duties include the following:

- i. protecting and enhancing long-term value and return to the Company’s Shareholders (“**Shareholders**”);
- ii. establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- iii. ensuring the effectiveness and integrity of management;
- iv. charting 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 ensuring 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, a Nominating Committee and a Remuneration Committee (collectively referred herein as “**Director Committees**”). The Director Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Director Committee is also monitored. The Board accepts that while these Director 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 Directors also supervise the management of the business and affairs of the Company and reduce 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:

- i. review of the annual budget and the performance of the Group;
- ii. review of the key activities and business strategies;

- iii. approval of the corporate strategy and direction of the Group;
- iv. approval of transactions involving a conflict of interest for a substantial Shareholder or a Director or interested person transactions;
- v. material acquisitions and disposals;
- vi. corporate or financial restructuring and share issuances;
- vii. declaration of dividends and other returns to Shareholders; and
- viii. appointments of new Directors or key personnel.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board’s decision has been adopted by the Board.

Board meetings are conducted regularly at least once every quarter and ad-hoc meetings (including but not limited to the meetings of the Director 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 Articles of Association. 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⁽¹⁾:

	BOARD OF DIRECTORS		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATING COMMITTEE	
	NO. OF MEETINGS	ATTEND-ANCE	NO. OF MEETINGS	ATTEND-ANCE	NO. OF MEETINGS	ATTEND-ANCE	NO. OF MEETINGS	ATTEND-ANCE
Goh Ah Lee	4	4	4	4 (invited)	1	1 (invited)	1	1 (invited)
Chung Kim Yew⁽²⁾	4	3	4	3 (invited)	1	1 (invited)	1	1 (invited)
Lee Fut Hua	4	4	4	4 (invited)	1	1 (invited)	1	1 (invited)
Teoh Jin Thean⁽³⁾	4	1	4	1 (invited)	1	0	1	0
Lim Pang Hern⁽⁴⁾	4	0	4	0	4	0	4	0
Christopher Chong Meng Tak⁽⁵⁾	4	3	4	3	1	1	1	1
Lie Chin Chin	4	3	4	3	1	1	1	1

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	BOARD OF DIRECTORS		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATING COMMITTEE	
	NO. OF MEETINGS	ATTEND-ANCE	NO. OF MEETINGS	ATTEND-ANCE	NO. OF MEETINGS	ATTEND-ANCE	NO. OF MEETINGS	ATTEND-ANCE
Choo Yong Fee	4	4	4	4	1	1	1	1
Yeow See Onn⁽⁶⁾	4	1	4	1	1	0	1	0

Notes:

1. The attendance of the Directors, including those also acting as the members of the respective Director Committees, at the meetings of the Board and the Director 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.
2. Mr Chung Kim Yew resigned as a Director of the Company on 22 September 2014. The announcement relating to Mr Chung Kim Yew's cessation as a Director of the Company was released via SGXNET on 22 September 2014.
3. Mr Teoh Jin Thean was appointed as an Executive Director of the Company on 23 September 2014. Pursuant to his appointment, Mr Teoh Jin Thean was re-designated as Executive Director and Chief Executive Officer on 6 March 2015. The announcement relating to Mr Teoh Jin Thean appointment was released via SGXNET on 23 September 2015 while the announcement relating to his re-designation was released via SGXNET on 6 March 2015. After his appointment, there was only one Board Meeting and one Audit Committee Meeting held.
4. Mr Lim Pang Hern was appointed as an Executive Director of the Company on 6 March 2015. Pursuant to his appointment, Mr Lim Pang Hern was also appointed as Deputy Chairman of the Board. The announcement relating to Mr Lim Pang Hern's appointment was released via SGXNET on 6 March 2015. As Mr Lim Pang Hern was appointed after the end of the financial year under review, he has not attended any meetings of the Board for the financial year under review.
5. Mr Christopher Chong Meng Tak resigned as a Director of the Company on 7 October 2014. Pursuant to his cessation, Mr Christopher Chong Meng Tak also ceased to be the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee. The announcement relating to Mr Chong Meng Tak's cessation as a Director of the Company was released via SGXNET on 7 October 2014.
6. Mr Yeow See Onn was appointed as a Director of the Company on 3 October 2014. Pursuant to his appointment, Mr Yeow See Onn was also appointed as Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee on 7 October 2014. The announcements relating to Mr Yeow See Onn's appointment to the various positions were released via SGXNET on 3 October 2014 and 7 October 2014, respectively. After his appointment, there was only one Board Meeting and one Audit Committee Meeting held.

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 Finance Director, the head of the Company's Malaysia operations, the Audit Chairman, the Group's legal advisors and the Group's auditors. Such newly-appointed Director shall also, on request, travel to see the operations of the Group. Mr Teoh Jin Thean, and Mr Yeow See Onn were each appointed during the financial year ended 31 December 2014 while Mr Lim Pang Hern was appointed during the financial year ending 31 December 2015 on 6 March 2015. Pursuant to their respective appointments as Directors of the Company, arrangements were made for each of Mr Teoh Jin Thean, Mr Yeow See Onn and Mr Lim Pang Hern to attend orientation and training sessions to familiarise them with the roles and responsibilities of a director of a listed company as well as the business of the Group.

The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. New releases issued by the Singapore Exchange Securities Trading Limited and Accounting and Corporate Regulatory Authority which are relevant to the directors

are circulated to the Board. The Directors are encouraged to attend seminars, conferences and training courses that will assist them in executing their obligations and responsibilities as directors to the Company and the Company has an on-going training budget which can be used by the Directors to attend courses that they are interested in. Courses attended by some of the Directors during the financial year ended 31 December 2014 include but are not limited to SID Director's Conference 2014, Remuneration Committee Essential and Listed Company Director Essential by Singapore Institute of Directors, and The Essentials of Letter of Credit by Singapore Chinese Chamber Institute of Business.

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.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective

judgment on corporate affairs independently, in particular, from Management and 10% Shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Annual Report, the Board comprises seven Directors, of which three are Independent Directors. The composition of the Board is as follows:

Executive Directors

Lim Pang Hern (Executive Director and Deputy Chairman) *(appointed with effect from 6 March 2015)*

Teoh Jin Thean (Executive Director and Chief Executive Officer) *(re-designated with effect from 6 March 2015)*

Goh Ah Lee (Executive Director) *(re-designated with effect from 6 March 2015)*

Lee Fut Hua (Finance Director)

Independent Directors

Lie Chin Chin (Independent Director)

Choo Yong Fee (Independent Director)

Yeow See Onn (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 Nominating Committee, 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.

As at least one-third of the Board is made up of Independent Directors, the Company believes the Board shall be able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process.

The Independent Directors meet at least once annually without the presence of the other Directors and where

necessary, the Independent Directors would provide feedback to the Deputy Chairman after such meetings.

As at the date of this Annual Report, the Chairman of the Board has not been appointed. The Nominating Committee and the Board are in the process of identifying and appointing a new Director of the Company who shall also be the Chairman of the Board. Once an appropriate candidate is identified and appointed, the necessary announcement relating to such appointment will be made.

The composition of the Board is also reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Nominating Committee 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 experience and responsibilities of the Directors, please refer to their profiles set out in pages 12 to 14 of this Annual Report.

Deputy Chairman and Chief Executive Officer

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

As at the date of this Annual Report, the Chairman of the Board has not been appointed. The Nominating Committee and the Board are in the process of identifying and appointing a new Director of the Company who shall also be the Chairman. As the Chairman has not been appointed, the duties of the Chairman are currently undertaken by the Deputy Chairman, Mr Lim Pang Hern.

The clear division of responsibilities between the Deputy Chairman and the Chief Executive Officer ensures proper balance of power and authority in the Group. The positions of Deputy Chairman and Chief Executive Officer are kept separate and are held by Mr Lim Pang Hern and Mr Teoh Jin Thean respectively.

As the Deputy Chairman, Mr Lim Pang Hern sets the tone for the conduct of the Board and ensures the

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the Group's adherence to best corporate governance practices prescribed by the Code. He also ensures that the Board holds regular meetings and oversees the proper dissemination of corporate information to the relevant parties (including but not limited to the Directors and Shareholders). In addition, the Deputy Chairman monitors communications and relations between the Company and its Shareholders, within the Board and between the Board and the Management, with a view to encouraging constructive relations and dialogue amongst them.

Mr Teoh Jin Thean, as an Executive Director and the Chief Executive Officer, is responsible for the day-to-day operations of the Group, the formulation of the Group's strategic direction as well as providing guidance to the other Directors on the strategic developments relating to the Group's business.

The separation of the roles of the Deputy Chairman and the Chief Executive Officer ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

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

Board Membership

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

The Nominating Committee comprises the Company's three existing Independent Directors, namely Ms Lie Chin Chin (Chairman of the Nominating Committee), Mr Yeow See Onn (Member of the Nominating Committee) and Mr Choo Yong Fee (Member of the Nominating Committee).

The Nominating Committee is responsible for:

- i. ensuring the Directors contribute a right blend of relevant experience to the Board and have the core competencies to effectively manage the Company;
- ii. nominating suitable candidates to provide any core competencies and expertise which are lacking in the Board;
- iii. proposing objective performance criteria for evaluating the performance of the Board and the performance of each Director with respect to that Director's designated duties;
- iv. evaluating the performance and effectiveness of the Board and each Director against the proposed performance criteria which the Board set out and approved;
- v. deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold;
- vi. determining the independence of each Independent Director annually; and
- vii. re-nominating any Director to the Board, taking into account that Director's effectiveness, performance and contribution to the Board.

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Director Committees, the Nominating Committee would also review the change to be implemented and make recommendations to the Board accordingly. For the appointment of new Directors, the Nominating Committee 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 Nominating Committee will take into account the future needs of the Group and, together with the Board, it will seek candidates who are able to contribute to the Group.

The Nominating Committee 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 Nominating Committee 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 Nominating Committee is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

The Nominating Committee seeks candidates widely and beyond persons directly known to the existing Directors. Further to the above, the Nominating Committee 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 Nominating Committee shall then recommend suitable candidates to the Board. Announcements on all appointments and cessation of Directors are released via SGXNET.

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

NAME OF DIRECTORS	APPOINTMENT	DATE OF INITIAL APPOINTMENT	DATE OF LAST RE-ELECTION/ RE-APPOINTMENT
Lim Pang Hern	Executive Director and Deputy Chairman	6 March 2015	-
Teoh Jin Thean	Executive Director and Chief Executive Officer	23 September 2014	-
Goh Ah Lee	Executive Director	16 June 2005	- [1]
Lee Fut Hua	Executive Director and Finance Director	24 June 2009	29 April 2014
Lie Chin Chin	Independent Director	28 March 2006	26 April 2013
Choo Yong Fee	Independent Director	1 February 2012	27 April 2012
Yeow See Onn	Independent Director	3 October 2014	-

Note:

1. Pursuant to Article 86 of the Company's Articles of Association, a Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken in account in determining the rotation by retirement of Directors. Prior to his re-designation from Executive Chairman and Managing Director to Executive Director on 6 March 2015, Mr Goh Ah Lee was not subject to retirement by rotation.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee 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 Nominating Committee 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 Nominating Committee is of the view that Mr Yeow See Onn, Ms Lie Chin Chin and Mr Choo Yong Fee are independent of the Group and the Management.

Ms Lie Chin Chin has served on the Board for a continuous period of more than nine (9) years. Ms Lie Chin Chin demonstrated independent mindedness and conduct at the Board and Director Committee

meetings. After a rigorous review of her contributions and independence by the Nominating Committee, the Nominating Committee is satisfied that Ms Lie Chin Chin has remained independent in character and judgement in discharging her duties as a Director of the Company.

The Nominating Committee 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 Nominating Committee reviews the Management's performance on an annual basis to determine if they have met the key performance indicators which have been set.

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

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Committee is also satisfied that the Directors have been able to devote adequate time and attention to the affairs of the Company and they are able to fulfil their duties as directors of the Company.

The present directorships in listed companies of the present Directors as well as their directorships in listed companies for the preceding three years are set out below:

NAME OF DIRECTORS	PRESENT DIRECTORSHIP IN LISTED COMPANIES	PAST DIRECTORSHIP IN LISTED COMPANIES
Lim Pang Hern	GPS Alliance Holdings Limited	-
Teoh Jin Thean	-	-
Goh Ah Lee	-	-
Lee Fut Hua	-	-
Lie Chin Chin	-	-
Choo Yong Fee	-	-
Yeow See Onn	-	-

Under Article 90 of the Company's Articles of Association, 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 Nominating Committee). Pursuant to his re-designation from Executive Chairman and Managing Director to Executive Director on 6 March 2015, Mr Goh Ah Lee (who was previously not subject to retirement by rotation due to his position as Managing Director) will now be subject to retirement by rotation under Article 90.

The Directors standing for re-election at the forthcoming Annual General Meeting pursuant to Article 90 of the Company's Articles of Association are Ms Lie Chin Chin, Mr Choo Yong Fee and Mr Goh Ah Lee. After assessing each of their contributions and performance, the Nominating Committee is recommending Ms Lie Chin Chin, Mr Choo Yong Fee and Mr Goh Ah Lee for re-election at the forthcoming Annual General Meeting.

Additionally, Mr Teoh Jin Thean, Mr Yeow See Onn were each appointed during FY2014 while Mr Lim Pang Hern was appointed on 6 March 2015. As such, they shall each be required pursuant to Article 96 of the Company's Articles of Association to retire at the forthcoming Annual General Meeting. After assessing each of their contributions and performance, the Nominating Committee has also recommended the respective re-elections of Mr Teoh Jin Thean, Mr Yeow See Onn and Mr Lim Pang Hern at the forthcoming Annual General Meeting.

Further to the above, it should also be noted that our Nominating Committee 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. Pursuant to Rule 704(9) of the SGX-ST Listing Manual, the Company confirms that, as far as the Company is aware and save as set out below, there are no other persons occupying managerial positions in the Company or its principal subsidiaries who are related to a director or Chief Executive Officer or substantial Shareholder of the Company or its principal subsidiaries:

NAME OF DIRECTORS	AGE	FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR SUBSTANTIAL SHAREHOLDER	CURRENT POSITION AND DUTIES, AND THE YEAR POSITION WAS FIRST HELD	DETAILS OF CHANGES IN DUTIES AND POSITION HELD, IF ANY, DURING THE YEAR
Mr Chung Yook Fong	47	Brother of Mr Chung Kim Yew ⁽¹⁾	Factory Manager, in charge of factory and product research and development	NIL

NAME OF DIRECTORS	AGE	FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR SUBSTANTIAL SHAREHOLDER	CURRENT POSITION AND DUTIES, AND THE YEAR POSITION WAS FIRST HELD	DETAILS OF CHANGES IN DUTIES AND POSITION HELD, IF ANY, DURING THE YEAR
Mr Chung Kam Seng	51	Brother of Mr Chung Kim Yew ⁽¹⁾	Warehouse & Service Manager, in charge of warehouse and services	NIL
Ms Wong Ying Nyok	57	Wife of Mr Chung Kim Yew ⁽¹⁾	Research & Development Assistant, in charge of product research and development	NIL
Mr Lester Chung Win Kwong	30	Son of Mr Chung Kim Yew ⁽¹⁾	Purchasing Manager of Ginova Marketing Sdn Bhd, a wholly-owned subsidiary of the Company, in charge of purchasing and stock inventory control matters	NIL

Note:

1. Mr Chung Kim Yew was an Executive Director of the Company until his resignation on 22 September 2014. Following his cessation as a Director of the Company, Mr Chung Kim Yew remains a substantial Shareholder of the Company.

Board Performance

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

The Nominating Committee 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 Nominating Committee 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 Nominating Committee 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 Nominating Committee, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Directors.

To assess the effectiveness of the Board as a whole, the factors evaluated by the Nominating Committee 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 Nominating Committee 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;

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- 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 Nominating Committee have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

Access to Information

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

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

In addition, the Directors have, at all times:

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

The attendance of the Company Secretary and/or her representatives at all the meetings held by the Board and/or the Director Committees ensures that procedures for these meetings (including those stipulated in the Articles of Association) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) and the Singapore Exchange Securities Trading Limited, are complied with.

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Remuneration Committee comprises the Company's three existing Independent Directors, namely Mr Choo Yong Fee (Chairman of the Remuneration Committee), Mr Yeow See Onn (Member of the Remuneration Committee) and Ms Lie Chin Chin (Member of the Remuneration Committee).

The Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee will submit its recommendations to the entire Board for endorsement.

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

If necessary, the Remuneration Committee may seek expert advice inside and/or outside the Company on remuneration of the Directors and key management personnel. The Remuneration Committee 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 December 2014.

Level and Mix of Remuneration

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

The Remuneration Committee 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 Remuneration Committee 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 their independence may be compromised.

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

The Company has entered into separate service agreements with each of Mr Goh Ah Lee, Mr Lee Fut Hua and Mr Teoh Jin Thean to set out the framework of their respective remuneration. These service agreements

provide *inter alia* that either the Executive Director or the Company may terminate that Executive Director's service agreement upon giving written notice of not less than six months. The terms of the service agreements are reviewed by the Remuneration Committee on an annual basis.

At an Extraordinary General Meeting of the Company held in 2009, the Company, having obtained majority votes from the then existing Shareholders, implemented a share performance plan ("**Share Performance Plan**") as a compensation scheme to promote higher performance goals and recognise exceptional achievement by individuals who contributed well to the Group's growth. The Share Performance Plan was also extended to the Non-Executive Directors who have made and who continue to make significant contributions to the long-term growth of the Group. For further details of the Share Performance Plan, please refer to the Company's Circular to Shareholders dated 23 November 2009, which may be found on the SGXNET (http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/prospectus_circulars). The Share Performance Plan was renewed at the Annual General Meeting of the Company for its financial year period ended 31 December 2013. The Share Performance Plan will be renewed at the forthcoming Annual General Meeting of the Company.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

In addition to its strict policies on bribery and money-laundering, the Group also maintains, under its Ethics, strict policies on gifts and entertainment which apply 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.

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The breakdown of remuneration of the Directors for the financial year ended 31 December 2014 is set out below:

NAME OF DIRECTORS ⁽¹⁾	FEES	SALARY	BONUS	BENEFITS- IN-KIND	ALLOWANCES	TOTAL
Christopher Chong Meng Tak ⁽²⁾	S\$32,175	-	-	-	-	S\$32,175
Lie Chin Chin	S\$34,320	-	-	-	-	S\$34,320
Choo Yong Fee	S\$34,320	-	-	-	-	S\$34,320
Yeow See Onn ⁽³⁾	S\$10,725	-	-	-	-	S\$10,725
Chung Kim Yew ⁽⁴⁾	-	S\$262,080	-	-	-	S\$262,080
Goh Ah Lee	-	S\$318,825	S\$26,100	-	-	S\$344,925
Lee Fut Hua	-	S\$244,400	S\$21,200	-	-	S\$265,600
Teoh Jin Thean ⁽⁵⁾	-	S\$88,291	S\$8,335	-	-	S\$96,626
Lim Pang Hern ⁽⁶⁾	-	-	-	-	-	-

Notes:

1. No shares were issued to the Directors under the Company's Share Performance Plan for the financial year ended 31 December 2014.
2. Mr Christopher Chong Meng Tak resigned as a Director of the Company with effect from 7 October 2014.
3. Mr Yeow See Onn was appointed as a Director of the Company with effect from 3 October 2014.
4. Mr Chung Kim Yew resigned as a Director of the Company with effect from 22 September 2014.
5. Mr Teoh Jin Thean was appointed as a Director of the Company with effect from 23 September 2014.
6. Mr Lim Pang Hern was appointed as a Director of the Company with effect from 6 March 2015. As such, no remuneration was paid to him for the financial year ended 31 December 2014.

The Company had three Key Management Personnel for the financial year in review. The breakdown of remuneration of the top Key Management Personnel for

the financial year ended 31 December 2014 is set out below.

NAME OF KEY MANAGEMENT PERSONNEL ⁽¹⁾	FEES	SALARY	BONUS	BENEFITS- IN-KIND	ALLOWANCES	TOTAL
Chong See Keong	-	S\$58,881	S\$9,358	-	-	S\$68,239
Chen Wen Te ⁽²⁾	S\$120,000	-	-	-	S\$89,250	S\$209,250
Ng Siong Lin	-	S\$244,400	S\$36,000	-	-	S\$280,400

Notes:

1. No shares were issued to the Executive Officers under the Company's Share Performance Plan for the financial year ended 31 December 2014.
2. Mr Chen Wen Te's employment contract with the Company expired on 31 December 2014 and was not renewed. Accordingly, Mr Chen Wen Te ceased to be an employee and Key Management Personnel of the Company after 31 December 2014.

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

Pursuant to Rule 704(9) of the SGX-ST Listing Manual, the Company has disclosed in its full year results

announcement released via SGXNET on 16 February 2015, a list of persons occupying managerial positions who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Group ("Related Employees").

The breakdown of remuneration of the Related Employees for the financial year ended 31 December 2014 is set out below:

NAME OF EXECUTIVE OFFICERS ⁽¹⁾	FEES	SALARY	BONUS	BENEFITS-IN-KIND	ALLOWANCES	TOTAL
Wong Ying Nyok	-	S\$34,505	S\$9,075	-	-	S\$43,580
Lester Chung Win Kwong	-	S\$34,343	S\$23,929	-	-	S\$58,272
Chung Yook Fong	-	S\$69,638	S\$21,216	-	-	S\$90,854
Chung Kam Seng	-	S\$72,368	S\$63,956	-	-	S\$136,324

Note:

1. No shares were issued to Related Employees under the Company's Share Performance Plan for the financial year ended 31 December 2014.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

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

The Management maintains close contact and communication with the Board by various means, including but not limited to holding meetings with the Board or via email in which documents are circulated to the Board for their review or for their information. The Company is required to make half-yearly announcements in relation to their financial results. However, the Management prepares the financial results every quarter and meetings are held with the Board to review these financial results. The Management also prepares and updates the Company's budget and tables 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 compliance checklists to SGX (if applicable and when required) to ensure that all announcements, circulars or

letters to our Shareholders comply with the minimum requirements set out in the SGX-ST Listing Manual. For its annual reports, the Company also reviews the documents against the documents using the Governance and Transparency Index launched by The Business Times and the Singapore Corporate Governance & Financial Reporting Centre.

Under the Ethics, the Company and its employees are also required to provide the Shareholders, analysts, customers, creditors and any other relevant persons reliable information relating to the Group's operations and performance and outlook. The Board ensures that there 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.

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 descriptions of the Group's offerings and services are legal and fair and there are no false, misleading or deceptive practices.

Risk Management And Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests

CORPORATE GOVERNANCE

and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, 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 Audit Committee 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 Audit Committee has, 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, Audit Committee and the Management assume 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 Audit Committee.

Based on the internal controls and risk management functions established and maintained by the Group, the Audit Committee 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 December 2014. This is supported by the assurance from the Deputy Chairman and the Finance Director that:

- i. the financial records of the Company have been properly maintained and the financial statements

give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and

- ii. they have evaluated the effectiveness of the Company's risk management and internal controls and have discussed with the Company's external and internal auditors on their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise or report the financial data.

In addition the Group's whistle-blowing policy, 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 breaches of the Ethics are to be reported to a senior manager, a member of the Group's legal department, a member of the Group's human resource department, a member of the Group's internal audit department or through local grievance procedures.

Audit Committee

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

The Audit Committee comprises the Company's three existing Independent Directors, namely, Mr Yeow See Onn (Chairman of the Audit Committee), Ms Lie Chin Chin (Member of the Audit Committee) and Mr Choo Yong Fee (Member of the Audit Committee).

The Company has appointed Mr Yeow See Onn as the Chairman of the Audit Committee as he has a substantial accounting and financial management expertise. Among other distinctions, he is a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants and a CPA Australia. Mr Yeow See Onn is also currently the Chief Financial Officer of a private company in Singapore.

The Audit Committee 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

Audit Committee's duties include the review of:

- i. audit plans of the External Auditors and their evaluation of the Group's system of internal accounting controls;
- ii. the External Auditors' reports;
- iii. co-operation given by the Group's officers to the External Auditors;
- iv. the financial statements and announcements before their submission to the Board;
- v. nomination of the External Auditors for reappointment;
- vi. interested person transactions, if any; and
- vii. the scope and adequacy of the Group's internal control procedures.

For the financial year ended 31 December 2014, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The Audit Committee is also satisfied with the adequacy of the Company's accounts and financial reporting resources and the performance of the Finance Director, Mr Lee Fut Hua, and all other senior management in the Finance Department of the Company.

Apart from the duties listed above, the Audit Committee 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 Audit Committee is entitled to obtain independent professional advice to execute its duties.

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

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

The Audit Committee 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 objective 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. As at the date of this Annual Report, 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 Audit Committee and/or the officer designated by the Audit Committee, 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 use or abuse of Company position / appointment for personal gain; and
- ix. information relating to any of the above being deliberately concealed or attempts being made to conceal the same.

CORPORATE GOVERNANCE

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 procedures may be found on the Company's corporate website (<http://www.lorenzo-international.com/Lorenzo%20Policies.pdf>).

The Audit Committee 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 Audit Committee 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 Audit Committee 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.

The Audit Committee 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 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 engagements, 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 Audit Committee is of the opinion that Messrs Foo Kon Tan LLP's independence

has not been compromised and the firm 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 Audit Committee noted that Messrs Foo Kon Tan LLP was not engaged to provide non-audit services in the financial year ended 31 December 2014. The audit fees paid to the External Auditors for their audit services in the financial year ended 31 December 2014 are S\$300,465 (excluding disbursements and GST).

Messrs Foo Kon Tan LLP was also appointed in the financial year ended 31 December 2014 to audit the accounts of the Company, its subsidiaries and its significant associated companies. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual.

The Audit Committee and External Auditors have, at all times, unrestricted access to each other. The Audit Committee also meets annually with the External Auditors, without the presence of the Management and is authorised to have full and unrestricted access to management and all personnel, records, operation, properties and other informational sources of the Company as required or desirable to properly discharge its responsibilities.

Internal Audit

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

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The Company has appointed the external audit firm Nexia TS Risk Advisory Pte Ltd to perform such internal audit functions ("**Internal Auditors**"). Nexia TS Risk Advisory Pte Ltd is not the external auditor of the Company and 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 have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

The role of the Internal Auditors is to support the Audit Committee 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 investigations as directed by the Audit Committee.

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

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The Audit Committee reviewed and approved the internal audit plan proposed by the Internal Auditors. The Audit Committee also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard the Shareholders' investment and the Company's assets.

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

- i. reviewing the revenue policies and procedures established;
- ii. checking invoices raised to sales orders and/or contracts;
- iii. reviewing discrepancies of billing and receipts;
- iv. reviewing monitoring system for unfulfilled sales order procedures;
- v. reviewing processing and banking-in of receipts;
- vi. reviewing customer complaints and respective corrective action taken;
- vii. reviewing sales-related deductions and adjustments to ensure that they were supported with documentary evidence and were authorised;
- viii. reviewing the timeliness of revenue recognition;
- ix. checking the debtors aging report, the customer invoices and recording of debts in terms of amount period;
- x. reviewing documentation and evidence supporting the monitoring of overdue balances and ensure that continuous monitoring is undertaken;
- xi. reviewing overdue balances and determining whether provisions or write-offs were required based on evidence collected during the monitoring stage;
- xii. reviewing credit evaluation procedures and credit management and commenting on its effectiveness;
- xiii. checking that provision for bad debts and write offs were approved in accordance with policies and procedures;
- xiv. checking goods received and issued to ensure that inventory records are updated accordingly;
- xv. reviewing the top-up level for essential spares and inventory;
- xvi. reviewing movements of inventory;
- xvii. reviewing the obsolete or slow moving items;
- xviii. inquiring into and observing the adequacy of physical security and control;
- xix. reviewing turnover of major inventory items and assessing the Group's ability to manage inventory;
- xx. reviewing stock take procedures and stock take report;
- xxi. reviewing the performance of reconciliation of stock take variance to ensure that it was conducted as approved and taken up in the accounts; and
- xxii. reviewing stock returned and rejected by customers and the reasons given for such returns;
- xxiii. reviewing key management/corporate information such as organisation charts, policies and procedures, systems and authorisation limits;
- xxiv. interviewing key process owners (managers and employees) on the operating processes and controls;
- xxv. performing walkthrough of processes to understand key controls in place;
- xxvi. carrying out control testing through verification and reviewing of relevant documents; and
- xxvii. reviewing employee job functions and responsibilities to assess whether incompatible duties were properly segregated.

The findings from the abovementioned reviews and checks are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

CORPORATE GOVERNANCE

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all Shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of Shareholders' rights, and continually review and update such governance arrangements.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

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

Communication with Shareholders

Principle 15: Companies should actively engage their Shareholders and put in place an investor relations policy to promote regular, effective and fair communication with Shareholders.

The Company endeavours to maintain constant and effective communication with Shareholders through timely and comprehensive announcements. Price-sensitive information is released to all parties such as Shareholders, stakeholders and the public simultaneously to ensure a level playing field. Any material information or respective half-yearly and full year results (all issued within the mandatory period) is disseminated through SGXNET.

The Company communicates regularly through the following channels:

- i. the SGXNET;
- ii. news and press releases;
- iii. the annual report; and
- iv. if it receives any email queries from Shareholders, replies by email.

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

- i. the Company's announcement of periodic financial results on the SGXNET;
- ii. notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;
- iii. press releases for the Group's half-year and full-year results as well as other briefings, as appropriate;
- iv. press releases on major developments and corporate affairs of the Group (which the Company also releases as announcements via SGXNET) and any supporting materials to these press releases such as PowerPoint slides are also attached to these announcements; and
- v. circulars or letters to Shareholders to provide the Shareholders with more information on its major transactions.

In addition to the above, the Shareholders can access the Company's corporate website (<http://www.lorenzo-international.com/>) at their convenience to receive updates. The Company's corporate website also provides information about the Company, its products and its directors. In the investor relations section of the corporate website, we maintain website links to the latest announcements released on SGXNET by the Company, latest financial results released on SGXNET by the Company and latest annual report of the Company. The Company has a professional and dedicated investor relations team in ensuring that queries by the Shareholders are responded to in a timely manner. Contact details of the investor relation team may be found in the corporate website.

The Company also engages an external investor relations consultant firm Financial PR Pte Ltd to support the Group in promoting communication with its Shareholders and the investment community. The Company also conducts briefings for analysts and media and such briefings are attended by our external investor relation consultants, and Executive Directors to answer questions which the analysts and media may have.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow,

general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater Shareholder participation at general meetings of Shareholders, and allow Shareholders the opportunity to communicate their views on various matters affecting the Company.

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

The notice of the Annual General Meeting is dispatched to Shareholders with the Annual Report (together with explanatory notes or a circular/letter to Shareholders on items of special business, if applicable) at least 14 days before the Annual General Meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before a general meeting if special businesses 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 distributed to the Shareholders prior to such General Meetings as the notices set out the agenda items 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. Votes at the forthcoming Annual General Meeting and all General Meetings going forward will be taken by poll so that Shareholders are accorded rights proportionate to their shareholding and all votes are counted.

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 its 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 Company’s Articles of Association allow the Shareholder to appoint one or two proxies to attend the General Meetings and vote in place of that Shareholder. 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.

The Chairmen of the Audit Committee, Remuneration Committee and Nominating Committee 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.

CORPORATE GOVERNANCE

(E) DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

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

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

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

The Company also has a policy of encouraging its Non-Executive Directors (including Independent Directors) to purchase shares in the Company (provided always

that the best practices guidelines advised by SGX-ST are observed) and for the Non-Executive Directors to hold these shares until the Non-Executive Director leaves the Board.

(F) INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the SGX-ST Listing Manual on interested person transactions, the Board and Audit Committee 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 interest as well as avoiding such potential conflicts.

Details of the interested person transactions for the financial year ended 31 December 2014 are as follows:

AGGREGATE VALUE OF ALL INTERESTED PARTY TRANSACTIONS (EXCLUDING TRANSACTIONS LESS THAN S\$100,000 AND TRANSACTIONS CONDUCTED UNDER THE SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 OF THE SGX-ST LISTING MANUAL		
NAME OF INTERESTED PERSON	FINANCIAL YEAR ENDED 31 DECEMBER 2013 S\$'000	FINANCIAL YEAR ENDED 31 DECEMBER 2014 S\$'000
Chung Kim Yew (Rental of property)	130	240

(G) MATERIAL CONTRACTS

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

(H) REPORT ON THE USE OF PLACEMENT SHARE PROCEEDS

Pursuant to a placement exercise, the Company issued 43,317,693 new ordinary shares at S\$0.066 per share for cash on 14 March 2014. Of the net proceeds of approximately S\$2.7 million were raised from the aforementioned placement exercise, the balance of the unutilised funds as at the date of this Annual Report is as follows:

INTENDED USE	AMOUNT ALLOCATED S\$'000	AMOUNT UTILISED S\$'000
Funding business expansion	1,623	-
Working capital purposes	1,070	(1,070)
Total amount	2,693	(1,070)
Unutilised net proceeds	-	1,623

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FINANCIAL REPORT 2014

DIRECTORS' REPORT

for the financial year ended 31 December 2014

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2014.

Names of directors

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

Goh Ah Lee

Teoh Jin Thean (Appointed on 23 September 2014)

Lee Fut Hua

Lim Pang Hern (Appointed on 6 March 2015)

Yeow See Onn (Independent director) (Appointed on 3 October 2014)

Lie Chin-Chin (Independent director)

Choo Yong Fee (Independent director)

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), none of the 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 (other than wholly-owned subsidiaries), except as follows:

	HOLDINGS REGISTERED IN THE NAME OF DIRECTOR		HOLDINGS IN WHICH DIRECTOR IS DEEMED TO HAVE AN INTEREST	
	As at 1.1.2014 or date of appointment, if later	As at 31.12.2014 and 21.1.2015 [#]	As at 1.1.2014 or date of appointment, if later	As at 31.12.2014 and 21.1.2015 [#]
The Company - Lorenzo International Limited	Number of ordinary shares			
Goh Ah Lee ¹	7,147,000	4,217,000	12,316,000	246,000
Teoh Jin Thean	-	317,693	-	-
Lee Fut Hua	965,000	965,000	-	-
Choo Yong Fee	250,000	250,000	-	-

[#] There are no changes to the above shareholdings as at 21 January 2015.

Note:

1. Mr Goh Ah Lee is deemed to be interested in shares held by spouse, Lee Lee Wah, and shares held by his nominees, Hong Leong Finance Nominees Pte. Ltd.

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit, which is required to be disclosed under Section 201(8) of the Act, except as disclosed in the accompanying financial statements and in this report.

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 ("AC") comprises the following three members all of whom, including the Chairman, are independent.

Yeow See Onn (Chairman)
Lie Chin-Chin
Choo Yong Fee

The AC performs the functions set out in Section 201B(5) of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX Listing Manual") and the Code of Corporate Governance. In performing those functions, the committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the 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 December 2014 as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational, compliance controls, information technology controls and risk management via reviews carried out by the internal auditors;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

DIRECTORS' REPORT

for the financial year ended 31 December 2014

Audit Committee (Cont'd)

- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

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

Independent auditor

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

On behalf of the Directors

.....
GOH AH LEE

.....
LEE FUT HUA

Dated: 31 March 2015

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2014

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results of the business, 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, Cap. 50 and Singapore Financial Reporting Standards; and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

.....
GOH AH LEE

.....
LEE FUT HUA

Dated: 31 March 2015

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

Report on the financial statements

We have audited the accompanying 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 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2015

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

		THE COMPANY		THE GROUP	
		31 DECEMBER 2014 \$	31 DECEMBER 2013 \$	31 DECEMBER 2014 \$	31 DECEMBER 2013 \$
NOTE					
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	679	1,319	24,272,901	26,237,480
Land use rights	5	-	-	1,216,696	1,243,468
Subsidiaries	6	30,254,360	30,254,360	-	-
Intangible assets	7	-	-	-	-
Available-for-sale financial assets	8	-	-	-	19,938
Other receivables	10	-	-	486,386	554,995
Deferred tax assets	17	-	-	265,713	-
		30,255,039	30,255,679	26,241,696	28,055,881
Current Assets					
Land use rights	5	-	-	32,292	31,686
Inventories	9	-	-	21,666,181	24,829,276
Trade and other receivables	10	4,727,510	224,821	19,679,442	8,633,706
Cash and cash equivalents	12	2,236	24,353	8,091,791	4,960,015
		4,729,746	249,174	49,469,706	38,454,683
Total assets		34,984,785	30,504,853	75,711,402	66,510,564
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	13	32,981,933	30,258,120	32,981,933	30,258,120
Reserves	14	143,935	(1,765,563)	(898,734)	(3,800,424)
Total equity		33,125,868	28,492,557	32,083,199	26,457,696
Non-Current Liabilities					
Borrowings	15	-	-	638,062	887,616
Deferred income	16	-	-	42,640	57,880
Deferred tax liabilities	17	-	-	222,459	172,833
		-	-	903,161	1,118,329
Current Liabilities					
Trade and other payables	18	1,858,917	2,012,296	17,290,259	19,330,079
Deferred income	16	-	-	37,313	46,945
Borrowings	15	-	-	25,029,496	19,136,483
Current tax payable		-	-	367,974	421,032
		1,858,917	2,012,296	42,725,042	38,934,539
Total liabilities		1,858,917	2,012,296	43,628,203	40,052,868
Total equity and liabilities		34,984,785	30,504,853	75,711,402	66,510,564

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

	NOTE	YEAR ENDED 31 DECEMBER 2014 \$	YEAR ENDED 31 DECEMBER 2013 \$
Revenue	3	82,343,043	81,201,822
Cost of sales		(45,929,524)	(46,371,369)
Gross profit		36,413,519	34,830,453
Other income	19	4,351,072	1,910,591
Distribution costs		(7,913,408)	(9,742,736)
Administrative expenses		(24,832,135)	(25,835,242)
Other operating expenses		(2,459,657)	(3,294,409)
Finance costs	20	(922,542)	(1,005,739)
Profit/(Loss) before taxation	21	4,636,849	(3,137,082)
Tax expense	22	(1,165,663)	(1,229,312)
Profit/(Loss) after taxation		3,471,186	(4,366,394)
Profit/(Loss) for the year attributable to owners of the Company		3,471,186	(4,366,394)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Available-for-sale financial assets:			
- Net change in fair value reclassified to profit or loss, at nil tax		-	(11,628)
- Reclassification and adjustment for gains to profit or loss		(17,057)	-
Foreign currency translation differences - foreign operations, at nil tax		(552,439)	(735,758)
Other comprehensive loss for the year, net of tax		(569,496)	(747,386)
Total comprehensive income/(loss) for the year attributable to owners of the Company		2,901,690	(5,113,780)
Earnings/(Loss) per share (cents)			
- basic	23	1.39	(2.02)
- diluted	23	1.39	(2.02)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2014

	SHARE CAPITAL	TRANSLATION RESERVE	STATUTORY COMMON RESERVE	CAPITAL RESERVE	MERGER RESERVE	FAIR VALUE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2013	30,258,120	(2,066,625)	68,256	838,050	(3,282,141)	17,217	5,738,599	31,571,476
Total comprehensive loss for the year								
Loss for the year	-	-	-	-	-	-	(4,366,394)	(4,366,394)
Other comprehensive loss	-	(735,758)	-	-	-	(11,628)	-	(747,386)
Total comprehensive loss for the year	-	(735,758)	-	-	-	(11,628)	(4,366,394)	(5,113,780)
At 31 December 2013	30,258,120	(2,802,383)	68,256	838,050	(3,282,141)	5,589	1,372,205	26,457,696
At 1 January 2014	30,258,120	(2,802,383)	68,256	838,050	(3,282,141)	5,589	1,372,205	26,457,696
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	3,471,186	3,471,186
Other comprehensive loss	-	(552,439)	-	-	-	(17,057)	-	(569,496)
Total comprehensive income for the year	-	(552,439)	-	-	-	(17,057)	3,471,186	2,901,690
Issue of ordinary shares (Note 13)	2,723,813	-	-	-	-	-	-	2,723,813
Transactions with owners	2,723,813	-	-	-	-	-	-	2,723,813
At 31 December 2014	32,981,933	(3,354,822)	68,256	838,050	(3,282,141)	(11,468)	4,843,391	32,083,199

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2014

	NOTE	YEAR ENDED 31 DECEMBER 2014 \$	YEAR ENDED 31 DECEMBER 2013 \$
Cash Flows from Operating Activities			
Profit/(Loss) before taxation		4,636,849	(3,137,082)
Adjustments for:			
Depreciation of property, plant and equipment	4	3,372,823	3,267,687
Amortisation of land use rights	5	32,292	31,398
Amortisation of customer lists and relationships	7	-	172,943
Impairment loss on customer lists and relationships	7	-	172,943
Loss on disposal of property, plant and equipment	21	255,443	16,970
Gain on disposal of available-for-sale financial assets	19	(20,322)	(17,874)
Interest income	19	(47,562)	(236,255)
Interest expense	20	897,846	933,572
Operating profit before working capital changes		9,127,369	1,204,302
Change in inventories		2,109,674	2,468,346
Change in operating receivables		(10,970,203)	3,749,699
Change in operating payables		(2,032,459)	(3,767,325)
Cash (used in)/generated from operations		(1,765,619)	3,655,022
Interest paid		(897,846)	(933,572)
Income tax paid		(1,434,809)	(1,202,376)
Net cash (used in)/generated from operating activities		(4,098,274)	1,519,074
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment (A)		(1,757,508)	(1,363,253)
Proceeds from disposal of property, plant and equipment		557,424	179,238
Proceeds from disposal of available-for-sale financial assets		23,030	83,240
Interest received		47,562	236,255
Net cash used in investing activities		(1,129,492)	(864,520)
Cash Flows from Financing Activities			
Proceeds from share issued, net		2,723,813	-
Repayments of finance lease liabilities		(754,872)	(445,209)
Proceeds of trust receipts and bills payable		22,011,904	27,349,823
Repayment of trust receipts and bills payable		(13,547,644)	(31,604,714)
Proceeds from bank loans		-	5,258,285
Repayments of bank loans		(1,206,149)	(6,815,925)
Net cash generated from/(used in) financing activities		9,227,052	(6,257,740)
Net increase/(decrease) in cash and cash equivalents		3,999,286	(5,603,186)
Cash and cash equivalents at beginning of year		(1,202,028)	4,525,765
Exchange differences on translation of cash and cash equivalents at beginning of year		(31,145)	(124,607)
Cash and cash equivalents at end of year	12	2,766,113	(1,202,028)

(A) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$2,131,676 (2013 - \$1,492,664) of which \$374,168 (2013 - \$129,411) were acquired by means of finance leases. Cash payments of \$1,757,508 (2013 - \$1,363,253) were made to purchase property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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

The registered office and principal place of business is located at 27 Kaki Bukit Place, Eunos Techpark, Singapore 416205.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are stated in Note 6.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS"), including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

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

Going concern basis at 31 December 2013

As at 31 December 2013, the Group's net loss of \$4,366,394 and current liabilities exceeded current assets by \$479,856. As at 31 December 2013, the Company's current liabilities included amounts due to a subsidiary amounting to \$1,935,662 for which the directors of the Company have the power and authority to manage the payment obligations to the said subsidiary if the need ever arises. Excluding this amount, the Company's current liabilities would have been \$76,634 compared to current assets of \$249,174.

During the current year ended 31 December 2014, the Company entered into a subscription agreement with two investors to subscribe for 43,317,693 new ordinary shares of the Company at an issue price of \$0.066 per share for a cash consideration of \$2,858,968 (gross of share issue expenses).

As at 31 December 2013, the directors considered that there was no material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and that it is appropriate for the Group and the Company to prepare financial statements on a going concern basis, as there is reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

As at 31 December 2014, the Group's and the Company's current assets exceeded their current liabilities by \$6,744,664 and \$2,870,829 respectively and the Group generated profit for the year ended 31 December 2014. As at 31 December 2014, the Group incurred a net cash used in operating activities of \$4,098,274 (2013: net cash generated from operating activities of \$1,519,074). Notwithstanding this, the directors consider that there is no material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and that it is appropriate for the Group and the Company to prepare financial statements on a going concern basis, as there is reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

On 2 February 2015, the Board of Directors of the Company announced on SGX that the Company obtained approval in-principal from SGX for the renounceable non-underwritten rights issue of up to 129,953,079 right shares at issue price of \$0.07 for each rights share, on the basis of one rights share for every 2 existing ordinary shares held by shareholders of the Company as at a books closure date, ie 30 March 2015 based on the announcement dated 20 March 2015 (See Note 32).

The financial statements do not include any adjustment relating to the recoverability, amount and classification of the reported assets or the amount and classification of the reported liabilities that might result if the going concern basis is found to be inappropriate.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

(a) Significant judgements in applying accounting policies

Determination of functional currency

These financial statements are presented in SGD, which is the functional currency of the Company.

Determination of functional currency involves significant judgment. The functional currency of the Company is principally determined by the primary economic environment in which it operates.

The Company reconsiders their functional currency if there is a change in the underlying transactions, events and conditions which determine their primary economic environment. The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement.

Income tax

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's current tax payable and deferred tax liabilities as at 31 December 2014 amounted to \$367,974 (2013 - \$421,032) and \$222,459 (2013 - \$172,833) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Significant accounting estimates and judgements (Cont'd)

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

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 2014, the Group recognised shareholdings of certain group entities, for which a deferred tax asset amounting to \$265,713 (2013 - \$Nil) was recognised based on the anticipated future use of tax losses carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred tax asset will have to be written off as income tax expense.

Probability of success of litigation cases

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

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

An entity in the Group is a defendant in a legal action involving the alleged injuries caused by debris from a fallen granite slab from a building in 2011. The directors believe that, based on legal advice, there is a present obligation that will probably require an outflow of resources. However, no provision for the contingent liability has been made by the Group as at 31 December 2013 and 2014 in view of the existence of a letter of undertaking by the previous shareholder of the subsidiary.

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

Classification of land use rights

Within the People's Republic of China, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of these arrangements is an operating lease over the land, and that the upfront payment represents prepaid lease rentals. The prepayment is recognised in the consolidated statement of financial position, analysed between current and non-current assets which represent amounts to be utilised within and after 12 months of the end of the reporting period. The prepayment is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate. The carrying amount of the Group's prepayment at the reporting date amounted to \$1,248,988 (2013 - \$1,275,154).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Significant accounting estimates and judgements (Cont'd)

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

Depreciation of property, plant and equipment

Property, plant and equipment 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 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 as at 31 December 2014 are \$679 (2013 - \$1,319) and \$24,272,901 (2013 - \$26,237,480) 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 increase/decreases by 10% (2013: 10%) by management, the Group's profit for the year will decrease/increase by approximately \$337,282 (2013: \$326,769).

Impairment of non-financial assets

Property, plant and equipment and land use rights, and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

The carrying amounts of the Company's and the Group's property, plant and equipment, land use rights and investments in subsidiaries at the end of the reporting period are disclosed in Note 4, Note 5 and Note 6 to the financial statements respectively. The details of the impairment testing are disclosed in Notes 4 and 5.

Amortisation of intangible assets

The Group performs annual reviews on whether the assumptions made on useful lives of intangible asset continue to be valid. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. The carrying amount of the Group's intangible assets as at 31 December 2014 is disclosed in Note 7 to the financial statements.

No sensitivity analysis is disclosed as the carrying amount of intangible asset is \$Nil (2013 : \$Nil).

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 10 to the financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by \$1,793,000 (2013 - \$690,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Significant accounting estimates and judgements (Cont'd)

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

Allowance for inventories obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revision to the valuation of inventories. If the net realisable values of the inventory increase/decrease by 10% of management estimates, the Group's profit will increase/decrease by \$2,167,000 (2013 - \$2,483,000). The carrying amount of the Group's inventory is disclosed in Note 9 to the financial statements.

Construction contracts

The Group recognises profits from construction contracts using the percentage of completion method based on the stage of completion. The stage of completion is measured by reference to the architect's certification of value of work done to-date, and the contract costs incurred to-date to the estimated total costs for the contract, as may be applicable.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and architect's certificate of value of work done to-date.

If the revenue on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$459,000 (2013: \$357,000).

Significant assumptions are required in determining provision for foreseeable losses where the contract costs incurred for any project exceed its contract revenue sum. In estimating the foreseeable losses, management makes reference to information such as: (i) current quotes from sub-contractors and suppliers; (ii) recent quotes agreed with sub-contractors and suppliers; (iii) estimates on contract costs; and (iv) stages of completion of the contracts. The carrying amount of the Group's construction work-in-progress at the reporting date is disclosed in Note 11.

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Group:

Reference	Description
Revised FRS 27	Separate Financial Statements
Revised FRS 28	Investments in Associates and Joint Ventures
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
Amendments to FRS 110, FRS 112 and FRS 27	Investment Entities
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 36	Recoverable Amount Disclosures to Non-Financial Assets
Amendments to FRS 39	Novation of Derivatives and Continuation of Hedge Accounting
INT FRS 121	Leases

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2(b) Interpretations and amendments to published standards effective in 2014 (Cont'd)

The Directors do not anticipate that the adoption of the above FRSs in the current period will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgement to determine whether entities are controlled and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements.

The Group has reassessed which entities the Group controls and there are no resulting changes required.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in the current year.

Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities clarify the meaning of “currently has a legally enforceable right to set-off” and that some gross settlement systems may be considered equivalent to net settlement. The Group has reassessed the impact and there is no change.

Amendments to FRS 36 Recoverable Amount Disclosures to Non-Financial Assets

These amendments remove the unintended consequences of FRS 113 Fair Value Measurement on the disclosures required under FRS 36 Impairment of Assets. In addition, these amendments required disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. As this is a disclosure standard, it has no financial impact to the financial position and performance of the Group when applied in the current year.

2(c) FRS not yet effective

The following are the relevant new or amended FRS and INT FRS issued in 2014 that are not yet effective but may be early adopted for the current financial year:

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Reference	Description	Effective date (Annual periods beginning on or after)
Improvements to FRSs (January 2014)		1 July 2014
FRS 24	Related Party Disclosures	
FRS 108	Operating Segments	
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2017
Improvements to FRSs (February 2014)	Investment Property	1 July 2014

Improvements to FRSs (January 2014) Related Party Disclosures

Improvements to FRSs (January 2014) Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2014) FRS 24 Related Party Disclosures are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

Improvements to FRS (January 2014) Operating Segments

The Improvements to FRSs (January 2014) Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial statements of the Group when implemented.

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group or the Company in the period of their initial adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers requires the entity to recognize revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. FRS 115 is effective for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

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

- classification and measurement,
- a single, forward – looking “expected loss” impairment model and
- a substantially reformed approach to hedge accounting

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The adoption of FRS 109 will have an impact on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Consolidation (Cont'd)

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents 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 net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Goodwill (Cont'd)

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. The Group does not have any goodwill at year end.

Property, plant and equipment and depreciation

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

Leasehold properties	over the remaining period of lease
Factory buildings	20 years
Plant, machinery and equipment	3 to 10 years
Motor vehicles	5 to 6 years

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

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

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.

Subsidiaries

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

Land use rights

Land use rights represent upfront payments to acquire long-term interest in the usage of land. Land use rights are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation is calculated on the straight-line basis to write off the cost of land use rights over the lease period of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to rise.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group and the Company do not have held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Financial assets (Cont'd)

Available-for-sale financial assets (Cont'd)

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of the reporting period.

Gains or losses from sales of available-for-sale investments are recognised upon conclusion of the contract for sale and the amount of sales proceed and the costs incurred or to be incurred in respect of the transaction can be measured reliably and there is certainty of gross inflow of benefits from the sale.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active or is unquoted, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in the profit or loss.

Loans and receivables comprise trade and other receivables, excluding prepayments.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with financial institutions which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

Construction work-in-progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, sub-contractors' cost and an appropriate proportion of overheads.

The percentage of completion is based on architects' certification of construction work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

The aggregate costs incurred and the profit/(loss) recognised on each contract are compared against progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts under 'construction work-in-progress'. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts under 'trade and other payables'. Customer advances are presented as "trade and other payables" in the statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables, excluding deferred income and advances from customers.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Financial liabilities (Cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as the current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

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

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Leases

Where the Group is the lessee,

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Leases (Cont'd)

Operating leases

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

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

Where the Group is the lessor,

Operating leases

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

Financial guarantees

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

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

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The provision is based on the best estimate of the direct expenditures to be incurred which are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Provisions (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 statement of financial position of the Group except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

2(d) Summary of 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 the majority of the employees. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and senior managers are considered key management personnel.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Related parties (Cont'd)

- (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).

Impairment of non-financial assets

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

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

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

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

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

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

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

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Impairment of non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of the reporting period.

A reversal of an impairment loss is recognised as income in profit or loss.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore Dollars, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

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

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

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

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

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

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from Singapore Dollars are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

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

Conversion of foreign currencies (Cont'd)

Group entities (Cont'd)

- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Earnings per share

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

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from contracts is recognised using the percentage of completion method. The stage of completion is measured by reference to professional surveys of work performed. As soon as the outcome of a contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Revenue from post-sale services is recognised over the period in which the services are rendered.

Transportation income related to delivery charges to customers is recognised upon the delivery of goods and acceptance by customers.

Revenue from membership fee received from retail customers is recognised over the membership period.

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

3 Revenue

	2014	2013
THE GROUP	\$	\$
Sale of goods	77,442,164	73,309,493
Contract revenue	4,761,662	7,619,007
Post-sale services	139,217	273,322
	82,343,043	81,201,822

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

4 Property, plant and equipment

THE COMPANY	OFFICE EQUIPMENT \$
Cost:	
At 1 January 2013	42,179
Additions	-
At 31 December 2013	42,179
Additions	-
At 31 December 2014	42,179
Accumulated depreciation:	
At 1 January 2013	40,221
Depreciation	639
At 31 December 2013	40,860
Depreciation	640
At 31 December 2014	41,500
Net book value:	
At 31 December 2014	679
At 31 December 2013	1,319

	LEASEHOLD PROPERTIES \$	FACTORY BUILDINGS \$	PLANT, MACHINERY AND EQUIPMENT \$	MOTOR VEHICLES \$	TOTAL \$
THE GROUP					
Cost:					
At 1 January 2013	8,538,416	13,252,090	16,932,581	4,453,199	43,176,286
Additions	138,223	17,564	1,203,213	133,664	1,492,664
Disposals	(40,025)	-	(395,612)	(192,464)	(628,101)
Translation differences	(222,553)	871,315	209,470	(161,313)	696,919
At 31 December 2013	8,414,061	14,140,969	17,949,652	4,233,086	44,737,768
Additions	219,298	-	1,244,318	668,060	2,131,676
Disposals	-	-	(1,440,539)	(750,953)	(2,191,492)
Translation differences	(121,992)	270,511	38,955	(17,784)	169,690
At 31 December 2014	8,511,367	14,411,480	17,792,386	4,132,409	44,847,642

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

4 Property, plant and equipment (Cont'd)

	LEASEHOLD PROPERTIES	FACTORY BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	MOTOR VEHICLES	TOTAL
THE GROUP	\$	\$	\$	\$	\$
Accumulated depreciation:					
At 1 January 2013	1,056,911	2,561,303	9,366,613	2,491,016	15,475,843
Depreciation	118,919	706,702	1,866,145	575,921	3,267,687
Disposals	(13,843)	-	(240,914)	(177,136)	(431,893)
Translation differences	(23,359)	168,403	193,047	(149,440)	188,651
At 31 December 2013	1,138,628	3,436,408	11,184,891	2,740,361	18,500,288
Depreciation	134,589	722,819	1,852,399	663,016	3,372,823
Disposals	-	-	(942,424)	(436,201)	(1,378,625)
Translation differences	(13,814)	65,734	34,795	(6,460)	80,255
At 31 December 2014	1,259,403	4,224,961	12,129,661	2,960,716	20,574,741
Net book value:					
At 31 December 2014	7,251,964	10,186,519	5,662,725	1,171,693	24,272,901
At 31 December 2013	7,275,433	10,704,561	6,764,761	1,492,725	26,237,480

As at 31 December 2014, the net book value of property, plant and equipment acquired under finance leases amounted to \$755,969 (2013 - \$1,082,316) and \$673,823 (2013 - \$1,056,607) in respect of motor vehicles and office equipment, respectively.

As at 31 December 2014, the Group's leasehold properties with carrying amount of \$7,251,964 (2013 - \$7,275,433) are mortgaged to financial institutions to secure bank borrowings (Note 15.2 and Note 15.3).

Impairment testing of property, plant and equipment and land use right (Note 4 and Note 5)

The Group's cash-generating units ("CGUs") were identified according to the operating subsidiaries in the retail, export, licensing retail systems and building materials operating segments (namely the "Retail" and "Building Materials" segments).

As at 31 December 2014, under the requirements of FRS 36, Impairment of Assets, the losses for the past few years and negative operating cash flows for the current year were indicators of impairment which requires management to perform impairment testing of the property, plant and equipment and land use right (the "Assets"). The carrying amounts of the Assets are set out in Note 4 and Note 5.

The Group carried out a review of the recoverable amount of the Assets based on the value in use calculations issued by an independent professional valuer.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

4 Property, plant and equipment (Cont'd)

The value in use calculation is a discounted cash flow model using cash flow projections based on the most recent financial budgets approved by the Board of Directors covering the five-year period ending 31 December 2019. Cash flows belong the five-year period are extrapolated using the estimate rates stated below:

	RETAIL CGU		BUILDERS MATERIALS CGU	
	2014	2013	2014	2013
	%	%	%	%
Growth rate	10.0	6.0	10.0	20
Discount rate (Pre-tax)	11.6	7.9	21.1	21.2
Terminal growth rate	3.0	3.0	3.0	3.0

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market developments. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. The terminal growth rate used for the CGU does not exceed management's expectation of the long term average growth rate of the industry and country in which the CGU operates.

The above-estimates are particularly sensitive in the following areas:

- (a) An increase of two percentage point in the discount rate used would have increased the impairment loss by \$1,677,000 (2013 - \$2,391,000).
- (b) A 2% decrease in future grow margin would have increased the impairment loss by \$402,000 (2013 - \$980,000).

The recoverable amount for the Assets has been estimated to be higher than the carrying amount of the operational CGU, and no impairment is required as at 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

5 Land use rights

THE GROUP	2014 \$	2013 \$
Cost:		
At 1 January	1,584,301	1,486,560
Translation differences	12,040	97,741
At 31 December	1,596,341	1,584,301
Accumulated amortisation:		
At 1 January	309,147	260,343
Amortisation	32,292	31,398
Translation differences	5,914	17,406
At 31 December	347,353	309,147
Net book value:		
At 1 January	1,275,154	1,226,217
At 31 December	1,248,988	1,275,154
<i>Represented by:</i>		
Current	32,292	31,686
Non-current	1,216,696	1,243,468
	1,248,988	1,275,154

Impairment testing of land use right

There were indicators of impairment as the Group's subsidiaries incurred losses for the past few years. Management performed impairment testing based on the procedures described in Note 4 and no impairment losses were considered necessary as at 31 December 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

6 Subsidiaries

	2014	2013
THE COMPANY	\$	\$
Unquoted equity investments, at cost	34,988,360	34,988,360
Accumulated impairment losses	(4,734,000)	(4,734,000)
	30,254,360	30,254,360

The subsidiaries are:

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST		PRINCIPAL ACTIVITIES
		2014	2013	
		%	%	
<u>Held by the Company</u>				
Uhin Holding Pte Ltd #	Singapore	100	100	Investment holding and trading of sofa sets, wood-based furniture and accessories
Lorenzo International (Kunshan) Co., Ltd. **	People's Republic of China	100	100	Manufacturing and sale of wood-based furniture
Builders Shop Pte Ltd#	Singapore	100	100	Investment holding and trading of building materials and contractors for construction
<u>Held by Uhin Holding Pte Ltd</u>				
Uhin Sofa Sdn Bhd*	Malaysia	100	100	Investment holding and manufacturing and sale of sofa sets
Supreme Furnishing Centre Pte Ltd#	Singapore	100	100	Retail sale of furniture
Uhin International Co., Ltd.*	Republic of China	100	100	Retail sale of furniture
Lorenzo Furniture (Shanghai) Co., Ltd. **	People's Republic of China	100	100	Retail sale of furniture
<u>Held by Supreme Furnishing Centre Pte Ltd</u>				
Supreme Furniture (Kunshan) Co., Ltd. **	People's Republic of China	100	100	Manufacturing and sale of sofa sets

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

6 Subsidiaries (Cont'd)

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST		PRINCIPAL ACTIVITIES
		2014 %	2013 %	
<u>Held by Uhin Sofa Sdn Bhd</u>				
Ginova Furnishing Sdn Bhd [*]	Malaysia	100	100	Investment holding and provision of management services
Monica Design Sdn Bhd [*]	Malaysia	100	100	Inactive
Uhin Wood Industries Sdn Bhd [*]	Malaysia	100	100	Manufacturing and supply of wooden frames
<u>Held by Ginova Furnishing Sdn Bhd</u>				
Ginova Marketing Sdn Bhd [*]	Malaysia	100	100	Retail sale of furniture

Audited by Foo Kon Tan LLP

* Audited by other firms of auditors

** Audited by Foo Kon Tan LLP for consolidation purposes

Impairment testing of investment in subsidiaries

The recoverable amount of the subsidiary, as a cash-generating unit, was determined based on the value in use calculation. The recoverable amount was determined to be higher than the carrying amount of the cost of investment and no impairment loss is necessary at 31 December 2014 and 2013. See Note 4 for details of impairment testing.

7 Intangible assets

THE GROUP	2014 \$	2013 \$
Customer lists and relationships:		
Cost:		
At 1 January and 31 December	1,051,329	1,051,329
Accumulated amortisation and impairment losses:		
At 1 January	(1,051,329)	(705,443)
Amortisation for the year	-	(172,943)
Impairment loss	-	(172,943)
At 31 December	(1,051,329)	(1,051,329)
Net book value:		
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

7 Intangible assets (Cont'd)

Amortisation and impairment charge

The amortisation of customer lists and relationships is included in cost of sales in the statement of profit or loss.

During the financial year ended 31 December 2013, triggering events for impairment of the intangible assets were identified as one of the Group's subsidiary incurred losses. Based on the impairment test, the carrying amount of the intangible assets was determined to be higher than the recoverable amount and an impairment loss of \$172,943 was recognised.

The recoverable amount of the cash generating unit ("CGU") using the intangible assets was determined based on the value in use calculation. This calculation used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a terminal growth rate of 3% from 2018. A pre-tax discount rate of 21.2% was applied to the cash flow projections. The terminal growth rate used for the CGU did not exceed management's expectation of the long term average growth rate of the industry and country in which the CGU operates.

During the financial year ended 31 December 2014, there were no indicators that the impairment losses should be reversed to the profit or loss.

8 Available-for-sale financial assets

	2014	2013
THE GROUP	\$	\$
Quoted equity securities, at fair value	-	19,938

Available-for-sale financial assets are not impaired.

The fair value of the quoted equity securities was based on current bid prices in an active market at the reporting date and was not materially different from its carrying value.

These financial assets are subject to financial risk exposure in terms of price risk. Please refer to Note 28 for details of equity price risk.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

9 Inventories

THE GROUP	2014 \$	2013 \$
Raw materials, at net realisable value	6,369,274	4,657,914
Goods-in-transit, at cost	498,891	1,314,956
Work-in-progress, at cost	790,321	768,321
Finished goods, at net realisable value	14,007,695	18,088,085
	21,666,181	24,829,276

The cost of inventories recognised as an expense and included in cost of sales amounted to \$11,447,977 (2013 - \$17,552,383) for the year ended 31 December 2014.

During the financial year ended 31 December 2013, allowance made for write-down of slow-moving inventories to net realisable value amounted to \$1,551,930. In the current financial year, a net amount of \$1,501,288 in respect of allowance for inventory obsolescence was reversed to the profit or loss due to the recovery of selling price and excessive provisions made in prior years.

During the current financial year, the Group wrote off inventories that were no longer used in production amounting to \$80,547 (2013 - \$46,682) (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

10 Trade and other receivables

	THE COMPANY		THE GROUP	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current				
Trade receivables				
- Third parties	-	-	12,558,691	3,771,479
(A)			12,558,691	3,771,479
Less: Allowance for impairment				
At 1 January	-	-	303,251	612,983
Impairment loss recognised	-	-	87,223	83,148
Amounts utilised	-	-	(276,965)	(392,880)
At 31 December (B)	-	-	113,509	303,251
Net trade receivables (A)-(B)	-	-	12,445,182	3,468,228
Other receivables:				
Amounts due from customers for contracts work-in-progress (Note 11)	-	-	1,996,069	-
Other receivables	-	-	610,615	373,589
Lease deposits	99,000	-	2,630,395	2,663,598
Other deposits	-	200,000	251,167	391,708
Amounts due from subsidiaries (non-trade)	4,542,480	-	-	-
Total loans and receivables	4,641,480	200,000	17,933,428	6,897,123
Deferred lease expenses	-	-	-	42,896
Prepayments	86,030	24,821	773,159	675,150
Advances to suppliers	-	-	882,020	774,797
Tax recoverable	-	-	90,835	243,740
Total current trade and other receivables	4,727,510	224,821	19,679,442	8,633,706
Non-current				
Other receivables:				
Retention sums receivable	-	-	486,386	554,995
Total non-current other receivables	-	-	486,386	554,995

Non-trade amounts due from subsidiaries, comprising mainly advances, are unsecured, interest-free and are to be settled in cash on demand. There is no allowance for doubtful debts arising from the outstanding balances.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

10 Trade and other receivables (Cont'd)

Trade and other receivables are denominated in the following currencies:

	THE COMPANY		THE GROUP	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current				
Singapore dollar	4,727,510	224,821	6,650,213	4,284,451
United States dollar	-	-	9,667,544	1,561,752
Malaysian ringgit	-	-	1,834,031	2,043,156
New Taiwan dollar	-	-	577,335	438,279
Renminbi	-	-	950,319	306,068
	4,727,510	224,821	19,679,442	8,633,706
Non-current				
Singapore dollar	-	-	486,386	554,995

Trade receivables are granted credit terms of 30 (2013 - 30) days.

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

THE GROUP	2014	2013
	\$	\$
<u>By geographical area</u>		
Singapore	11,204,269	2,768,161
People's Republic of China	538,768	328,502
Malaysia	660,870	652,245
Other countries	154,784	22,571
	12,558,691	3,771,479

The ageing analysis of loans and receivables that are past due and not impaired as follows:

THE GROUP	2014		2013	
	GROSS	IMPAIRMENT LOSSES	GROSS	IMPAIRMENT LOSSES
	\$	\$	\$	\$
Past due less than 30 days	7,287,470	-	1,109,618	-
Past due 31 to 60 days	2,509,373	-	492,247	-
Past due over 60 days	694,402	113,509	621,305	303,251
	10,491,245	113,509	2,223,170	303,251

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 60 days as they mainly arise from customers that have a good credit record with the Group.

As of 31 December 2014, loans and receivables of \$7,555,692 (2013 - \$4,977,204) are not past due and not impaired. Other receivables do not contain impaired assets.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

II Contracts work-in-progress

THE GROUP	NOTE	2014 \$	2013 \$
Contracts work-in-progress at end of the reporting period:			
Contract costs incurred and attributable profits		8,916,816	11,464,046
Less: Progress billings		(6,920,747)	(11,464,046)
		1,996,069	-
<i>Presented as:</i>			
Amounts due from customers (included in trade and other receivables)	10	1,996,069	-

12 Cash and cash equivalents

	THE COMPANY		THE GROUP	
	2014 \$	2013 \$	2014 \$	2013 \$
Fixed deposits	-	-	1,304,939	1,322,795
Cash on hand	1	1	128,730	239,325
Cash at bank	2,235	24,352	6,658,122	3,397,895
	2,236	24,353	8,091,791	4,960,015

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

THE GROUP	2014 \$	2013 \$
Fixed deposits	1,304,939	1,322,795
Cash on hand	128,730	239,325
Cash at bank	6,658,122	3,397,895
Less: Bank overdrafts (secured) (Note 15.3)	(5,325,678)	(6,162,043)
	2,766,113	(1,202,028)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

12 Cash and cash equivalents (Cont'd)

Cash and cash equivalents are denominated in the following currencies:

	THE COMPANY		THE GROUP	
	2014	2013	2014	2013
	\$	\$	\$	\$
Singapore dollar	2,236	24,353	550,913	546,943
United States dollar	-	-	908,057	374,517
Malaysian ringgit	-	-	4,551,209	2,657,672
New Taiwan dollar	-	-	1,862,118	973,958
Renminbi	-	-	217,314	406,925
Other currencies	-	-	2,180	-
	2,236	24,353	8,091,791	4,960,015

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

	2014	2013
THE GROUP		
Singapore dollar	0.3%	0.3%
Malaysian ringgit	2.6%	2.6%

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

13 Share capital

	NUMBER OF ORDINARY SHARES		2014	2013
	2014	2013	\$	\$
THE COMPANY				
Issued and fully paid, with no par value				
At 1 January	216,588,465	216,588,465	30,258,120	30,258,120
Issue of ordinary shares	43,317,693	-	2,723,813	-
At 31 December	259,906,158	216,588,465	32,981,933	30,258,120

During the current financial year, the Company issued 43,317,693 (2013 – Nil) new ordinary shares at \$0.066 each for a total cash consideration of \$2,858,968 (2013 – \$Nil) to the following:

- 12,317,693 shares to the Company's director, Mr Teoh Jin Thean.
- 31,000,000 shares to a third party.

The Company set-off share issue expenses of \$135,155 (2013 – \$Nil) against share capital as part of the above share place agreement.

Following the completion of the placement agreement, the total number of issued shares in the Company increased from 216,588,465 shares to 259,906,158 shares.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

13 Share capital (Cont'd)

The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14 Reserves

	THE COMPANY		THE GROUP	
	2014	2013	2014	2013
	\$	\$	\$	\$
Translation reserve	-	-	(3,354,822)	(2,802,383)
Merger reserve	-	-	(3,282,141)	(3,282,141)
Statutory common reserve	-	-	68,256	68,256
Capital reserve	-	-	838,050	838,050
Fair value reserve	-	-	(11,468)	5,589
Retained earnings	143,935	(1,765,563)	4,843,391	1,372,205
	143,935	(1,765,563)	(898,734)	(3,800,424)

Translation reserve

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

Merger reserve

Merger reserve arises from the difference between the nominal value of shares issued by the Company and the net asset values of the subsidiaries acquired under the restructuring exercise in 2006 involving a business combination under common control.

Statutory common reserve

The statutory common reserve represents the amount transferred from profit after taxation of the subsidiaries incorporated in the People's Republic of China ("PRC") in accordance with the PRC requirement. The statutory common reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital.

Capital reserve

Under the provisions of the Company Law of the Republic of China ("ROC"), companies in ROC are required to set aside a capital reserve equal to 10% of its annual net profit (less losses of prior years, if any), before it declares any part of such net profit as dividends and bonuses, until the accumulated reserve equals the total capital stock. This reserve shall be used exclusively to offset losses or, if the balance of the reserve exceeds 50% of paid-in capital, to increase capital not exceeding 50% of the reserve balance.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

15 Borrowings

THE GROUP	NOTE	2014 \$	2013 \$
Non-current			
Finance lease liabilities	15.1	638,062	887,616
Current			
Finance lease liabilities	15.1	390,562	522,934
Bank loans (secured)	15.2	5,254,833	6,576,628
Other borrowings (secured)	15.3	19,384,101	12,036,921
		25,029,496	19,136,483
		25,667,558	20,024,099

15.1 Finance lease liabilities

THE GROUP	2014 \$	2013 \$
Future minimum lease payments:		
Within one year	432,791	572,041
Between one and five years	712,549	957,789
More than five years	-	34,142
	1,145,340	1,563,972
Future finance charges on finance leases	(116,716)	(153,422)
Present value of minimum lease payments	1,028,624	1,410,550
Present value of minimum lease payments:		
Within one year	390,562	522,934
Between one and five years	638,062	857,664
More than five years	-	29,952
	1,028,624	1,410,550
<i>Represented by:</i>		
Current liabilities	390,562	522,934
Non-current liabilities	638,062	887,616
	1,028,624	1,410,550

15.2 Bank loans (secured)

THE GROUP	LOAN	CURRENCY	YEAR OF MATURITY	2014 \$	2013 \$
	(a)	SGD	2014	-	1,000,000
	(b)	SGD	*2020	663,258	815,425
	(c)	SGD	2014	-	91,372
	(d)	SGD	2015	4,000,000	4,000,000
	(e)	RM	*2022	591,575	669,831
				5,254,833	6,576,628

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

15 Borrowings (Cont'd)

15.2 Bank loans (secured) (Cont'd)

- (a) Interest is charged at 3.77% (2013 - 3.77%) per annum. The bank loan is secured by a corporate guarantee by the Company.
- (b) Interest is charged at the Local Enterprise Finance Scheme ("LEFS") lending rate of 5% (2013 - 5%) per annum. The bank loan is secured by:
- (i) a mortgage over the Group's leasehold properties (Note 4);
 - (ii) a corporate guarantee by the Company; and
 - (iii) a corporate guarantee by a subsidiary.
- (c) Interest is charged at the Local Enterprise Finance Scheme ("LEFS") lending rate of 5% (2013 - 5%) per annum. The bank loans are secured by a corporate guarantee by the Company.
- (d) Interest is charged at 2.48% (2013 - 2.54%) per annum. The bank loan is secured by a joint guarantee by the Company and a subsidiary.
- (e) Interest is charged at 4.45% (2013 - 4.40%) 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).

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 December 2014, the Group's bank loans amounting to \$1,049,281 (2013 - \$1,287,536), comprising Loan (b) of \$525,502 (2013 - \$685,455) and Loan (e) of \$523,779 (2013 - \$602,081), 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.

15.3 Other borrowings

	2014	2013
THE GROUP	\$	\$
Trust receipts (secured)	11,047,560	2,313,799
Bills payable (secured)	3,010,863	3,561,079
Bank overdrafts (secured) (Note 12)	5,325,678	6,162,043
	19,384,101	12,036,921

Other bank borrowings are secured by:

- (a) a first legal mortgage of the Group's leasehold properties (Note 4);
- (b) a debenture over a subsidiary's present and future fixed and floating assets for \$4,121,290 (2013 - \$4,203,040);
- (c) a guarantee given by a subsidiary; and
- (d) a guarantee given by the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

15 Borrowings (Cont'd)

15.4 Currency risk

Borrowings are denominated in the following currencies:

	2014	2013
THE GROUP	\$	\$
Singapore dollar	19,495,097	12,581,398
United States dollar	1,328,747	2,441,478
Euro	565,591	138,247
Malaysian ringgit	2,290,777	2,912,934
Renminbi	1,987,346	1,950,042
	25,667,558	20,024,099

15.5 Weighted average interest rates

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

	2014	2013
THE GROUP		
Finance lease liabilities	1.8%	1.8%
Bank loans (secured)	2.7%	2.9%
Trust receipts (secured)	3.7%	3.4%
Bills payable (secured)	6.3%	6.5%
Bank overdrafts (secured)	6.1%	6.0%

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

15.6 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:

2014	CARRYING AMOUNTS	FAIR VALUES
THE GROUP	\$	\$
Finance lease liabilities	1,028,624	968,945

2013	CARRYING AMOUNTS	FAIR VALUES
THE GROUP	\$	\$
Finance lease liabilities	1,410,550	1,325,520

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

16 Deferred income

	2014	2013
THE GROUP	\$	\$
Membership subscription fees, represented by:		
Current liabilities	37,313	46,945
Non-current liabilities	42,640	57,880

The Group offers memberships to customers under the “Lorenzo Friends” membership program which enable the customers to purchase goods at a discount at its retail outlets. The memberships are valid for a period of five years. The membership subscription fees, recognised as deferred income, are being amortised over the qualifying period of the membership.

17 Deferred taxation

	2014	2013
THE GROUP	\$	\$
Deferred tax assets		
Balance at beginning	-	-
Translation differences	172,611	-
Recognised in profit or loss (Note 22)	93,102	-
Balance at end	265,713	-
The balances are attributable to the following:		
Property, plant and equipment	265,713	-

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

	2014	2013
THE GROUP	\$	\$
Deferred tax liabilities		
Balance at beginning	172,833	404,647
Translation differences	(87,243)	(98,428)
Recognised in profit or loss (Note 22)	136,869	(133,386)
Balance at end	222,459	172,833
The balances are attributable to the following:		
Property, plant and equipment	114,694	86,287
Unremitted earnings of subsidiary	107,765	86,546
	222,459	172,833

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

18 Trade and other payables

	THE COMPANY		THE GROUP	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade payables to third parties	-	-	3,219,892	5,470,884
Other payables	44,498	8,089	4,450,731	4,394,060
Amounts due to a subsidiary - non-trade	1,625,000	1,935,662	-	-
Advances from customers	-	-	6,136,349	5,667,857
Accrued employee benefits	1,802	-	2,248,001	2,317,517
Accrued expenses	187,617	68,545	1,235,286	1,479,761
	1,858,917	2,012,296	17,290,259	19,330,079

Non-trade amounts due to a subsidiary, representing consideration for additional investment in that subsidiary, are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	THE COMPANY		THE GROUP	
	2014	2013	2014	2013
	\$	\$	\$	\$
Singapore dollar	1,858,917	2,012,296	5,887,273	5,605,435
United States dollar	-	-	984,243	2,083,975
Euro	-	-	86,390	647,310
Malaysian ringgit	-	-	6,628,312	6,795,416
New Taiwan dollar	-	-	2,032,378	1,632,324
Renminbi	-	-	1,671,663	2,565,619
	1,858,917	2,012,296	17,290,259	19,330,079

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

19 Other income

	2014	2013
THE GROUP	\$	\$
Government grants	239,517	29,652
Interest income	47,562	236,255
Rental income	523,598	467,871
Gain on disposal of available-for-sale financial assets	20,322	17,874
Sundry income	609,759	246,617
Sales of scrap materials	175,668	18,839
Reversal of allowance for inventory obsolescence, net	1,501,288	-
Transportation income	708,636	356,482
Exchange gain, net	472,259	490,056
Membership subscription fees	52,463	46,945
	4,351,072	1,910,591

20 Finance costs

	2014	2013
THE GROUP	\$	\$
Interest expense		
- finance leases	62,904	67,297
- bank loans	427,497	575,658
- trust receipts and bills payable	83,805	98,937
- bank overdrafts	323,640	191,680
	897,846	933,572
Trade financing charges	24,696	72,167
	922,542	1,005,739

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

21 Profit/(Loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation:

THE GROUP	NOTE	2014 \$	2013 \$
<u>Included under "cost of sales"</u>			
Cost of inventories included in cost of sales	9	11,447,977	17,552,383
Amortisation of land use rights	5	32,292	31,398
Amortisation of intangible assets	7	-	172,943
Impairment loss on intangible assets	7	-	172,943
Depreciation of property, plant and equipment		1,475,120	1,795,882
Operating lease expense		487,461	502,616
Staff costs (A)		4,757,821	5,523,394
<u>Included under "distribution cost and administrative expenses"</u>			
Operating lease expense		6,535,752	6,944,335
Directors' fees		111,540	111,540
Staff costs (A)		13,182,195	13,857,959
Audit fees:			
- auditors of the Company		300,465	298,000
- other auditors		60,585	42,476
Non-audit fees:			
- auditors of the Company		47,840	47,940
<u>Included under "other operating expenses"</u>			
Allowance for inventory obsolescence	9	-	1,551,930
Depreciation of property, plant and equipment		1,897,703	1,471,805
Inventories written off		80,547	46,682
Loss on disposal of property, plant and equipment		255,443	16,970
Impairment loss on trade receivables	10	87,223	83,148
Bank charges		56,650	123,874
<u>(A) Staff costs</u>			
Key management personnel - directors:			
Directors' remuneration other than fees			
- salaries and other related costs		1,270,970	1,183,557
- Contributions to defined contribution plans		38,150	22,525
Key management personnel - other than directors			
- salaries and other related costs		647,876	659,563
- Contributions to defined contribution plans		49,333	51,425
		2,006,329	1,917,070
Other than key management personnel			
- salaries, wages and other related costs		15,698,558	16,807,958
- Contributions to defined contribution plans		235,129	656,325
		15,933,687	17,464,283
		17,940,016	19,381,353

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

22 Tax expense

	2014	2013
THE GROUP	\$	\$
Current tax expense		
Current year	831,460	1,197,397
Deferred tax expense		
Movements in temporary differences	15,602	(133,386)
Adjustment for prior years	28,165	-
(Note 17)	43,767	(133,386)
Withholding tax on overseas income	290,436	165,301
	1,165,663	1,229,312

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

	2014	2013
THE GROUP	\$	\$
Profit/(Loss) before taxation	4,636,849	(3,137,082)
Tax at domestic rates applicable to individual group entities	868,368	(452,832)
Tax effect on non-deductible expenses	328,145	490,310
Tax effect on non-taxable income	(5,429)	(2,418)
Deferred tax assets on current year losses not recognised	543,011	1,034,955
Utilisation of deferred tax assets on temporary differences not recognised in prior years	(884,934)	-
Adjustment for prior years for deferred taxation	28,165	-
Tax incentives	(2,099)	(6,004)
Withholding tax on overseas income	290,436	165,301
	1,165,663	1,229,312

Expenses not deductible for tax purposes mainly include depreciation of non-qualifying assets, private car expenses, excess entertainment and staff welfare for PRC subsidiaries and penalties.

At the reporting date the Group had unabsorbed tax losses of approximately \$19 million (2013 - \$22 million) attributable to certain subsidiaries.

These unabsorbed tax losses of the Group are available for carry forward and set-off against future taxable income, subject to agreement by the tax authorities and compliance with certain provisions of the tax legislations of the respective countries in which the subsidiaries operate. Unabsorbed tax losses of approximately \$15 million (2013 - \$13 million) related to certain subsidiaries expire from 2015 through 2020.

Deferred tax assets of approximately \$4.5 million (2013: \$4.8 million) have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

22 Tax expense (Cont'd)

22.1 Other comprehensive income for the year, net of tax

DISCLOSURE OF TAX EFFECT RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME:	2014			2013		
	BEFORE TAX \$	TAX EXPENSE \$	NET OF TAX \$	BEFORE TAX \$	TAX EXPENSE \$	NET OF TAX \$
Net change in fair value reclassified to profit or loss	-	-	-	(11,628)	-	(11,628)
Reclassification and adjustment for gains to profit or loss	(17,057)	-	(17,057)	-	-	-
Currency translation differences	(552,439)	-	(552,439)	(735,758)	-	(735,758)
	(569,496)	-	(569,496)	(747,386)	-	(747,386)

23 Earnings/(Loss) per share

The basic earnings/(loss) per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year. The Company did not have any stock options or dilutive potential ordinary shares during the years ended 31 December 2013 and 2014.

THE GROUP	2014 \$	2013 \$
Profit/(Loss) for the year attributable to owners of the Company	3,471,186	(4,366,394)
Number of ordinary shares issued at 1 January	216,588,465	216,588,465
Issue of shares	32,488,270	-
Weighted average number of ordinary shares issued during the year	249,076,735	216,588,465
Earnings/(Loss) per share (cents):		
- basic	1.39	(2.02)
- diluted	1.39	(2.02)

24 Related party transactions

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

THE GROUP	2014 \$	2013 \$
Sales to		
- a firm in which a key management personnel of a subsidiary has financial interest	-	2,552,747
Rental expense paid and payable to a firm of which a director of the Company is a member	240,408	130,399

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

25 Commitments

Operating lease commitments (non-cancellable)

A Where the Group is a lessee

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

	2014	2013
THE GROUP	\$	\$
Within one year	5,379,861	5,654,048
Between one and five years	5,637,876	2,124,559
	11,017,737	7,778,607

These operating leases expire between September 2015 and December 2019 and contain renewal options.

B Where the Group is a lessor

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

	2014	2013
THE GROUP	\$	\$
Not later than one year	486,894	1,172,428
Later than one year and not later than five years	598,441	180,028
	1,085,335	1,352,456

These non-cancellable leases have remaining lease terms of between 1 to 3 years and contain renewal options.

26 Operating segments

For management reporting purposes, the Group is organised into the following reportable operating segments as follows:

- 1) Retail;
- 2) Export;
- 3) Licensing Retail System ("LRS"); and
- 4) Building Materials

Retail segment relates to revenue generated from retail chain stores for trading of sofa and other furniture.

Export segment to revenue generated from overseas corporate customers for trading of sofa and other furniture.

LRS segment relates to revenue generated from overseas licensing for trading of sofa and other furniture.

Building materials segment relates to revenue generated from supply of stones and tiles for residential, commercial and industrial projects.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

26 Operating segments (Cont'd)

The Group Chief Executive Officer ("Group CEO"), who is designated as the Chief Operating Decision Maker, monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group CEO.

Group financing, corporate expenses and income taxes are managed on a group basis and are not allocated to operating segments.

The allocation of group assets and liabilities attributable to individual segments is not presented as the information is not provided to the Group CEO.

THE GROUP	RETAIL		EXPORT		LRS		BUILDING MATERIALS		TOTAL	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Revenue	53,411	56,314	10,051	7,186	4,736	5,118	14,145	12,584	82,343	81,202
Gross profit	27,487	28,132	2,705	862	1,035	2,515	5,187	3,321	36,414	34,830
Other income									4,351	1,911
Unallocated corporate expenses									(35,205)	(38,872)
Finance costs									(923)	(1,006)
Profit/(Loss) before taxation									4,637	(3,137)
Tax expense									(1,166)	(1,229)
Profit/(Loss) for the year									3,471	(4,366)
Other information										
Additions of property, plant and equipment	1,763	1,162	168	89	201	234	-	8	2,132	1,493
Depreciation of property, plant and equipment	1,156	1,425	748	568	1,197	1,079	272	196	3,373	3,268
Amortisation of land use right	-	-	7	6	25	25	-	-	32	31
Loss on disposal of property, plant and equipment	68	17	-	-	-	-	187	-	255	17

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

26 Operating segments (Cont'd)

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

	2014	2013
REVENUE	\$ '000	\$ '000
Asia Pacific	81,504	76,860
Middle East and Africa	453	2,783
North and South America	279	704
Europe	107	855
	82,343	81,202

	2014	2013
NON-CURRENT ASSETS	\$ '000	\$ '000
Singapore	3,999	4,992
Malaysia	7,930	7,987
Taiwan	439	453
China	13,608	14,604
	25,976	28,036

There is no revenue from customers contributing over 10% of total sales of the Group.

27 Contingencies

The Company

(a) Contingent liability

In August 2013, a suit was brought against the Company's subsidiary, Builders Shop Pte Ltd, together with several other defendants, including the main contractor and sub-contractor of the subsidiary, in respect of injuries allegedly caused by debris from a fallen granite slab from a building in 2011. The subsidiary's main contractor and sub-contractor completed installation of granite slabs on the facade of the building in 1997. The plaintiff is seeking damages of \$2.4 million from the subsidiary and other defendants jointly and severally. In accordance with the agreement, the main contractor and sub-contractor should be responsible for work defects. The Company is contesting the claim rigorously. The former shareholder of the subsidiary has provided an undertaking in writing to the Company for an amount of up to \$5 million for all actual and proven damages arising from the claim by the plaintiff.

Based on a review of the matter and in the light of the advice of the Company's legal counsel, the directors are of the view that no material losses will arise in respect of the legal suit.

(b) Contingent asset

In September 2014, a suit was brought by the Company and the Company's subsidiary, Builders Shop Pte Ltd, against the shareholder of the subsidiary in respect of claims under letter of indemnity as mentioned in Note 27(A) above and claim for alleged costs of repair works under deed of undertaking.

Based on a review of the matter and in the light of the advice of the Company's legal counsel, the directors are of the view that the indemnity is valid and enforceable and the laws allow a set-off on the claims of repair works.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

28 Financial risk management

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

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 adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, 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. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties. The Group obtains advances from customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers who are internationally dispersed. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held.

The Group's trade receivables comprise 2 debtors (2013 - Nil) that represent 72% (2013 - Nil%) of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

28 Financial risk management (Cont'd)

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

- (i) At 31 December 2014, the Company has provided guarantees to banks in respect of loan facilities granted to subsidiaries amounting to \$11.9 million (2013 - \$13.8 million).
- (ii) At 31 December 2014, a subsidiary has provided a guarantee to a bank in respect of loan facility granted to a subsidiary amounting to \$2.8 million (2013 - \$2.8 million).
- (iii) At 31 December 2014, the Company and a subsidiary have provided a joint guarantee to a bank in respect of a loan facility granted to a subsidiary amounting to \$5.6 million (2013 - \$5.7 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 \$17.5 million (2013: \$19.5 million). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. The cash and cash equivalents are held with banks of good credit ratings. Further details of credit risks on trade and other receivables are disclosed in Note 10.

Interest rate risk

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

The Group's exposure to interest rate risk arises primarily from its variable rate bank balances, fixed deposits and borrowings which are contractually repriced at intervals of less than 6 months (2013 - less than 6 months).

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

Sensitivity analysis for interest rate risk

A 30 (2013 - 30) basis points (bp) change in the interest rate of variable rate bank balances and fixed deposits and a 75 (2013 - 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

28 Financial risk management (Cont'd)

Interest rate risk (Cont'd)

THE GROUP	PROFIT BEFORE TAX - INCREASE/(DECREASE)		EQUITY - INCREASE/(DECREASE)	
	30BP/75BP	30BP/75BP	30BP/75BP	30BP/75BP
	INCREASE	DECREASE	INCREASE	DECREASE
	\$	\$	\$	\$
31 December 2014				
Variable rate bank balances and fixed deposits	3,915	(3,915)	3,915	(3,915)
Variable rate borrowings	(34,437)	34,437	(34,437)	34,437
	(30,522)	30,522	(30,522)	30,522
31 December 2013				
Variable rate bank balances and fixed deposits	3,968	(3,968)	(3,968)	3,968
Variable rate borrowings	(42,524)	42,524	42,524	(42,524)
	(38,556)	38,556	38,556	(38,556)

Foreign currency risk

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

The Group is exposed to foreign currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated in the United States dollar and the Euro.

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

Sensitivity analysis for foreign currency risk

A 5% (2013: 5%) strengthening of the above currencies against the functional currencies of the Group entities at the reporting date would have increased/decreased profit or loss before tax and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account the associated tax effects.

THE GROUP	INCREASE/(DECREASE) IN PROFIT BEFORE TAX		INCREASE/(DECREASE) IN EQUITY	
	2014	2013	2014	2013
	\$	\$	\$	\$
USD - strengthened 5% (2013 - 5%)	413,131	(129,459)	413,131	(129,459)
Euro - strengthened 5% (2013 - 5%)	(32,599)	(39,278)	(32,599)	(39,278)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

28 Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

A 5% (2013 - 5%) weakening of the above currencies against the functional currencies of the Group entities at the reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Market price risk

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

The Group is exposed to price risk related to its investments in available-for-sale equity securities. Available-for-sale equity instruments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments.

Sensitivity analysis – market price risk

All of the Group's equity investments are listed on the Singapore Exchange. For such investments classified as available-for-sale, a 3% increase in the Straits Times Index at the reporting date would have increased the Group's equity by approximately \$Nil (2013 - \$2,000) before tax; an equal change in the opposite direction would have decreased the Group's equity by approximately \$Nil (2013 - \$2,000) before tax. The analysis is based on the assumption that all the other variables are held constant and all the Group's equity investments moved according to the historical correlation with the index.

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 and the Group's objective are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

28 Financial risk management (Cont'd)

Liquidity risk (Cont'd)

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

		--- CONTRACTUAL UNDISCOUNTED CASH FLOWS ---			
	CARRYING AMOUNT	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
THE GROUP	\$	\$	\$	\$	\$
At 31 December 2014					
Trade and other payables (excluding advances from customers)	11,153,910	11,153,910	11,153,910	-	-
Borrowings	25,667,558	26,185,266	24,076,708	1,967,901	140,657
	36,821,468	37,339,176	35,230,618	1,967,901	140,657
At 31 December 2013					
Trade and other payables (excluding advances from customers)	13,662,222	13,662,222	13,662,222	-	-
Borrowings	20,024,099	20,579,001	17,963,046	2,004,413	611,542
	33,686,321	34,241,223	31,625,268	2,004,413	611,542

	CARRYING AMOUNT	--- CONTRACTUAL UNDISCOUNTED CASH FLOWS ---			
		TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
THE COMPANY	\$	\$	\$	\$	\$
At 31 December 2014					
Financial guarantee contracts	17,500,000	17,500,000	17,500,000	-	-
Trade and other payables	1,858,917	1,858,917	1,858,917	-	-
	19,358,917	19,358,917	19,358,917	-	-
At 31 December 2013					
Financial guarantee contracts	19,500,000	19,500,000	19,500,000	-	-
Trade and other payables	2,012,296	2,012,296	2,012,296	-	-
	21,512,296	21,512,296	21,512,296	-	-

The Company and the Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Company and the Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

29 Financial instruments

Definition of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

29 Financial instruments (Cont'd)

29.1 Accounting classifications of financial assets and financial liabilities

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

THE GROUP	AVAILABLE-FOR-SALE (CARRIED AT FAIR VALUE) \$	LOANS AND RECEIVABLES (CARRIED AT AMORTISED COST) \$	TOTAL \$
2014			
Financial assets			
Trade and other receivables (current)	-	17,933,428	17,933,428
Other receivables (non-current)	-	486,386	486,386
Cash and cash equivalents	-	8,091,791	8,091,791
	-	26,511,605	26,511,605
		OTHER LIABILITIES (CARRIED AT AMORTISED COST) \$	TOTAL \$
Financial liabilities			
Borrowings		25,667,558	25,667,558
Trade and other payables		11,153,910	11,153,910
		36,821,468	36,821,468

THE GROUP	AVAILABLE-FOR-SALE (CARRIED AT FAIR VALUE) \$	LOANS AND RECEIVABLES (CARRIED AT AMORTISED COST) \$	TOTAL \$
2013			
Financial assets			
Available-for-sale financial assets	19,938	-	19,938
Trade and other receivables (current)	-	6,897,123	6,897,123
Other receivables (non-current)	-	554,995	554,995
Cash and cash equivalents	-	4,960,015	4,960,015
	19,938	12,412,133	12,432,071
		OTHER LIABILITIES (CARRIED AT AMORTISED COST) \$	TOTAL \$
Financial liabilities			
Borrowings		20,024,099	20,024,099
Trade and other payables		13,662,222	13,662,222
		33,686,321	33,686,321

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

29 Financial instruments (Cont'd)

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

THE COMPANY	LOANS AND RECEIVABLES (CARRIED AT AMORTISED COST) \$	TOTAL \$
2014		
Financial assets		
Other receivables	4,641,480	4,641,480
Cash and cash equivalents	2,236	2,236
	4,643,716	4,643,716

	OTHER LIABILITIES (CARRIED AT AMORTISED COST) \$	TOTAL \$
Financial liabilities		
Other payables	1,858,917	1,858,917

THE COMPANY	LOANS AND RECEIVABLES (CARRIED AT AMORTISED COST) \$	TOTAL \$
2013		
Financial assets		
Other receivables	200,000	200,000
Cash and cash equivalents	24,353	24,353
	224,353	224,353

	OTHER LIABILITIES (CARRIED AT AMORTISED COST) \$	TOTAL \$
Financial liabilities		
Other payables	2,012,296	2,012,296

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

30 Fair value measurement

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.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

THE GROUP	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
31 December 2014				
Quoted available-for-sale financial assets	-	-	-	-
31 December 2013				
Quoted available -for-sale financial assets	19,938	-	-	19,938

The fair value of financial instruments traded in active markets (such as available-for-sale equity investments) is based on quoted market prices at the end of reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

There were no transfers between Level 1 and Level 2 in 2014 and 2013.

Bank loans

The carrying amounts of bank loans approximate their fair values.

Finance lease liabilities

The carrying amounts of finance leases approximate their fair values as they bear interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements, refer to Note 15.6.

Available-for-sale financial assets

The fair values of quoted equity securities are determined by reference to their quoted closing bid price at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

31 Capital management

The Group's objectives when managing capital are:

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

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

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

Except for compliance with the statutory common reserve and capital reserve requirement by subsidiaries in PRC and ROC (Note 14), the Company and its subsidiaries are not subject to externally imposed capital requirements.

The directors monitor capital based on the net debt to total equity ratio. Net debt comprises total borrowings less cash and cash equivalents. Net asset comprises total equity.

THE GROUP	2014 \$	2013 \$
Total borrowings	25,667,558	20,024,099
Less: Cash and cash equivalents	(8,091,791)	(4,960,015)
Net debt	17,575,767	15,064,084
Total equity	32,083,199	26,457,696
Net debt to total equity ratio (times)	0.55	0.57

32 Subsequent event

On 2 February 2015, the Board of Directors of the Company announced on SGX that the Company obtained approval in-principal from SGX for the renounceable non-underwritten rights issue of up to 129,953,079 right shares at issue price of \$0.07 for each rights share, on the basis of one rights share for every 2 existing ordinary shares held by shareholders of the Company as at a books closure date, ie 30 March 2015 based on the announcement dated 20 March 2015.

SHAREHOLDING STATISTICS

ISSUED AND FULLY PAID CAPITAL: \$34,468,968
 TOTAL NUMBER OF SHARES IN ISSUE: 259,906,158
 CLASS OF SHARES: Ordinary shares fully paid
 VOTING RIGHTS: One vote of each ordinary share

Shareholdings held in hands of public

Based on information available to the Company as at 13 March 2015, approximately 68.71% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

Shareholdings held in hands of public

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-99	144	12.16	1,821	0.00
100-1,000	103	8.69	87,497	0.03
1,001 - 10,000	256	21.60	1,607,546	0.62
10,001 - 1,000,000	654	55.19	71,833,785	27.64
1,000,001 & ABOVE	28	2.36	186,375,509	71.71
TOTAL	1,185	100.00	259,906,158	100.00

Treasury shares

There are no treasury shares held in the issued share capital of the Company.

Top 20 largest shareholders as at 13 March 2015

	NAME	NO. OF SHARES	%
1	BD CORPORATION PTE LTD	75,579,800	29.08
2	CHUNG KIM YEW	20,493,200	7.88
3	LYE KIM CHYE	17,933,800	6.90
4	CITIBANK NOMINEES SINGAPORE PTE LTD	9,429,600	3.63
5	OCBC SECURITIES PRIVATE LTD	8,524,205	3.28
6	MAYBANK NOMINEES (S) PTE LTD	6,332,578	2.44
7	GOH AH LEE	4,217,000	1.62
8	CHEN MEI YING	3,907,154	1.50
9	PHILLIP SECURITIES PTE LTD	3,685,607	1.42
10	MAYBANK KIM ENG SECURITIES PTE LTD	3,482,065	1.34
11	HO BENG SIANG	3,300,000	1.27
12	CHUNG YOOK FONG	3,248,000	1.25
13	CHUNG KAM SENG	2,695,000	1.04
14	CHAN MAI LIN	2,640,000	1.02
15	YAN XIU YUN	2,502,000	0.96
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,028,800	0.78
17	HONG LEONG FINANCE NOMINEES PTE LTD	2,009,000	0.77
18	LIM KIM LIAN YVONNE	1,584,500	0.61
19	LIM & TAN SECURITIES PTE LTD	1,530,000	0.59
20	CIMB SECURITIES (SINGAPORE) PTE LTD	1,517,000	0.58
	TOTAL	176,639,309	67.96

Substantial shareholders

(As shown in the Company's Register of Substantial Shareholders as at 13 March 2015)

	SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST NO. OF SHARES	%	DEEM INTEREST NO. OF SHARES	%
1	BD CORPORATION PTE LTD	75,579,800	29.08%	0	0.00%
2	LIM PANG HERN ⁽¹⁾	0	0.00%	75,579,800	29.08%
3	NG KOK TECK ⁽¹⁾	0	0.00%	75,579,800	29.08%
4	CHUNG KIM YEW ⁽²⁾	20,493,200	7.88%	86,000	0.03%
5	LYE KIM CHYE	17,933,800	6.90%	0	0.00%
	TOTAL	1,185	100.00	259,906,158	100.00

Note:

1. Lim Pang Hern and Ng Kok Teck are deemed to be interested in the 75,579,800 Shares held by BD Corporation Pte. Ltd. as they hold 55% shareholding interest and 35% shareholding interest in BD Corporation Pte. Ltd. respectively.
2. Chung Kim Yew is deemed to be interested in shares held by spouse, Ms Wong Ying Nyok.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at **27 Kaki Bukit Place, Eunus Techpark, Singapore 416205 on 29 April 2015 (Wednesday) at 10:30 a.m.** to transact the following business:

ORDINARY BUSINESSES	
1	To receive and adopt the Audited Accounts for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors of the Company. Resolution 1
2	To re-elect as a Director, Ms Lie Chin Chin, who is retiring under Article 90 of the Company's Articles of Association: <i>Ms Lie Chin Chin will, upon re-election as a Director of the Company, remain as an Independent Director of the Company as well as the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee, and will be considered independent of the Management.</i> Resolution 2
3	To re-elect as a Director, Mr Choo Yong Fee, who is retiring under Article 90 of the Company's Articles of Association: <i>Mr Choo Yong Fee will, upon re-election as a Director of the Company, remain as an Independent Director of the Company as well as the Chairman of the Remuneration Committee, a member of the Nominating Committee and a member of the Audit Committee, and will be considered independent of the Management.</i> Resolution 3
4	To re-elect as a Director, Mr Goh Ah Lee, who is retiring under Article 90 of the Company's Articles of Association: <i>Mr Goh Ah Lee will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.</i> Resolution 4
5	To re-elect as a Director, Mr Lim Pang Hern, who is retiring under Article 96 of the Company's Articles of Association: <i>Mr Lim Pang Hern will, upon re-election as a Director of the Company, remain as an Executive Director and Deputy Chairman of the Company.</i> Resolution 5
6	To re-elect as a Director, Mr Teoh Jin Thean, who is retiring under Article 96 of the Company's Articles of Association: <i>Mr Teoh Jin Thean will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.</i> Resolution 6
7	To re-elect as a Director, Mr Yeow See Onn, who is retiring under Article 96 of the Company's Articles of Association: <i>Mr Yeow See Onn, will, upon re-election as a Director of the Company, remain as an Independent Director of the Company as well as the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee, and will be considered independent of the Management.</i> Resolution 7

ORDINARY BUSINESSES	
8	To approve the payment of Directors' fees of S\$111,540 for the financial year ending 31 December 2015, to be paid quarterly in arrears.
9	To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.
10	To transact any other business that may be transacted at an Annual General Meeting.
SPECIAL BUSINESSES	
11	To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications: "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to: (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that: (i) the aggregate number of shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below); (ii) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the Company at the time of the passing of this Resolution, after adjusting for: (aa) new shares arising from the conversion or exercise of any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESSES

- 11 (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 of Association of the Company; 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."

[See Explanation Note 1]

Resolution 10

- 12 To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

"That the Board of Directors be and is hereby authorised to:

- (a) grant awards ("**Awards**") in accordance with the provisions of the Lorenzo Share Performance Share Plan ("**Lorenzo SPP**"); and
- (b) pursuant to Section 161 of the Singapore Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards under the Lorenzo SPP,

provided that the total number of new shares to be issued pursuant to the Awards granted under the Lorenzo SPP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanation Note 2]

Resolution 11

By Order of the Board

Lim Pang Hern

Executive Director and Deputy Chairman

9 April 2015

Explanatory Notes:

1. The Ordinary Resolution 10 in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

2. The Ordinary Resolution 11 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant award of shares in accordance with the provisions of the Lorenzo SPP and pursuant to Section 161 of the Singapore Companies Act, Cap. 50 to allot and issue shares under the Lorenzo SPP, provided that the total number of new shares issued under the Lorenzo SPP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time. The Lorenzo SPP was first approved by the Shareholders of the Company at the Company's Extraordinary General Meeting held on 9 December 2009 and subsequently renewed at the Company's Ninth Annual General Meeting held on 29 April 2014. For further details on the Lorenzo SPP, please refer to the Company's Circular to Shareholders dated 23 November 2009, which may be found on the SGXNET (http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/prospectus_circulars).

Notes:

1. A member entitled to attend and vote at the Tenth Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. 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 27 Kaki Bukit Place, Eunos Techpark, Singapore 416205 at least 48 hours before the time fixed for the Tenth Annual General Meeting.

Personal Data Privacy:

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

PROXY FORM

Proxy Form | Tenth 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 Tenth Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company, to be held at **27 Kaki Bukit Place Eunos Techpark Singapore 416205 on Wednesday, 29 April 2015 at 10:30 a.m.**, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	ORDINARY BUSINESSES	FOR	AGAINST
1	Adoption of Reports and Accounts		
2	Re-election of Ms Lie Chin Chin		
3	Re-election of Mr Choo Yong Fee		
4	Re-election of Mr Goh Ah Lee		
5	Re-election of Mr Lim Pang Hern		
6	Re-election of Mr Teoh Jin Thean		
7	Re-election of Mr Yeow See Onn		

PROXY FORM

NO.	ORDINARY BUSINESSES	FOR	AGAINST
8	Approval of directors' fees		
9	Re-appointment of Auditors		
SPECIAL BUSINESSES			
10	Authority to allot and issue new shares		
11	Authority to allot and issue new shares pursuant to the Lorenzo Share Performance Share Plan		

(Please indicate with a cross (X) in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this _____ day of _____ 2015.

Signature of Shareholder(s) or Common Seal

Important: Please read notes below

NO. OF SHARES HELD IN	
CDP Register	
Member's Register	
TOTAL	

IMPORTANT:

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore, not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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 130A of the Companies Act, Cap. 50), 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 member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 27 Kaki Bukit Place Eunos Techpark Singapore 416205, not less than 48 hours before the time set for the Meeting.
6. 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.
7. 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.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. 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.
10. 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
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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