

LORENZO INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200508277C)

DIFFERENCES BETWEEN AUDITED AND UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The Board of Directors (the “**Board**”) of Lorenzo International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the unaudited full year financial results announcement for the financial year ended 31 March 2018 (“**FY2017/18**”) released via SGXNet on 5 July 2018 (Reference No. SG180705OTHRU67T) (the “**Unaudited Financial Statements**”)

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight and clarify the material differences between the audited financial statements and the Unaudited Financial Statements for FY2017/18 following the finalization of the audit. The material differences and the reasons for such material differences are set out in the explanatory notes below.

1(a)	Statement of profit or loss and other comprehensive income				
			Group		
		Audited FY2018/17	Unaudited FY2018/17	Difference	Explanation
		\$'000	\$'000	\$'000	
	Revenue	31,847	31,442	405	Note A
	Cost of sales	(17,432)	(15,722)	(1,710)	Note B
	Gross Profit	14,415	15,720	(1,305)	
	Other operating income	6,925	9,704	(2,779)	Note C
	Administrative expenses	(18,869)	(17,559)	(1,310)	Note D
	Distribution and marketing costs	(3,409)	(3,671)	262	Note E
	Other operating expenses	(8,552)	(12,402)	3,850	Note F
	Finance costs	(898)	(894)	(4)	
	Loss before tax	(10,388)	(9,102)	(1,286)	
	Taxation	(424)	(415)	(9)	
	Loss after tax	(10,812)	(9,517)	(1,295)	
	Other comprehensive income:				
	Transfer of Statutory Common Reserve of disposed subsidiary company	0	68	(68)	Note G
	Foreign currency translation differences - foreign operations, at nil tax	99	80	19	
	Other comprehensive loss for the year, net of tax	99	148	(49)	
	Total comprehensive loss for the year attributable to owners of the Company	(10,713)	(9,369)	(1,344)	

1(b)	Statement of Financial Position					
				Group		
				Audited FY2018/17	Unaudited FY2018/17	Difference
				\$'000	\$'000	\$'000
	ASSETS:					
	Non-Current Assets					
	Land use rights		922	922	-	
	Property, plant and equipment		5,234	14,830	(9,596)	Note H
	Investment property		8,720	-	8,720	Note I
	Other receivables		763	892	(129)	Note J
	Deferred tax assets		44	38	6	
			15,683	16,682	(999)	
	Current Assets:					
	Land use rights		25	25	-	
	Inventories, at cost		7,166	7,811	(645)	Note K
	Trade and other receivables		6,507	5,372	1,135	Note L
	Fixed deposits with banks		49	49	-	
	Cash and cash equivalents		1,537	1,470	67	Note M
			15,284	14,727	557	
	Total assets		30,967	31,409	(442)	
	EQUITY AND LIABILITIES:					
	Capital and Reserve					
	Share capital		39,949	39,949	-	
	Reserves		(41,498)	(40,060)	(1,438)	Note N
			(1,549)	(111)	(1,438)	
	Non-current liabilities					
	Borrowings		286	337	(51)	Note O
	Deferred tax		165	74	91	Note P
	Deferred income		1,765	2,020	(255)	Note Q
			2,216	2,431	(215)	
	Current Liabilities				-	
	Trade and other payables		16,682	14,478	2,204	Note R
	Deferred income		1,119	1,286	(167)	Note S
	Provision for taxation		129	325	(196)	Note T
	Borrowings		12,370	13,000	(630)	Note U
			30,300	29,089	1,211	
	Total equity and liabilities		30,967	31,409	(442)	

				Company			
				Audited FY2018/17	Unaudited FY2018/17	Difference	Explanation
				\$'000	\$'000	\$'000	
ASSETS:							
Non-Current Assets							
Property, plant and equipment				5	5	-	
Investment in subsidiaries				-	-	-	
				5	5	-	
Current Assets:							
Trade and other receivables				49	58	(9)	
Amount due from subsidiaries				3,852	3,852	-	
Cash and cash equivalents				3	-	3	
				3,904	3,910	(6)	
Total assets				3,909	3,915	(6)	
EQUITY AND LIABILITIES:							
Capital and Reserve							
Share capital				39,949	39,949	-	
Reserves				(39,939)	(39,881)	(58)	Note V
				10	68	(58)	
Non-current liabilities							
Borrowings				-	-	-	
Deferred tax				-	-	-	
Deferred income				-	-	-	
				-	-	-	
Current Liabilities						-	
Trade and other payables				1,709	1,617	92	Note W
Amount due to subsidiaries				2,190	2,190	-	
Borrowings				-	40	(40)	Note X
				3,899	3,847	52	
Total equity and liabilities				3,909	3,915	(6)	

Note

A	Recognition of post-acquisition revenue of newly acquired subsidiary company in Malaysia, Brezza Living Sdn Bhd in the audited financial statements.
B	<ul style="list-style-type: none"> (i) Reclassification of provision for stock obsolescence from Other operating expenses to Cost of sales amounting to S\$1,24 million; (ii) Under accrual of cost of sales by S\$0.27 in unaudited financial statement; and (iii) recognition of post-acquisition cost of sales of Brezza Living Sdn Bhd amounting to S\$0.2 million in the audited financial statements.

Note

C	<p>(i) The gain on disposal of a subsidiary company was reflected in the unaudited financial statements in two portions as follows:-</p> <p>- In Other operating income amounting to S\$6.84 million and in Other operating expenses amounting to S\$3.24 million. This was shown as one line in Other operating income in the audited financial statements.</p> <p>(ii) overstatement of gain on subsidiary company in the unaudited financial statements by S\$0.46 million;</p> <p>(iii) Gain and loss in foreign exchange differences were reflected in the unaudited financial statements separately. Gain in other operating income and loss in other operating expenses. This was shown as a net figure in the audited financial statements.</p> <p>(iv) the amount of loss in foreign exchange that was net off in the audited financial statements was S\$0.68 million;</p> <p>(v) Rental income understated by S\$0.56 million in the unaudited financial statements.</p>
D	<p>(i) Retrenchment cost in China of S\$1.42 million was reflected in other operating expenses in the unaudited financial statements. This was reclassified to Administrative expenses in the audited financial statements.</p> <p>(ii) Over accrual of Administrative expenses amounting to S\$0.11 million in the unaudited financial statements.</p>
E	Over accrual of distribution and marketing costs of S\$0.26 million in the unaudited financial statements.
F	<p>(i) Reclassification of provision for stock obsolescence amounting to S\$1.24 million to Cost of sales (see Note B (i) above)</p> <p>(ii) Reclassification to Other operating income amounting to S\$3.24 million (See Note C (i) above);</p> <p>(iii) Loss on foreign exchange differences net off against gain in foreign exchange in Other operating income amounting to S\$ 0.68 million (See Note C (iv) above);</p> <p>(iv) Additional impairment loss on property, plant and equipment of S\$0.31 million in the audited financial statements;</p> <p>(v) Additional provision for doubtful debts of S\$1.47 million in the audited financial statements.</p> <p>(vi) Under accrual of miscellaneous expenses by S\$0.76 million.</p>
G	Shown after total comprehensive loss for the year in the audited financial statements
H & I	<p>(i) Reclassification of 2 properties amounting to S\$8.72 million to Investment properties in the audited financial statements;</p> <p>(ii) Additional impairment loss on property, plant and equipment of S\$0.31 million in the audited financial statements;</p> <p>(iii) Reduction of the net book value of two properties that was disposed off during the year not taken up in the unaudited financial statements.</p>
J	Additional allowance for doubtful retention receivable provided for in the audited financial statements.
K	Difference due to Inventory written down in the audited financial statements.
L	<p>(i) Reclassification of S\$0.91 million from trade and other receivables to trade & other payables;</p> <p>(ii) Recognition of other receivables arising from disposal of two properties in Malaysia amounting to S\$1.08 million in the audited financial statements;</p> <p>(iii) Additional impairment loss on trade and other receivables of S\$0.85 million.</p>
M	Reclassification from bank borrowings.
N	Please refer to explanations stated above under Income Statement.

Note

O	Reclassification of Long term loan to short term loan.
P	Difference due to additional deferred tax provision required.
Q	Deferred income for China subsidiary company overstated in the unaudited financial statements.
R	(i) Reclassification to Other payables from Bill payable amounting to S\$0.41 million (please refer to Note U below); (ii) Reclassification of S\$0.2 million from provision for taxation; (iii) Reclassification of S\$0.91 million from trade and other receivables (See Note L (i) above). (iv) Under accruals of S\$0.68 million in the unaudited financial statements.
S	Overstatement of Deferred income for China subsidiary company.
T	Reclassification of tax provision to Trade and other payables by auditors (See Note R (ii) above).
U	(i) Reclassification of S\$0.41 million from Bill payable to Other creditors (See Note R (i) above). (ii) Under accruals of interest expenses.
V	The difference is due to under accruals of trade and other payables of S\$92,000 and reversal of expired cheques amounting to S\$44,000.
W & X	Please see explanation in V above

BY ORDER OF THE BOARD**Lim Pang Hern****Executive Director/Deputy Chairman****13 December 2018**