

LORENZO

LORENZO INTERNATIONAL LIMITED

(Co. Reg. No.: 200508277C)

Q2 Financial Statements and Dividend Announcement For the half year ended 30 June 2013

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Half-Year ended 30 June 2013	Half-Year ended 30 June 2012	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	38,661	36,643	5.5
Cost of sales	(22,158)	(21,167)	4.7
Gross Profit	16,503	15,476	6.6
Other operating income	1,610	3,623	(55.6)
Administrative expenses	(12,855)	(14,125)	(9.0)
Distribution and marketing costs	(4,391)	(4,569)	(3.9)
Other operating expenses	(1,462)	(1,404)	4.1
Finance costs	(482)	(436)	10.6
Loss before tax	(1,077)	(1,435)	(24.9)
Taxation	(508)	(553)	(8.1)
Loss after tax	(1,585)	(1,988)	(20.3)
Loss attributable to:			
Equity holders of the Company	(1,585)	(1,988)	

Loss for the period is arrived after charging / (crediting) the following items:

	Half-Year ended 30/06/2013	Half-Year ended 30/06/2012	Increase/ (Decrease)
	S\$'000	S\$'000	%
Interest income	(90)	(44)	104.5
Interest expense	482	436	10.6
Depreciation of property, plant & equipment	1,691	1,545	9.4
Amortisation of land use rights	15	14	7.1
Foreign exchange gain	(366)	(50)	632.0

Impairment loss on trade receivables	16	73	(78.1)
Inventories written off	105	103	1.9
Provision for slow moving stocks	350	341	2.6
Impairment of property, plant and equipment	49	23	113.0
Changes in FV of contingent liabilities	-	(2,770)	nm

nm – not meaningful

1(b) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Half-Year ended	
	30/06/2013	30/06/2012
	S\$'000	S\$'000
Loss for the period	(1,585)	(1,988)
Exchange differences on translation of foreign operations	(282)	(487)
Total comprehensive loss for the period	(1,867)	(2,475)
Attributable to:		
Equity holders of the Company	(1,867)	(2,475)
Minority interest	-	-
	(1,867)	(2,475)

1(c)(i) A balance sheet (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 30 June 2013	As at 31 Dec 2012	As at 30 June 2013	As at 31 Dec 2012
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS:				
Non-Current Assets				
Land use rights	1,180	1,197	-	-
Property, plant and equipment	27,121	27,700	2	2
Other receivables	2,112	2,228	-	-
Available-for-sales financial assets	97	97	-	-
Investment in subsidiaries	-	-	30,254	30,254
Customer contracts	346	346	-	-
	30,856	31,568	30,256	30,256
Current Assets:				
Land use rights	30	29	-	-
Inventories, at cost	27,355	27,715	-	-
Amount due from subsidiaries	-	-	536	1,598
Trade and other receivables	9,803	10,712	228	233
Fixed deposits with banks	2,509	2,548	-	-
Cash and cash equivalents	3,825	5,269	78	-
	43,522	46,273	842	1,831

Total assets	74,378	77,841	31,098	32,087
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EQUITY AND LIABILITIES:				
Capital and Reserve				
Share capital	30,258	30,258	30,258	30,258
Reserves	(554)	1,313	(1,501)	(1,286)
	29,704	31,571	28,757	28,972
Non-current liabilities				
Borrowings	1,041	995	-	-
Deferred tax	366	405	-	-
Deferred income	39	39	-	-
	1,446	1,439	-	-
Current Liabilities				
Trade and other payables	20,491	23,230	191	513
Deferred income	74	74	-	-
Amount due to a subsidiary	-	-	2,150	2,600
Provision for taxation	229	162	-	-
Borrowings	22,434	21,365	-	2
	43,228	44,831	2,341	3,115
Total equity and liabilities	74,378	77,841	31,098	32,087

1(c)(ii) Aggregate amount of the Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

<u>As at 30 June 2013 (S\$'000)</u>		<u>As at 31 December 2012 (S\$'000)</u>	
Secured	Unsecured	Secured	Unsecured
22,434	-	21,365	-

Amount repayable after one year

<u>As at 30 June 2013 (S\$'000)</u>		<u>As at 31 December 2012 (S\$'000)</u>	
Secured	Unsecured	Secured	Unsecured
1,041	-	995	-

Details of any collateral

All bank facilities are secured and guaranteed by the Company, except those of Malaysia subsidiaries which are secured and guaranteed by one or more of the following:

- corporate guarantee by the Company;
- legal mortgage on the land, factory building, shop office buildings and office building owned by our subsidiaries;
- a debenture over a subsidiary's present and future fixed and floating assets.

- 1(d) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Half-Year ended 31/06/2013	Half-Year ended 30/06/2012
	S\$'000	S\$'000
<u>Cash Flows from operating activities</u>		
Loss before taxation	(1,077)	(1,435)
Adjustments for:-		
Amortisation of land use rights	15	14
Depreciation of property, plant and equipment	1,691	1,545
Provision for diminution in investment	-	3
Gain on disposal of plant and equipment	(9)	-
Property, plant and equipment written off	49	23
Interest expense	481	435
Interest income	(90)	(44)
Operating profit before working capital changes	1,060	541
Increase in inventories	(237)	(1,033)
Decrease in trade and other receivables	1,168	1,341
Decrease in trade and other payables	(3,222)	(3,357)
Net cash generated from operations	(1,231)	(2,508)
Interest expense	(481)	(435)
Income tax paid	(479)	(666)
Net cash used in operating activities	(2,191)	(3,609)
<u>Cash Flows used in investing activities</u>		
Purchase of property, plant and equipment	(469)	(1,201)
Acquisition of land used rights	-	(161)
Interest received	90	44
Net cash used in investing activities	(379)	(1,318)
<u>Cash Flows used in financing activities</u>		
Repayment/ net proceeds from bank loans	(592)	1,522
Net proceeds/repayment of bill payable	(296)	(2,042)
Net proceeds/ repayment to finance lease creditors	(87)	(1)
Increase in long term deposit	-	(3)
Dividend paid	-	(1,083)
Net cash generated from/ (used in) financing activities	(975)	(1,607)
Net decrease in cash & cash equivalents	(3,545)	(6,534)
Cash & cash equivalents at beginning of the period	4,526	8,755
Net effect of exchange rate changes on balance of cash and cash equivalents at beginning of the year	73	(186)
Cash and cash equivalents at end of the period	1,054	2,035

Note 1:

Cash and cash equivalents at end of the period

Cash and bank balances
Fixed deposit
Bank overdraft

	S\$	S\$
Cash and bank balances	3,825	3,479
Fixed deposit	2,509	3,200
Bank overdraft	(5,280)	(4,644)
	1,054	2,035

- 1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Attributable to equity holders of the company							
		Share capital	Exchange fluctuation reserves	Statutory Common Reserve	Capital reserve	Merger reserve	FV reserve	Retained earnings	Total equity
Group		S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
	Balance as at 1 Jan 2013	30,258	(2,067)	68	838	(3,282)	17	5,739	31,571
	Total comprehensive loss recognised for the period	-	(282)	-	-	-	-	(1,585)	(1,867)
	Balance at 30 June 2013	30,258	(2,349)	68	838	(3,282)	17	4,154	29,704

	Balance as at 1 Jan 2012	30,258	(2,105)	68	698	(3,282)	-	12,601	38,238
	Total comprehensive loss recognised for the period	-	39	-	-	-	17	(5,640)	(5,584)
	Transfer to Capital reserve	-	-	-	140	-	-	(140)	-
	Dividend paid	-	-	-	-	-	-	(1,083)	(1,083)
	Balance at 31 Dec 2012	30,258	(2,066)	68	838	(3,282)	17	5,738	31,571

Company

Balance as at 1 Jan 2013
Total comprehensive loss recognised for the period

Balance as at 30 June 2013

Balance as at 1 Jan 2012
Total comprehensive income recognised for the period

Dividend paid

Balance as at 31 Dec 2012

Share capital	Retained profits	Total Equity
S\$	S\$	S\$
30,258	(1,286)	28,972
-	(215)	(215)
30,258	(1,501)	28,757
30,258	2,341	32,599
-	(2,544)	(2,544)
-	(1,083)	(1,083)
30,258	(1,286)	28,972

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any

other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 30 June 2013, there is no change to the numbers of ordinary shares issued.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company	As at 30 June 2013	As at 30 June 2012
Total number of issued shares	216,588,465	216,588,465
Total number of treasury shares	-	-
Total number of issued shares excluding treasury shares	216,588,465	216,588,465

- 1(d)(iv) A statement showing all sales , transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company has no treasury shares as at 30 June 2013 and 31 December 2012.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in the Note 5 below, the same accounting policies and methods of computation as in the Group and Company's audited financial statements for the year ended 31 December 2012 have been applied.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and Company adopted the new/ revised Financial Reporting Standards (FRS) that are effective for annual periods beginning on and after 1 January 2013. Changes to the Group's and Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of new/ revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies or any material impact on the Group's financial statements.

6. **Loss per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Half-Year ended 30/06/2013	Half-Year ended 30/6/2012
Loss per ordinary share:		
- Based on weighted average number of ordinary shares in issue	(0.73) cents	(2.60) cents
- On fully diluted basis	(0.73) cents	(2.60) cents

The loss per share of the Group for the year ended 30 June 2013 was computed based on the weighted average number of shares in issue of 216,588,465 (30 June 2012: 216,588,465).

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	Group		Company	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Net asset value per share for the year based on the number of shares in issue.	13.71cents	14.58 cents	13.28 cents	13.38 cents

The net assets value per ordinary share is based on the number of shares in issue of 216,588,465 as at 30 June 2013 (31 December 2012: 216,588,465).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

8.1 Review commentary on income statement for year ended 30 June 2013 (HY2013)

8.1.1 Revenue

Revenue increased by S\$2.0 million or 5.5% from S\$36.7 million in HY2012 to S\$38.7 million in HY2013 with Builders Shop Pte Ltd (“BSPL”) contributing S\$5.7 million to the overall revenue, an increase of S\$1.3 million from S\$4.4 million in HY2012. Our key retail business segment registered an increase of 3.7% from S\$25.9 million in HY2012 to S\$26.9 million in HY2013. Our export markets remained weak and competitive; this resulted in the decline of export by 3.9% from S\$3.7 million in HY2012 to S\$3.5 million in HY2013. Sales from LRS stores also decreased by S\$0.1 million or 4.9% from S\$2.6 million in HY2012 to S\$2.5 million in HY2013 over the same comparative period.

Revenue by Business Segment:

Group	Half-Year ended 30/06/2013	Half-Year ended 30/06/2012	Increase / (Decrease)
	S\$'000	S\$'000	%
Retail Segment	26,896	25,937	3.7
Export Segment	3,538	3,680	(3.9)
LRS Licensing	2,481	2,608	(4.9)
Others (BSPL)	5,746	4,418	30.1
Total Revenue	38,661	36,643	5.5

Number of Stores:

Group	6 months ended 30 June 2013	6 months ended 30 June 2012	Increase / (Decrease)
Retail Stores:			
Malaysia	20	23	(3)
Taiwan	14	15	(1)
Singapore	6	7	(1)
China	6	5	1
Total retail store	46	50	(4)
LRS Stores:			
China	1	3	(2)
Malaysia	8	9	(1)
Other Country	4	4	-
Total LRS store	13	16	(3)
Total Number of Stores	59	66	(7)

Cost of Goods Sold and Gross Profit

Due to higher sales, cost of sales increased by 4.7% from S\$21.2 million in HY2012 to S\$22.2 million in HY2013. As a result, our gross profit increase by 6.6% from S\$15.5 million in HY2012 to S\$16.5 million in HY2013. Gross profit margin increased marginally from 42.2% in HY2012 to 42.7% in HY2013.

Loss before and after Taxation

Loss before taxation was S\$1.0 million in HY2013 as compared to a higher loss reported in HY2012 of S\$1.4 million. The loss after taxation increased by S\$0.5 million due to provision for taxation. The provision was due to a better performance by the retail segment. If BSPL has been excluded, the Group would have makes a profit before tax.

Other Operating Income

Other operating income arises mainly from transportation revenue, sundry income, and foreign exchange gains arising from timing differences. The Group does not undertake any hedging or derivative trading activities.

Other operating income decreased from S\$3.6 million in HY2012 to S\$1.6 million in HY2013, mainly due to one-off gain of S\$2.8 million from the change in fair value of contingent liabilities recognized in HY2012.

Administrative Expenses

Administrative expenses comprise mainly salaries and related expenses, rental expenses, directors' remuneration, retail store maintenance, office equipment maintenance and general office expenses.

The administrative expenses decreased by 9.0% or S\$1.3 million from S\$14.1 million in HY2012 to S\$12.9 million in HY2013 mainly due to a decrease in rental expense of S\$0.3 million and legal and professional fee of S\$0.4 million.

Distribution and Marketing Costs

The distribution and marketing costs decreased marginally by S\$0.2 million or by 3.9% from S\$4.6 million in HY2012 to S\$4.4 million in HY2013 mainly due to a decrease in trade fair expenses of S\$0.2 million and travelling expenses of S\$0.1 million.

Other Operating Expenses

Other operating expenses increased marginally by S\$0.1 million or by 4.1% from S\$1.4 million in HY2012 to S\$1.5 million in HY2013 mainly due to the increase in depreciation of property, plant and equipment.

Finance Costs

Finance costs increased by 10.6% from S\$0.44 million in HY2012 to S\$0.48 million in HY2013 mainly due to increase in utilization of overdraft and trade financing.

Taxation

The Group's income tax expenses decreased by 8.1% from S\$0.55 million in HY2012 to S\$0.51 million in Q2 FY2013 as a result of lower tax provision for foreign country.

Net profit after Tax

As a result of the above, the Group reported a net loss after tax of S\$1.6 million for HY2013 as compared to a net loss after tax of S\$2.0 million for HY2012.

Balance Sheet

Non-Current Assets

The Group's non-current assets decreased by S\$0.7 million from S\$31.6 million as at 31 December 2012 to S\$30.9 million as at 30 June 2013 due to depreciation of property, plant and equipment.

Inventories

Inventories decreased marginally by 1.3% or S\$0.3 million from S\$27.7 million as at 31 December 2012 to S\$27.4 million as at 30 June 2013. Inventories at 31 December 2012 tend to be higher due to pre-Chinese New Year stock build-up.

	Group		
	As at 30 June 2013	As at 31 Dec 2012	Increase / (Decrease)
	S\$'000	S\$'000	%
Finished Goods – Inventories	11,109	10,527	5.5
Finished Goods – Showroom Display	3,369	3,599	(6.4)

Raw Materials	6,279	6,573	(4.5)
Work-in-Progress	1,166	1,017	14.7
Stock-in-transit	1,078	2,060	(47.7)
Sub-total Inventories	22,999	23,776	(3.3)
Finished Goods – Building Materials	4,356	3,939	10.6
Total Inventories	27,355	27,715	(1.3)

Current Liabilities: Borrowings

Current portion of the bank borrowings increased from S\$21.4 million as at 31 December 2012 to S\$22.4 million as at 30 June 2013 primarily due to increase in overdrafts and trust receipts issued for purchases.

Liquidity

The Group's current ratio decreased marginally from 1.03 times to 1.01 times for the period under review. The net current assets of the Group also decreased from S\$1.4 million as at 31 December 2012 to S\$0.3 million as at 30 June 2013.

As at 30 June 2013, the Group's net gearing ratio (defined as the borrowings to shareholder's equity) stood at 0.79 times as compared to 31 December 2012's 0.71 times.

Shareholders' Equity

Shareholders' equity of the Group decreased by S\$1.9 million from S\$31.6 million as at 31 December 2012 to S\$29.7 million as at 30 June 2013 as a result of translation reserve and loss for the period under review.

Cashflow Statement

Net cash used in operating activities was S\$2.2 million in HY2013 in comparison to S\$3.6 million used in HY2012 mainly due to lower inventory held at 30 June 2013.

Net cash used in investing activities was S\$0.4 million in HY2013 as compared to S\$1.3 million in HY2012 mainly due to decrease in acquisition of plant and equipment.

Net cash outflow used in financing activities was S\$1.0 million in HY2013 as compared to S\$1.6 million used in HY2012 mainly due to dividend paid of S\$1.1 million in HY2012.

Hence, the cash and cash equivalents decreased by S\$3.5 million in HY2013.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The result announced today is in line with the announcement made.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Board of Directors remains cautious about the Company's forth coming second half results due to the market challenges such as the continued weakness in the European and weaker Chinese GDP growth. There are also operational challenges including rising raw material prices and rising labor costs. Management is also working hard to effects a

recovery in BSPL's performance. The Group will also continue to explore new opportunities to improve its future income stream.

11. Interested Person Transactions

Name of interested person	Aggregate value of all interested party transactions during the year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	
	6 months ended 30 June 2013 \$'000	6 months ended 30 June 2012 \$'000
PT. Fine Concept Furniture (Purchase of furniture)	-	(93)
Chung Kim Yew (Rental of Property)	(108)	(68)

12. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

13. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

14. Negative confirmation by the Board pursuant to Rule 705 (5)

The Board of Directors hereby confirm to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial results for the six months period ended 30 June 2013 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

Goh Ah Lee
Executive Chairman/Group MD
13 August 2013