

LORENZO

LORENZO INTERNATIONAL LIMITED

(Co. Reg. No.: 200508277C)

Full Year Financial Statements and Dividend Announcement for the year ended 31 December 2007

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	Year ended 31 Dec 2007	Year ended 31 Dec 2006	Increase / (Decrease)
	S\$'000	S\$'000	%
Revenue	88,219	70,964	24.3%
Cost of Goods Sold	(54,641)	(44,352)	23.2%
Gross Profit	33,578	26,612	26.2%
Other Operating Income	1,918	1,736	10.5%
Distribution Costs	(8,872)	(7,256)	22.3%
Administrative Expenses	(18,499)	(14,786)	25.1%
IPO Expenses charged to P & L	-	(833)	<i>nm</i>
Other Operating Expenses	(1,448)	(780)	85.6%
Finance Costs	(1,193)	(1,337)	(10.8%)
Profit before tax	5,484	3,356	63.4%
Taxation	(1,907)	(1,038)	83.7%
Profit after tax	3,577	2,318	54.3%

Profit after tax - Net profit after tax including \$0.53 million in one-off provisions.

nm – not meaningful

- 1(a) (i) The accompany notes to the financial statements form an integral part of financial statements.

The Group profit from operations before taxation is arrived at after charging/ (crediting):

Group	Year ended 31 Dec 2007	Year ended 31 Dec 2006
	S\$'000	S\$'000
Depreciation of plant and equipments	2,094	1,770
Amortisation of land use rights	6	6
Foreign exchange (gain)/loss	34	(52)
Gain on disposal of plant and equipment	(16)	(51)
Interest Income	(138)	(135)

1(b) (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 31 Dec 2007	As at 31 Dec 2006	As at 31 Dec 2007	As at 31 Dec 2006
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS:				
Non-Current Assets				
Land Use Rights	1,164	1,189	-	-
Property, plant and equipment	16,832	15,621	32	2
Long-term investments	-	2	-	-
Investment in subsidiaries	-	-	16,021	12,057
	17,996	16,812	16,053	12,059
Current Assets:				
Inventories, at cost	21,290	16,031	-	-
Amount due from subsidiaries	-	-	5,361	4,749
Trade and other receivables	8,786	7,339	13	-
Fixed deposits with banks	5,378	4,426	-	-
Cash and cash equivalents	9,031	4,555	645	-
	44,485	32,351	6,019	4,749
Total assets	62,481	49,163	22,072	16,808
EQUITY AND LIABILITIES:				
Capital and Reserve				
Share capital	20,635	15,695	20,635	15,695
Reserves	5,091	2,335	1,390	1,093
	25,726	18,030	22,025	16,788
Non-current liabilities				
Borrowings	2,603	3,144	-	-
Deferred tax	267	266	-	-
	2,870	3,410	-	-
Current Liabilities				
Trade and other payables	18,883	18,775	47	20
Provision for taxation	626	358	-	-
Borrowings	14,376	8,590	-	-
	33,885	27,723	47	20

Total equity and liabilities	62,481	49,163	22,072	16,808
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1(b) (ii) Aggregate amount of the Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

<u>As at 31 December 2007 (S\$'000)</u>		<u>As at 31 December 2006 (S\$'000)</u>	
Secured	Unsecured	Secured	Unsecured
14,376	-	8,590	-

Amount repayable after one year

<u>As at 31 December 2007 (S\$'000)</u>		<u>As at 31 December 2006 (S\$'000)</u>	
Secured	Unsecured	Secured	Unsecured
2,603	-	3,144	-

Details of any collateral

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

- personal guarantees of the Executive Directors of the Company;
- legal mortgage on the land, factory building, shopoffice buildings and office building owned by our subsidiaries;
- a debenture over subsidiary's present and future fixed and floating assets.

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

Group	Year ended 31 Dec 2007 S\$'000	Year ended 31 Dec 2006 S\$'000
Cash Flows from Operating Activities		
Profit before taxation	5,484	3,356
Adjustments for:-		
Bad debts written-off	214	2
Depreciation of property, plant and equipment	2,094	1,770
Amortisation of land use rights	6	6
Exchange differences on translation	(12)	(667)
Property, plant and equipment written off	81	52
Gain on disposal of property, plant and equipment	(16)	(51)
Allowance for impairment loss	-	78
Deferred Income	-	(29)
Inventory written off	1	4
Interest expenses	1,193	1,337
Interest income	(138)	(135)
Operating profit before working capital changes	8,907	5,723
Increase in inventories	(5,259)	(3,510)

(Increase)/Decrease in operating receivables	(1,580)	135
Increase in operating payables	108	3,046
Cash generated from operations	2,176	5,394
Tax paid	(1,717)	(1,264)
Net cash generated from operating activities	459	4,130
Cash Flows from Investing Activities		
Acquisition of subsidiaries, net cash acquired	-	4,117
Acquisition of property, plant and equipment	(3,328)	(2,574)
(Acquisition)/ Disposal of land use rights	24	(959)
Disposal of ST/LT Investment	2	-
Proceeds from disposal of property, plant and equipment	-	126
Interest received	138	135
Net cash generated from investing activities	(3,164)	845
Cash Flows from Financing Activities		
Net proceeds from issue of new shares	4,941	4,375
Interest Paid	(1,193)	(1,337)
Repayments to finance creditors	(211)	(387)
(Repayment of)/Proceeds from bank borrowings	4,233	(2,163)
Decrease in deposit pledged with banks	2,342	-
Dividends paid	(850)	-
Net cash generated from financing activities	9,262	488
Net increase/ (decrease) in cash & cash equivalents	6,557	5,463
Cash and cash equivalents at beginning of the year	5,463	-
Cash and cash equivalents at end of the year	12,020	5,463

Represented by:

Cash & bank balances	9,031	4,555
Fixed deposit (unpledged)	5,378	2,084
Bank Overdrafts	(2,389)	(1,176)
	12,020	5,463

- 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.

Group	Share capital	Exchange fluctuation reserves	Merger Reserve	Retained profits	Total Reserve	Total
Balance as at 1 Jan 2006	S\$ 1	S\$ -	S\$ -	S\$ -	S\$ -	S\$ 1
Exchange difference arising from translation of foreign subsidiaries not recognized in consolidated income statement	-	(971,292)	-	-	(971,292)	(971,292)
Net profit for the year	-	-	-	2,318,375	2,318,375	2,318,375
Issue of 7,499,999 ordinary shares pursuant to acquisition of subsidiaries	9,999,999	-	-	-	-	9,999,999
Reserves pursuant to acquisition of	1,320,000	(466,299)	(3,282,141)	4,736,894	988.454	2,308,454

subsidiaries						
Issue of new shares pursuant to Initial Public Offering listing	5,500,000	-	-	-	-	5,500,000
Share issue expenses	(1,125,062)	-	-	-	-	(1,125,062)
Balance as at 31 Dec 2006	15,694,938	(1,437,591)	(3,282,141)	7,055,269	2,335,537	18,030,474
Balance as at 1 Jan 2007	15,694,938	(1,437,591)	(3,282,141)	7,055,269	2,335,537	18,030,474
Issue of new shares	5,200,000	-	-	-	-	5,200,000
Share issue expenses	(259,289)	-	-	-	-	(259,289)
Currency translation difference	-	27,861	-	-	27,861	27,861
Dividend paid	-	-	-	(850,000)	(850,000)	(850,000)
Net profit for the year	-	-	-	3,577,333	3,577,333	3,577,333
Balance as at 31 Dec 2007	20,635,649	(1,409,730)	(3,282,141)	9,782,602	5,090,731	25,726,379

Company	Share capital	Exchange fluctuation reserves	Merger Reserve	Retained profits	Total Reserve	Total equity
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Balance as at 1 Jan 2006	-	-	-	-	-	-
Issue of shares by way of Public Offer after expenses	4,375	-	-	-	-	4,375
Issue of shares pursuant to Restructuring Exercise	11,320	-	-	-	-	11,320
Net profit for the year	-	-	-	1,093	1,093	1,093
Balance as at 31 Dec 2006	15,695	-	-	1,093	1,093	16,788
Balance as at 1 Jan 2007	15,695	-	-	1,093	1,093	16,788
Issue of new shares	5,200	-	-	-	-	5,200
Share issue expenses	(259)	-	-	-	-	(259)
Dividend paid	-	-	-	(850)	(850)	(850)
Net profit for the year	-	-	-	1,146	1,146	1,146
Balance as at 31 Dec 2007	20,636	-	-	1,389	1,389	22,025

- 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 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.

On 6 July 2007, the Company issued 20,000,000 ordinary shares at \$0.26 per share pursuant to a share placement exercise.

Issue and fully paid	Ordinary Shares
Balance as at 1 January 2007	100,000,000
Placement shares	20,000,000
Balance as at 31 December 2007	120,000,000

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.**

The Company has applied the same accounting policies and methods of computation in the financial statements as in the most recently audited financial statements as at 31 December 2006. The Company has adopted all the relevant FRS effective for 2007.

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.**

None.

6. **Earnings 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.**

Earning per ordinary share (cents) – basic and fully diluted

Group	FY2007 S\$'000	FY2006 S\$'000
Net profit attributable to shareholders	3,577	2,318
Basic earnings per share (S\$ cents)	3.25	2.52
Diluted earnings per share (S\$ cents)	3.25	2.52

The earnings per share of the Company for the year ended 31 December 2007 was computed based on the weighted average number of shares in issue of 110,000,000. (31 December 2006: 91,666,667)

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	
	FY2007 S\$'000	FY2006 S\$'000	FY2007 S\$'000	FY2006 S\$'000
Net assets value	25,726	18,030	22,025	16,788
Net asset value per share for the year based on the number of shares in issue.	S\$ cents 21.44	S\$ cents 18.03	S\$ cents 18.35	S\$ cents 16.79

The net assets value per ordinary share is based on the number of shares in issue of 120,000,000 as at 31 December 2007 (31 December 2006: 100,000,000).

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**

Profit and Loss Account (Year 2007 (the "FY2007") vs. Year 2006 (the "FY2006"))

Revenue

Revenue increased by S\$17.2 million or 24.3% from S\$71.0 million in FY2006 to S\$88.2 million in FY2007 on the back of strong retail sales and a useful contribution from LRS licensing. Revenue from the retail business segment has increased by S\$9.3 million (accounting for approximately 53.6% of total increase in Revenue) or by 22.7% over the period under review due to the expansion of the Enzo range of products and the increase in the number of stores. Despite the strengthening of the RMB, which made China-made products less competitive on the global stage, the export business segment increased by S\$6.1 million (accounting for approximately 35.7% of total increase in Revenue) or by 23.4% over the period under review. This increase in the export business segment was due to the expansion of the Enzo range of products and the ability to capture some new customers. Revenue from the "LRS" licensing program increased by S\$1.8 million (accounting for approximately 10.7% of total increase in Revenue) or by a significant 48.4% from S\$3.8 million in FY2006 to S\$5.6 million in FY2007 and this was largely due to an increase in the number of LRS stores and the fact that some of the existing LRS stores contributed for the first time for the whole of the period under review.

Revenue by Business Segment:

Group	Year ended 31 Dec 2007	Year ended 31 Dec 2006	Increase / (Decrease)
	S\$'000	S\$'000	%
Retail Segment	50,062	40,807	22.7%
Export Segment	32,494	26,341	23.4%
LRS Licensing	5,663	3,816	48.4%
Total Revenue	88,219	70,964	24.3%

Number of Stores:

Group	Year ended 31 Dec 2007	Year ended 31 Dec 2006	Increase / (Decrease)
Retail Stores:			
Malaysia	18	16	2
Taiwan	12	11	1
Singapore	4	5	(1)
Australia	1	-	1
China	1	-	1
Total retail store	36	32	4
LRS Stores:			

China	21	12	9
Malaysia	9	6	3
Other Country	3	2	1
Total LRS store	33	20	13
Total Number of Stores	69	52	17

Revenue by Product Segment:

Group	Year ended 31 Dec 2007		Year ended 31 Dec 2006		Increase / (Decrease)
	S\$'000		S\$'000		%
Leather Sofa	54,133	61.4%	44,701	63.0%	21.1%
Other Furniture	34,086	38.6%	26,263	37.0%	29.8%
Total Revenue	88,219	100.0%	70,964	100.0%	24.3%

Cost of Goods Sold and Gross Profit

As a result of the increase in Revenue, our total gross profit increased by about S\$7.0 million or 26.2% from S\$26.6 million in FY2006 to S\$33.6 million in FY2007. The Cost of Goods Sold also increased by S\$10.2 million or 23.2% from S\$44.4 million in FY2006 to S\$54.6 million in FY2007. As a result the FY2007 gross profit margins increased marginally from about 37.5% in FY2006 to 38.1% in FY2007. The fact that gross margins increased must be considered good given rising raw material costs, keen competition in the export business segment and an adverse movements in the foreign currency and most especially the appreciation of the RMB against the US\$. The increase in gross margins was mainly due to a favourable change in revenue mix (ie more high margin retail sales) and sales mix (ie more non-leather sofa sales which provide better margins).

Other Operating Income

Other operating income increased by about S\$0.2 million or 10.5% from S\$1.7 million in FY2006 to S\$1.9 million in FY2007. This was due to an increase in our transportation income (the amount customers pay us to transport their furniture to their homes), after sales service income (for repairs and maintenance), interest income and a foreign exchange gain.

Distribution Costs

The distribution costs increased by S\$1.6 million or 22.3% from S\$7.3 million in FY2006 to S\$8.9 million in FY2007 on the back of higher sales volume which resulted in an increase in sales commission paid, advertising & promotion and delivery & handling expenses.

Administrative Expenses

Administrative expenses comprise mainly salaries and related expenses, rental expenses, directors' remuneration, showroom maintenance, office equipment maintenance and general office expenses. The administrative expenses increased by S\$3.7 million or 25.1% from S\$14.8 million in FY2006 to S\$18.5 million in FY2007 mainly due to the increase in staff related expenses by about S\$2.0 million or 29.8%, showroom related expenses by about S\$0.9 million or 22.2% and other general expenses. The increase in staff related expenses and showroom related expenses were mainly due to the set up of additional new retail stores and an increase in the number of staff and salary levels.

Other Operating Expenses

Our other operating expenses increased by S\$0.67 million or 85.6% from S\$0.78 million in FY2006 to S\$1.45 million in FY2007 due to the sundry receivable written-off of S\$0.21 million, loss on foreign exchange of S\$0.25 million, increase in depreciation of S\$0.15 million and fixed assets written-off of S\$0.03 million.

Finance Cost

Finance cost declined by S\$0.14 million or 10.8% from S\$1.33 million in FY2006 to S\$1.19 million in FY2007 due to lower utilization of bank credit facilities for the period under review. This is despite higher sales, an increase in our wood factory capacity of 40% and due to the placement of S\$4.9 million.

Profit after Taxation

After taking into account of one-off provision for doubtful debts of S\$0.21 million and additional tax liabilities from prior year of S\$0.32 million, the net profit after taxation increased by S\$1.3 million or 54.3% to S\$3.6 million in FY2007. The net profit margin of 4.1% has improved by 0.8 percentage points from the previous period namely FY2006's 3.3%. The increase in the net profit margin can be attributed to higher revenue with better margin and benefits from economies of scale.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Balance Sheet

Inventory

Inventory increased by about S\$5.3 million to S\$21.3 million in FY2007. The inventory turnover was 142 days which was higher than FY2006's 132 days, due to higher stocking levels that were required to meet strong Chinese New Year demand.

Group	As at 31 Dec 2007	As at 31 Dec 2006	Increase / (Decrease)
	S\$'000	S\$'000	%
Finished Goods	12,121	9,110	33.1%
Raw Materials	6,441	4,861	32.5%
Work-in-Progress	1,468	819	79.2%
Stock-in-transit	1,260	1,241	1.5%
Total Inventory	21,290	16,031	32.8%

Current Liabilities: Borrowings

Borrowings rose from S\$8.6 million to S\$14.4 million primarily due to issuance of trust receipts for raw material purchases.

Liquidity

The Group's current ratio improved from 1.17 times as at 31 December 2006 to 1.31 times as at 31 December 2007. The net current assets of the Group also increased from S\$4.6 million as at 31 December 2006 to S\$10.6 million as at 31 December 2007.

As at 31 December 2007, the Group's net gearing ratio (defined as the net borrowings to shareholder's equity) stood at 0.66 times as compared to 31 December 2006's 0.66 times.

Shareholders' Equity

Shareholders' equity of the Group increased by S\$7.7 million (after payment of S\$0.85 million dividend) from S\$18.0 million as at 31 December 2006 to S\$25.7 million as at 31 December 2007 due mainly to the net proceeds of S\$4.9 million from the Company's placement of new shares in July 2007.

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

In our interim announcement of 13 August 2007, the Management believed that the business outlook for the Company for the second half remains positive. Externally, demand is likely to remain firm. Internally, we will continue to increase our product range and introduce a new retail concept and open new distribution channels. We will also continue to maintain a tight control over the production cost and expenses to remain competitive.

The second half sales were better than the first half sales and second half profit after tax will have been better than the first half if not for the one-off provisions. Exports rose, our product range increased, a new retail concept was launched and we opened more retail stores. Thus, the results announced today are in line with the prospect statement 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.

FY2008 is likely to be a challenging year. We anticipate slower global economic growth, a stronger RMB and further increases in raw material and production costs. [Barring unforeseen circumstances, the Directors expect FY2008 revenue and profit after tax to be higher than that for FY2007](#)"

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

After the balance sheet date, the directors recommended a final dividend for the year of \$0.0085 per ordinary share amounting to approximately S\$1.02 million. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Accordingly, this final dividend has not been recognized as a liability as at 31 December 2007.

Name of dividend	<u>Final</u>
Dividend Type	Cash
Dividend Rate	0.85 cents per ordinary share (tax exempt)
Tax Rate	Exempt (One-tier)

An interim tax exempt one-tier dividend of 0.85 cents per ordinary share was paid on 22 May 2007.

Date payable

The date payable will be determined and announced after the coming annual general meeting of the Company.

Book closure date

The book closure date will be determined and announced after the coming annual general meeting of the Company.

(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

None

(d) Books closure date

None

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

Not applicable

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Primary reporting format – Business Segments

Segment revenue and expenses are revenue and expense reported in the Group's profit and loss statement that it is either directly attributable to a segment or can be allocated on a reasonable basis to a segment.

Segment assets are all operating assets that are employed by a segment in its operating activities and that it is either directly attributable to a segment or can be allocated to the segment on a reasonable basis. Segment assets exclude interest-producing assets.

Segment liabilities are all operating liabilities of a segment and that it is either directly attributable to a segment or can be allocated to the segment on a reasonable basis. Segment liabilities exclude interest-bearing liabilities and income tax liabilities.

Financial year ended 31 December 2007

SS'000	Retail	Export	LRS	Total
Revenue	50,062	32,494	5,663	88,219

RESULT:

Segment Result	21,993	10,666	919	33,578
Other Income				1,918
Unallocated corporate expenses				(28,819)
Finance Cost				(1,193)
Profit before income tax				5,484
Income Tax expenses				(1,907)
Net profit attributable				3,577

OTHER INFORMATION:

Assets:

Segment assets	24,451	5,974	706	31,131
Unallocated corporate assets				31,350
Consolidated total assets				62,481

Liabilities:

Segment liabilities	(8,928)	(15,845)	(43)	(24,816)
Unallocated corporate liabilities				(11,939)
Consolidated total liabilities				(36,755)

Capital Expenditure	1,353	1,935	40	3,328
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Depreciation expenses	887	1,165	48	2,100
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Financial year ended 31 December 2006

SS'000	Retail	Export	LRS	Total
Revenue	40,807	26,341	3,816	70,964

RESULT:

Segment Result	20,192	5,409	1,011	26,612
Other Income				1,736
Unallocated corporate expenses				(23,655)
Finance Cost				(1,337)
Profit before income tax				3,356
Income Tax expenses				(1,038)
Net profit attributable to the proforma				2,318

OTHER INFORMATION:**Assets:**

Segment assets	23,576	7,430	292	31,298
Unallocated corporate assets				20,869
Consolidated total assets				52,167

Liabilities:

Segment liabilities	(18,398)	(5,653)	(998)	(25,049)
Unallocated corporate liabilities				(5,807)
Consolidated total liabilities				(30,856)

Capital Expenditure	1,309	174	-	1,483
Depreciation expenses	1,078	539	28	1,645

Secondary reporting format – Geographical Segments

The Group's retail customers are located in Malaysia, Singapore and Taiwan. The export businesses are mostly to Australia, Japan, South East Asia and other countries.

Segment revenue by geographical segment is based on location of customers regardless of where the goods are produced.

The assets of the Group are substantially located in Malaysia and PRC which are used to support customers in the geographical location. Accordingly, it is not meaningful to segregate segment assets and capital expenditure by location of customers.

Revenue by geographical segments:

S\$'000	31 December 2007		31 December 2006	
Malaysia	34,770	39.4%	28,849	40.7%
Singapore	9,751	11.1%	7,871	11.1%
Taiwan	7,761	8.8%	5,958	8.4%
Australia	5,510	6.2%	5,826	8.2%
China	2,478	2.8%	1,481	2.1%
Other Countries	27,949	31.7%	20,979	29.5%
Total Revenue	88,219	100.0%	70,964	100.0%

14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Business Segment

Revenue from retail business segment remained as the main contributor has contributed 56.7% of total revenue in FY2007. The contribution from LRS licensing program has increased to 6.4% of total revenue in FY2007 compared to 5.4% of total revenue in

FY2006. The retail business segment also enjoyed high gross margin compared to other business segments.

Geographical Segment

The revenue from Malaysia remained as the main contributor has contributed 39.4% of total revenue in FY2007 and follow by revenue from other countries which contributed 31.7% of total revenue in FY2007. Other Countries consist of more than 50 countries where Lorenzo products are exported.

15. A breakdown of sales.

Group	FY2007 \$'000	FY2006 \$'000	Increase/ (decrease)
Sales reported for first half year	42,687	34,212	24.8%
Net operating profit after tax reported for first half year	2,234	1,330	68.0%
Sales reported for second half year	45,532	36,752	23.9%
Net operating profit after tax reported for second half year	1,361	988	37.8%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total annual dividend:

	<u>FY2007</u>	<u>FY2006</u>
Ordinary share	\$1.87 million	-

BY ORDER OF THE BOARD

Goh Ah Lee
Executive Chairman
25 February 2008

Confirmation by the Board of Directors:

We hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the period ended 31 December 2007 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Goh Ah Lee
Executive Chairman

Ng Soon Heng
Group Managing Director