



SMJ INTERNATIONAL HOLDINGS LTD.
(Company Registration No: 201334844E)

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor Hong Leong Finance Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

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

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

	The Group		Change %
	S\$'000		
	HY2016	HY2015	
Revenue	7,629	9,389	(18.7)
Other income	131	81	61.7
Other gains and losses	132	52	153.8
Changes in inventories	792	(253)	NM
Purchases of inventories	(5,531)	(5,706)	(3.1)
Depreciation	(112)	(47)	138.3
Employee compensation	(1,217)	(1,182)	3.0
Finance expense	(39)	(28)	39.3
Freight and transportation expense	(220)	(251)	(12.4)
Installation expense	(204)	(284)	(28.2)
Other operating expenses	(1,400)	(1,102)	27.0
Total expenses	(7,931)	(8,853)	(10.4)
(Loss)/profit before income tax	(39)	669	(105.8)
Income tax expense	(20)	(122)	(83.6)
Total comprehensive (loss)/income, representing net (loss)/profit	(59)	547	(110.8)
Total comprehensive (loss)/income attributable to equity holders	(59)	547	(110.8)

NM – Not Meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	The Group		
	HY2016	HY2015	Change
	S\$'000	S\$'000	%
<u>Other income</u>			
Finance income	42	36	16.7
Rental income from investment property	23	-	NM
Sundry income	66	45	46.7
	131	81	61.7
<u>Other gains and losses</u>			
Gain on disposal of property, plant and equipment	7	-	NM
Property, plant and equipment written-off	(3)	-	NM
Currency exchange gains/(losses) – net	128	52	146.2
	132	52	153.8
<u>Profit before tax</u>			
<i>This is arrived at after charging in the Other Operating Expenses:</i>			
Allowance for impairment of trade receivables	86	-	NM
Bad debts (recovered)/written off	(16)	19	(184.2)
Rental expense on operating lease	427	398	7.3
Repair and maintenance	189	146	29.5

NM – Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS

ASSETS

Current assets

Cash and cash equivalents
Trade and other receivables
Inventories

Non-current assets

Investment in subsidiary
Investment property
Property, plant and equipment

Total assets

LIABILITIES

Current liabilities

Trade and other payables
Current income tax liabilities
Borrowings - trust receipts
Deferred government grant

Non-current liability

Deferred income tax liabilities

Total liabilities

NET ASSETS

EQUITY

Capital and reserves attributable to equity holders of the Company

Share capital
Retained profits/(accumulated losses)

Total equity

	Note	Group		Company	
		30 June 16 S\$'000	31 Dec 15 S\$'000	30 June 16 S\$'000	31 Dec 15 S\$'000
ASSETS					
Current assets					
Cash and cash equivalents	A	5,510	7,358	2,482	2,862
Trade and other receivables		5,674	7,521	313	71
Inventories		5,237	4,445	-	-
		16,421	19,324	2,795	2,933
Non-current assets					
Investment in subsidiary		-	-	3,500	3,500
Investment property		3,257	2,801	-	-
Property, plant and equipment		911	295	-	-
		4,168	3,096	3,500	3,500
Total assets		20,589	22,420	6,295	6,433
LIABILITIES					
Current liabilities					
Trade and other payables	B	1,902	2,651	41	60
Current income tax liabilities		22	63	-	-
Borrowings - trust receipts		1,851	2,567	-	-
Deferred government grant		48	57	-	-
		3,823	5,338	41	60
Non-current liability					
Deferred income tax liabilities		29	29	-	-
Total liabilities		3,852	5,367	41	60
NET ASSETS		16,737	17,053	6,254	6,373
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital		6,365	6,365	6,365	6,365
Retained profits/(accumulated losses)		10,372	10,688	(111)	8
Total equity		16,737	17,053	6,254	6,373

Note A: Cash and cash equivalents

Cash at bank
Fixed deposit
Cash on hand

Group		Company	
30 June 16 S\$'000	31 Dec 15 S\$'000	30 June 16 S\$'000	31 Dec 15 S\$'000
2,009	1,356	1,482	362
3,500	6,000	1,000	2,500
1	2	*	*
5,510	7,358	2,482	2,862

* Denotes amount less than S\$1,000

Note B: Trade and other payables

Trade payables
Other payables
Accrued operating expenses
Goods and services tax payable

Group		Company	
30 June 16 S\$'000	31 Dec 15 S\$'000	30 June 16 S\$'000	31 Dec 15 S\$'000
1,573	1,826	-	-
91	100	39	-
105	484	2	60
133	241	-	-
1,902	2,651	41	60

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

As at 30 June 2016		As at 31 Dec 2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,851*	-	2,567*	-

***Trust receipts**

Details of any collateral

The Group's existing borrowings were guaranteed and indemnify for \$7.13 million by the Company.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities:

Net (loss)/profit

Adjustments for:

Income tax expense

Depreciation of property, plant and equipment

Depreciation of investment property

Gain on disposal of property, plant and equipment

Property, plant and equipment written-off

Interest income

Finance expense

Operating cash flows before movements in working capital

Change in working capital:

Trade and other receivables

Inventories

Trade and other payables

Deferred government grant

Cash generated from operations

Income tax paid

Net cash provided by operating activities

Cash flows from investing activities:

Additions to property, plant and equipment

Additions to investment property

Interest received

Proceeds from disposal of property, plant and equipment

Net cash used in investing activities

Cash flows from financing activities:

Proceeds from borrowings

Repayment of borrowings

Interest paid

Dividends paid to equity holders of the Company

Fixed deposits with maturity more than three months

Net cash used in financing activities

HY2016	HY2015
S\$'000	S\$'000
(59)	547
20	122
90	47
22	-
(7)	-
3	-
(42)	(36)
39	28
66	708
1,858	133
(792)	40
(749)	(605)
(9)	-
374	276
(61)	(230)
313	46
(710)	(169)
(478)	(159)
31	36
8	-
(1,149)	(292)
3,797	4,448
(4,513)	(4,973)
(39)	(28)
(257)	(476)
1,000	-
(12)	(1,029)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Net decreased in cash and cash equivalents

Cash and cash equivalents:

Beginning of financial period

End of financial period

HY2016	HY2015
S\$'000	S\$'000
(848)	(1,275)
3,858	8,591
3,010	7,316

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

Cash and bank balances

Less: Fixed deposits with maturity more than three months

Cash and cash equivalents per consolidated statement of cash flows

HY2016	HY2015
S\$'000	S\$'000
5,510	7,316
(2,500)	-
3,010	7,316

1(d)(i) A statement (for the issuer and 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.

The Group	Share Capital	Retained Profits	Total
	S\$'000	S\$'000	S\$'000
At 1 January 2016	6,365	10,688	17,053
Dividend paid	-	(257)	(257)
Total comprehensive loss for the period	-	(59)	(59)
At 30 June 2016	6,365	10,372	16,737
At 1 January 2015	6,365	10,299	16,664
Dividend paid	-	(476)	(476)
Total comprehensive income for the period	-	547	547
At 30 June 2015	6,365	10,370	16,735

The Company	Share Capital	Retained Profits	Total
	S\$'000	S\$'000	S\$'000
At 1 January 2016	6,365	8	6,373
Dividend paid	-	(257)	(257)
Total comprehensive income for the period	-	138	138
At 30 June 2016	6,365	(111)	6,254
At 1 January 2015	6,365	(675)	5,690
Dividend paid	-	(476)	(476)
Total comprehensive income for the period	-	1,353	1,353
At 30 June 2015	6,365	202	6,567

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.

Ordinary shares of the Company	Number of shares	Share capital S\$
	78,000,000	6,364,807
As at 30 June 2016 and 31 December 2015		

The Company did not have any outstanding options, convertible or treasury shares as at 30 June 2016 and 31 December 2015.

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's total number of issued and paid up share capital as at 30 June 2016 was 78,000,000 ordinary shares (31 December 2015: 78,000,000 ordinary shares).

There were no treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

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

Not applicable

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

The figures have not been audited or reviewed by the auditors of the Company.

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.

Save as disclosed in Section 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period compared to the audited financial statements for the financial year ended 31 December 2015 except for the adoption of the new and revised Financial Reporting Standards which became effective for the financial period beginning on or after 1 January 2016. The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial year ending 31 December 2016.

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 has adopted all new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the financial period on or after 1 January 2016, where applicable. The adoption of these new and revised standards from the effective date is not expected to result in any material adjustments to the financial statements of the Group for the current financial reporting period.

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.

Earnings per share ("EPS")	The Group	
	HY2016	HY2015
(Loss)/profit for the period attributable to equity holders of the company (\$'000)	(59)	547
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	78,000	78,000
Basic and diluted EPS shares (cents) ⁽¹⁾	(0.08)	0.70

⁽¹⁾ The basic and diluted EPS were the same as the Company and the Group did not have any potentially dilutive instruments for the respective financial periods.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

Net asset value ("NAV") per ordinary share	Group		Company	
	30 June 16	31 Dec 15	30 June 16	31 Dec 15
	Cents	Cents	Cents	Cents
NAV (\$'000)	16,737	17,053	6,254	6,373
Number of ordinary shares ('000)	78,000	78,000	78,000	78,000
Net asset value per ordinary share based on issued share capital	21.46	21.86	8.02	8.17

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.

REVIEW OF FINANCIAL PERFORMANCE

Revenue

Our revenue decreased by approximately S\$1.8 million or 18.7% from S\$9.4 million in HY2015 to S\$7.6 million in HY2016. The decrease was mainly due to the decrease in Contract Sales during the period as compared to the previous period. The breakdown of revenue are as follows:

	The Group	
	HY2016 S\$'000	HY2015 S\$'000
Revenue		
Distribution Sales	4,598	5,065
Contract Sales	3,031	4,324
	7,629	9,389

The decrease in Distribution Sales and Contract Sales of approximately S\$0.5 million and S\$1.3 million respectively were mainly attributable to slowdown in Singapore private sector construction activities and uncertainty in the global economy which resulted in lower demand for carpets from distributors.

Other income

The increase in other income mainly resulted from increase in rental income from investment property and sundry income.

The investment property was leased to a non-related party under operating leases with effect from March 2016 for a period of one year with an option to renew for a further one year.

The increase in sundry income was attributable to Wage Credit received from Central Provident Fund Board in HY2016 which increased by S\$11,000 compared to HY2015 and receipt of government grant of S\$14,000. The government grant awarded in September 2015 relates to the grant received from SPRING Singapore pertaining to the SAP software purchased in FY2015.

The finance income was from the interest earned from the fixed deposit placed with a financial institution.

Other gains and losses

The foreign currency exchange translation gain from the fluctuations of the other currencies against Singapore dollar resulted in a total increase in a net gain of S\$76,000 from a gain of approximately S\$52,000 in HY2015 to a gain of S\$128,000 in HY2016.

Changes in inventories

The increase in the level of inventories of S\$0.8 million was due to the new range of products purchased in March 2016 from “Mohawk Group”.

Purchases of inventories

Our purchases of inventories decreased by approximately S\$0.2 million or 3.1% from S\$5.7 million in HY2015 to S\$5.5 million in HY2016. This was mainly due to lesser orders from our Distribution Sales and Contract Sales customer.

Depreciation

The increase in depreciation expense by S\$65,000 from S\$47,000 in HY2015 to S\$0.1 million in HY2016 was due to acquisition of motor vehicles, office renovation during the period as well as commencement of depreciation for investment property during the period.

Employee compensation

Employee cost has risen as compared to HY2015 due to the revision of pay scale as well as the increase in the Central Provident Fund contribution rates effective beginning of the financial year 2016. Total employee compensation of the Group increased by 3.0% or S\$35,000.

Finance expense

Finance expense increased by 39.3% or S\$11,000 mainly due to longer period taken to utilize the trust receipts facility for HY2016 as compared to HY2015, hence resulted in higher finance charges.

Freight and transportation expense

There was a decrease in the freight and transportation expense by 12.4% or S\$31,000 mainly due to the reduction in sales.

Installation expense

The reduction in installation expense by 28.2% or S\$80,000 was in line with the reduction in Contract Sales by 29.9%.

Other operating expense

The increase in other operating expense of approximately S\$0.3 million or 27.0% was mainly due to the followings:

- i) one-off additional Goods and Services Tax ("GST") amounted to S\$68,000 paid to Inland Revenue Authority Singapore ("IRAS") for FY 2013 and FY 2014 after assessment;
- ii) allowance for impairment of trade receivables of S\$86,000;
- iii) additional professional fee incurred for preparation, review and printing of Circular and Extraordinary General Meeting held for diversification of business of S\$36,000;
- iv) cost incurred for office relocation during renovation period and designer fee for new office outlook amounted to S\$33,000; and
- v) increase in office and warehouse rental expenses by S\$27,000 due to an increase in rental rate.

Income tax expense

The decrease in the income tax expense of approximately 83.6% or S\$102,000 was in line with the decrease in the (loss)/profit before income tax in HY2016 as compared to HY2015.

(Loss)/profit after tax

(Loss)/profit after tax reduced by approximately S\$0.6 million or 110.8% in HY2016 as compared to HY2015 mainly due to decrease in revenue.

REVIEW OF FINANCIAL POSITION

Current assets

The Group's current assets decreased by approximately S\$2.9 million or 15.0% mainly due to the decrease in cash and cash equivalents and trade and other receivables of approximately S\$1.8 million each which was offset with the increase in inventories of S\$0.8 million. Decrease in trade and other receivables was mainly due to an improvement in collection of receivables. Increase in inventories was due to purchase of new range of products in March 2016 from "Mohawk Group".

Non-current assets

The Group's non-current assets increased by approximately S\$1.1 million or 34.6% mainly due to the final payment made for the investment property (Skyline Residences), acquisition of motor vehicles and office renovation during the period.

Current liabilities

The decrease in current liabilities of approximately S\$1.5 million or 28.4% was due to the reduction in trade and other payables and borrowings (trust receipts) of approximately S\$0.7 million each. The reductions were due to speedier settlement of payables and lesser borrowings as a result of reduction in purchase.

Working capital

The Group had a positive working capital of S\$12.6 million as at 30 June 2016 as compared to S\$14.0 million as at 31 December 2015.

Shareholders' equity

The Group's shareholders' equity decreased by approximately 1.9% due to the pay out of dividend to the equity shareholders of SMJ International Ltd. of approximately S\$0.3 million and recorded a loss after tax of S\$59,000 during the period under review.

REVIEW OF CASH POSITION

Cash flows generated from operating activities of the Group amounted to S\$0.3 million for HY2016 as compared to S\$46,000 in HY2015 representing an increase of S\$0.3 million. This was mainly due to an improvement in collection of receivables while offsetting with speedier settlement of payables and additions of inventories for the period under review against the comparatives.

Net cash used in investing activities were mainly due to the progressive payment made for the Group's investment property of S\$0.5 million, acquisition of motor vehicles and office renovation during the period.

Net cash used in financing activities of approximately S\$12,000 was mainly due to the net repayment of borrowings (trust receipts) of S\$0.7 million together with the dividend paid to the equity shareholders of SMJ International Ltd. of S\$0.3 million. This was offset with the changes in fixed deposit with maturity of more than three months of S\$1.0 million due to redemption of fixed deposit for progressive payment made for the Group's investment property as well as office renovation during the period.

Overall, the Group recorded a net cash decrease of approximately S\$0.8 million as compared to the net decrease of approximately S\$1.3 million in the corresponding period.

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

Not applicable. The Group has not issued any forecast or prospect statement to the shareholders.

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 private sector construction activities continued to slow down in the first half of 2016 which resulted in lower demand for carpets from distributors. Most of the private organisations have cut back on their spending for office refurbishment projects. Government jobs have also become extremely competitive as budgets have been reduced by the contractors due to their lower bidding prices. The overall selling prices have reduced significantly for most of the products. In response to this, we have increased our market research and development work with our factories to produce more well-designed carpets at the most competitive prices for our clients. We will continue to monitor the general market conditions and price our products accordingly.

More efforts will also be placed on our Export Distribution sector in second half of the year as recently we have expanded our capabilities to further develop our regional business.

In addition, we would expect to see more activities from the Indonesia market once we complete our joint venture setup by the second half of 2016.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

None.

(b) (i) Amount per share in cents

Not applicable

(ii) Previous corresponding period in cents

Not applicable

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended for the half year ended 30 June 2016.

13. If the Group has obtained a general mandate from shareholders for interested persons transactions ("IPT") the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPT.

14. Use of IPO Proceeds

The Company received the gross IPO proceeds of \$3.92 million and the utilisation of the IPO proceeds as at the date of this announcement is as follows:

Use of IPO proceeds	Amount allocated S\$'000	Amount utilised S\$'000	Amount unused S\$'000
Business expansion through acquisitions, joint ventures and/or strategic alliances	1,500	-	1,500
Improving inventory management system and logistics support ⁽¹⁾	340	(308)	32
Marketing and business development	250	-	250
General working capital ⁽²⁾	329	(329)	-
IPO expenses borne by the Company	1,501	(1,501)	-
	3,920	(2,138)	1,782

Notes:

(1) Out of S\$340,000 allocated for improving inventory management system and logistics support, S\$112,774 has been utilized to purchase a new delivery truck, \$38,800 has been utilized to purchase a new forklift and \$155,991 has been utilised to purchase SAP inventory cum accounting system.

(2) The breakdown of the use of the IPO proceeds on general working capital is as follows:

	S\$
Professional fees	182,765
Directors' fees	74,999
Compliance/Listing fees	6,873
Administrative expenses	27,497
Other operating expenses	36,866
Total	<u>329,000</u>

The Company will make periodic announcements on the use of the proceeds as and when the funds are materially disbursed. The IPO proceeds are placed in short-term deposits with financial institutions and/or used to invest in short term money market instruments, as our Directors may deem appropriate.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720 (1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720 (1).

16. Negative confirmation by Directors.

We, Rena Ho Pei Yuen and Nellie Ho Wan Jing, being two Directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company (“the Board”) that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the half year ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board

Rena Ho Pei Yuen
Executive Director and CEO

Nellie Ho Wan Jing
Executive Director and Deputy CEO
29 July 2016

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