



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

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## UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2015

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### **Background**

The Company was incorporated in Singapore on 31 December 2013 under the Companies Act (Chapter 50) as a private company limited by shares under the name of SMJ International Holdings Pte Ltd. On 28 May 2014, our Company was converted into a public company limited by shares and our name was changed to SMJ International Holdings Ltd. The Company and its subsidiary (the “Group”), were formed pursuant to a restructuring exercise which was conducted to rationalise the Group structure (the “Restructuring Exercise”) prior to the Company’s initial public offering (“IPO”) and listing on Catalist of the SGX-ST. Please refer to the Company’s offer document dated 20 June 2014 (“Offer Document”) for further details on the Restructuring Exercise.

**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<br>%   |
|------------------------------------------------------------------|------------|--------------|---------------|
|                                                                  | S\$'000    |              |               |
|                                                                  | FY 2015    | FY 2014      |               |
| Revenue                                                          | 20,729     | 20,228       | 2.5           |
| Other income                                                     | 155        | 97           | 59.8          |
| Other gains/(losses) – net                                       | 84         | (2)          | NM            |
| Changes in inventories                                           | (357)      | (233)        | 53.2          |
| Purchases of inventories                                         | (12,862)   | (11,566)     | 11.2          |
| Depreciation                                                     | (101)      | (50)         | 102.0         |
| Employee compensation                                            | (2,809)    | (2,562)      | 9.6           |
| Finance expenses                                                 | (64)       | (64)         | NM            |
| Freight and transportation expense                               | (576)      | (524)        | 9.9           |
| Installation expense                                             | (886)      | (749)        | 18.3          |
| Other operating expenses *                                       | (2,327)    | (2,663)      | (12.6)        |
| Total expenses                                                   | (19,982)   | (18,411)     | 8.5           |
| Profit before tax                                                | 986        | 1,912        | (48.4)        |
| Income tax expense                                               | (121)      | (326)        | (62.9)        |
| <b>Total comprehensive income, representing net profit</b>       | <b>865</b> | <b>1,586</b> | <b>(45.5)</b> |
| <b>Total comprehensive income attributable to equity holders</b> | <b>865</b> | <b>1,586</b> | <b>(45.5)</b> |

NM – Not Meaningful

\* Included in the other operating expenses in FY 2014 are the initial public offering (“IPO”) shares issue expenses of \$0.4 million.

**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  |            |             |
|---------------------------------------------------------------------------|------------|------------|-------------|
|                                                                           | FY 2015    | FY 2014    | Change      |
|                                                                           | S\$'000    | S\$'000    | %           |
| <u>Other income</u>                                                       |            |            |             |
| Sundry income                                                             | 83         | 72         | 15.3        |
| Finance income                                                            | 72         | 25         | 188.0       |
|                                                                           | <b>155</b> | <b>97</b>  | <b>59.8</b> |
| <u>Other gains/(losses) - net</u>                                         |            |            |             |
| Gain on disposal of property, plant and equipment                         | 7          | 15         | (53.3)      |
| Net foreign currency exchange gains/( losses)                             | 77         | (17)       | NM          |
|                                                                           | <b>84</b>  | <b>(2)</b> | <b>NM</b>   |
| <u>Profit before tax</u>                                                  |            |            |             |
| <i>This is arrived at after charging in the Other Operating Expenses:</i> |            |            |             |
| Bad debts written off                                                     | 58         | 5          | NM          |
| Allowance for impairment of trade receivables                             | -          | 64         | NM          |
| Rental expense on operating lease                                         | 797        | 811        | (1.7)       |
| Repair and maintenance                                                    | 299        | 287        | 4.2         |
| Initial public offering ("IPO") shares issue expenses                     | -          | 446        | NM          |

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**

Investments 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 liability

**Total liabilities**

**NET ASSETS**

**EQUITY**

**Capital and reserves attributable to equity holders of the Company**

Share capital

Retained profits/(Accumulated loss)

**Total equity**

**Note**

**A**

**B**

| Group                |                      | Company              |                      |
|----------------------|----------------------|----------------------|----------------------|
| 31 Dec 15<br>S\$'000 | 31 Dec 14<br>S\$'000 | 31 Dec 15<br>S\$'000 | 31 Dec 14<br>S\$'000 |
| <b>7,358</b>         | 8,591                | <b>2,862</b>         | 2,188                |
| <b>7,521</b>         | 6,320                | <b>71</b>            | 55                   |
| <b>4,445</b>         | 4,802                | -                    | -                    |
| <b>19,324</b>        | 19,713               | <b>2,933</b>         | 2,243                |
| -                    | -                    | <b>3,500</b>         | 3,500                |
| <b>2,801</b>         | 1,685                | -                    | -                    |
| <b>295</b>           | 157                  | -                    | -                    |
| <b>3,096</b>         | 1,842                | <b>3,500</b>         | 3,500                |
| <b>22,420</b>        | 21,555               | <b>6,433</b>         | 5,743                |
| <b>2,651</b>         | 2,024                | <b>60</b>            | 53                   |
| <b>63</b>            | 414                  | -                    | -                    |
| <b>2,567</b>         | 2,428                | -                    | -                    |
| <b>57</b>            | 16                   | -                    | -                    |
| <b>5,338</b>         | 4,882                | <b>60</b>            | 53                   |
| <b>29</b>            | 9                    | -                    | -                    |
| <b>5,367</b>         | 4,891                | <b>60</b>            | 53                   |
| <b>17,053</b>        | 16,664               | <b>6,373</b>         | 5,690                |
| <b>6,365</b>         | 6,365                | <b>6,365</b>         | 6,365                |
| <b>10,688</b>        | 10,299               | <b>8</b>             | (675)                |
| <b>17,053</b>        | 16,664               | <b>6,373</b>         | 5,690                |

**Note A: Cash and cash equivalents**

Cash at bank  
Fixed deposit  
Cash on hand

| Group                |                      | Company              |                      |
|----------------------|----------------------|----------------------|----------------------|
| 31 Dec 15<br>S\$'000 | 31 Dec 14<br>S\$'000 | 31 Dec 15<br>S\$'000 | 31 Dec 14<br>S\$'000 |
| 1,356                | 5,088                | 362                  | 2,188                |
| 6,000                | 3,500                | 2,500                | -                    |
| 2                    | 3                    | *                    | *                    |
| 7,358                | 8,591                | 2,862                | 2,188                |

\* 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              |                      |
|----------------------|----------------------|----------------------|----------------------|
| 31 Dec 15<br>S\$'000 | 31 Dec 14<br>S\$'000 | 31 Dec 15<br>S\$'000 | 31 Dec 14<br>S\$'000 |
| 1,826                | 1,074                | -                    | -                    |
| 100                  | 26                   | -                    | -                    |
| 484                  | 672                  | 60                   | 53                   |
| 241                  | 252                  | -                    | -                    |
| 2,651                | 2,024                | 60                   | 53                   |

**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 31 Dec 2015 |           | As at 31 Dec 2014 |           |
|-------------------|-----------|-------------------|-----------|
| Secured           | Unsecured | Secured           | Unsecured |
| S\$'000           | S\$'000   | S\$'000           | S\$'000   |
| 2,567*            | -         | 2,428*            | -         |

\*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 profit                                                 |  |
| Adjustments for:                                           |  |
| Income tax expense                                         |  |
| Depreciation                                               |  |
| Gain on disposal of property, plant and equipment          |  |
| Property, plant and equipment written-off                  |  |
| Placement and listing expenses charged to income statement |  |
| Interest income                                            |  |
| Interest expense                                           |  |

**Change in working capital:**

|                             |
|-----------------------------|
| Inventories                 |
| Trade and other receivables |
| 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                          |
| Disposal of property, plant and equipment  |

**Net cash used in investing activities**

**Cash flows from financing activities:**

|                                                     |
|-----------------------------------------------------|
| Gross proceeds pursuant to the listing              |
| Placement and listing expenses paid                 |
| 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) / provided by financing activities**

| <b>FY2015</b>  | <b>FY2014</b>  |
|----------------|----------------|
| <b>S\$'000</b> | <b>S\$'000</b> |
| <b>865</b>     | 1,586          |
| <b>121</b>     | 326            |
| <b>101</b>     | 50             |
| <b>(7)</b>     | (15)           |
| <b>-</b>       | 1              |
| <b>-</b>       | 446            |
| <b>(72)</b>    | (25)           |
| <b>64</b>      | 64             |
| <b>1,072</b>   | 2,433          |
| <b>357</b>     | 233            |
| <b>(1,203)</b> | (339)          |
| <b>627</b>     | (169)          |
| <b>41</b>      | 16             |
| <b>894</b>     | 2,174          |
| <b>(452)</b>   | (566)          |
| <b>442</b>     | 1,608          |
| <b>(239)</b>   | (176)          |
| <b>(1,116)</b> | (638)          |
| <b>74</b>      | 4              |
| <b>7</b>       | 15             |
| <b>(1,274)</b> | (795)          |
| <b>-</b>       | 3,920          |
| <b>-</b>       | (1,501)        |
| <b>9,474</b>   | 7,689          |
| <b>(9,335)</b> | (7,741)        |
| <b>(64)</b>    | (64)           |
| <b>(476)</b>   | -              |
| <b>(3,500)</b> | -              |
| <b>(3,901)</b> | 2,303          |

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**

**Net (decreased)/increased in cash and cash equivalents**

**Cash and cash equivalents:**

Beginning of financial year

**End of financial year**

| <b>FY2015</b>  | <b>FY2014</b>  |
|----------------|----------------|
| <b>S\$'000</b> | <b>S\$'000</b> |
| <b>(4,733)</b> | 3,116          |
| <b>8,591</b>   | 5,475          |
| <b>3,858</b>   | 8,591          |

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

Cash and bank balances

Less: Bank deposits with maturity more than three months

Cash and cash equivalents per consolidated statement of cash flows

| <b>FY2015</b>  | <b>FY2014</b>  |
|----------------|----------------|
| <b>S\$'000</b> | <b>S\$'000</b> |
| <b>7,358</b>   | 8,591          |
| <b>(3,500)</b> | -              |
| <b>3,858</b>   | 8,591          |

**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.**

| <b>The Group</b>                        | <b>Share Capital</b> | <b>Retained Profits</b> | <b>Total</b>   |
|-----------------------------------------|----------------------|-------------------------|----------------|
|                                         | <b>S\$'000</b>       | <b>S\$'000</b>          | <b>S\$'000</b> |
| At 1 January 2015                       | 6,365                | 10,299                  | 16,664         |
| Dividend paid                           | -                    | (476)                   | (476)          |
| Total comprehensive income for the year | -                    | 865                     | 865            |
| <b>At 31 December 2015</b>              | <b>6,365</b>         | <b>10,688</b>           | <b>17,053</b>  |
| At 1 January 2014                       | 3,500                | 8,713                   | 12,213         |
| Issue of shares pursuant to the Listing | 3,920                | -                       | 3,920          |
| Placement and listing expenses          | (1,055)              | -                       | (1,055)        |
| Total comprehensive income for the year | -                    | 1,586                   | 1,586          |
| At 31 December 2014                     | 6,365                | 10,299                  | 16,664         |

| <b>The Company</b>                                | <b>Share Capital</b> | <b>Retained Profits</b> | <b>Total</b>   |
|---------------------------------------------------|----------------------|-------------------------|----------------|
|                                                   | <b>S\$'000</b>       | <b>S\$'000</b>          | <b>S\$'000</b> |
| At 1 January 2015                                 | 6,365                | (675)                   | 5,690          |
| Dividend paid                                     | -                    | (476)                   | (476)          |
| Total comprehensive income for the year           | -                    | 1,159                   | 1,159          |
| <b>At 31 December 2015</b>                        | <b>6,365</b>         | <b>8</b>                | <b>6,373</b>   |
| At 1 January 2014                                 | *                    | -                       | *              |
| Share swap pursuant to the Restructuring Exercise | 3,500                | -                       | 3,500          |
| Issue of shares pursuant to the Listing           | 3,920                | -                       | 3,920          |
| Placement and listing expenses                    | (1,055)              | -                       | (1,055)        |
| Total comprehensive loss for the year             | -                    | (675)                   | (675)          |
| At 31 December 2014                               | 6,365                | (675)                   | 5,690          |

\* The Company was incorporated on 31 December 2013 with a paid up capital of \$100 comprising 100 ordinary shares at the date of incorporation.

**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.**

| <b>Ordinary shares of the Company</b>                                       | <b>Number of shares</b> | <b>Share capital S\$</b> |
|-----------------------------------------------------------------------------|-------------------------|--------------------------|
| Upon incorporation on 31 December 2013                                      | 100                     | 100                      |
| Shares issuance pursuant to the Restructuring Exercise <sup>(1)</sup>       | 100                     | 3,500,000                |
|                                                                             | 200                     | 3,500,100                |
| Subdivision of shares pursuant to the Restructuring Exercise <sup>(2)</sup> | 63,999,800              | -                        |
|                                                                             | 64,000,000              | 3,500,100                |
| Issue of shares pursuant to the listing <sup>(3)</sup>                      | 14,000,000              | 3,920,000                |
| Placement and listing expenses                                              | -                       | (1,055,293)              |
| As at 31 December 2014                                                      | 78,000,000              | 6,364,807                |
| <b>As at 31 December 2015</b>                                               | <b>78,000,000</b>       | <b>6,364,807</b>         |

<sup>(1)</sup> On 16 May 2014, the Company issued 100 ordinary shares to acquire the entire issued and paid up share capital of SMJ Furnishings (S) Pte Ltd for a consideration of S\$3,500,000.

<sup>(2)</sup> On 2 June 2014, each share in the issued and paid up share capital of the Company was subdivided into 320,000 shares.

<sup>(3)</sup> On 30 June 2014, the Company issued 14,000,000 New Shares for the IPO at 28 cents per share.

The Company did not have any outstanding options, convertible or treasury shares as at 31 December 2015 and 2014.

**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 31 December 2015 was 78,000,000 ordinary shares (31 December 2014: 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 2014 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 2015. 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 ended 31 December 2015.

**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 2015, 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 year.

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   |            |
|--------------------------------------------------------------------------------------------------------|-------------|------------|
|                                                                                                        | FY 2015     | FY 2014    |
| Profit attributable to equity holders of the Company (\$'000)                                          | 865         | 1,586      |
| Pre-invitation number of ordinary shares <sup>(1)</sup>                                                | 64,000,000  | 64,000,000 |
| <b>Basic and diluted EPS based on pre-invitation number of ordinary shares (cents) <sup>(2)</sup></b>  | <b>1.35</b> | 2.48       |
| Post-invitation number of ordinary shares <sup>(1)</sup>                                               | 78,000,000  | 78,000,000 |
| <b>Basic and diluted EPS based on post-invitation number of ordinary shares (cents) <sup>(2)</sup></b> | <b>1.11</b> | 2.03       |

<sup>(1)</sup> For comparison and illustrative purposes, the calculation for the basic and diluted EPS for the respective financial periods are based on the pre-IPO and post-IPO share capital of 64,000,000 and 78,000,000 respectively.

<sup>(2)</sup> 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    |            |
|------------------------------------------------------------------|------------|------------|------------|------------|
|                                                                  | 31 Dec 15  | 31 Dec 14  | 31 Dec 15  | 31 Dec 14  |
|                                                                  | Cents      | Cents      | Cents      | Cents      |
| NAV (\$'000)                                                     | 17,053     | 16,664     | 6,373      | 5,690      |
| Number of ordinary shares <sup>(1)</sup>                         | 78,000,000 | 78,000,000 | 78,000,000 | 78,000,000 |
| Net asset value per ordinary share based on issued share capital | 21.86      | 21.36      | 8.17       | 7.29       |

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 increased by approximately S\$0.5 million or 2.5% from S\$20.2 million in FY2014 to S\$20.7 million in FY2015. The increase was mainly due to an increased in Distribution Sales. Breakdown of Revenue are as follows:

| Revenue by geographical area | The Group         |                   | Change<br>% |
|------------------------------|-------------------|-------------------|-------------|
|                              | FY2015<br>S\$'000 | FY2014<br>S\$'000 |             |
| <u>Distribution Sales</u>    |                   |                   |             |
| Singapore                    | 2,980             | 3,566             | (16.4)      |
| Philippines                  | 4,489             | 2,861             | 56.9        |
| Malaysia                     | 914               | 1,773             | (48.4)      |
| Indonesia                    | 1,236             | 1,580             | (21.8)      |
| Brunei                       | 163               | 310               | (47.4)      |
| Saudi Arabia                 | 811               | 171               | 374.3       |
| Others                       | 699               | 587               | 19.1        |
|                              | <b>11,292</b>     | <b>10,848</b>     | <b>4.1</b>  |
| <u>Contract Sales</u>        |                   |                   |             |
| Singapore                    | 9,437             | 9,380             | 0.6         |
|                              | <b>20,729</b>     | <b>20,228</b>     | <b>2.5</b>  |

The decrease in Distribution Sales in Singapore of approximately S\$0.6 million was mainly due to the slowdown in private sector construction activities in FY2015 which resulted in a lower demand for carpets from distributor. Regional Distribution Sales in countries such as Malaysia, Indonesia and Brunei also declined as Malaysia had implemented GST and weakening Malaysian Ringgit had adversely affected the export sales to the country. However, the increased in Distribution Sales for Philippines and Saudi Arabia by S\$1.6 million and S\$0.6 million had helped to boost up the overall Distribution sales.

The Contract Sales increased by 0.6% or S\$57,000 mainly due to rise in construction activities for the government sector.

### **Finance income**

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

### **Changes in inventories**

The level of inventories as at 31 December 2015 reduced by S\$0.4 million as compared to 31 December 2014 as a result of our on-going efforts to reduce inventory holding costs.

### **Purchases of inventories**

Purchases of inventories increased by S\$1.3 million or 11.2% from S\$11.6 million in FY2014 to S\$12.9 million in FY2015. This was mainly due to the increased demand from Distribution Sales and Contract Sales during the year.

### **Depreciation**

The increase in depreciation expense in FY2015 as compared to FY2014 was due to the commencement of the depreciation of the SAP enterprise resource planning system installed and used from 1 January 2015 onwards.

### **Employee compensation**

Employee compensation of the Group increased by 9.6% or S\$0.2 million 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 2015.

### **Finance expense**

The finance expense remained fairly consistent with the comparative period.

### **Freight and transportation expense**

There was an increase in the freight and transportation expense by 9.9% or S\$52,000 mainly due to the increased level of purchasing of inventories.

### **Installation expense**

The increase in the installation expense in FY2015 of 18.3% was mainly due to installation works performed after regular work hours and hence higher cost incurred as compared to FY2014.

### **Other operating expense**

The decrease in other operating expense of approximately S\$0.3 million or 12.6% was mainly due to the offsetting effect of the IPO expenses recorded in FY2014 and the listing compliance costs in FY2015.

### **Income tax expense**

The income tax expense included an underprovision of tax of \$38,000 for prior year. The decrease in the income tax expense of approximately S\$0.2 million was in line with the decrease in the profit before tax in FY2015 as compared to FY2014.

### **Profit after tax**

Profit after tax reduced by approximately S\$0.7 million or 45.5% in FY2015 as compared to FY2014 despite an increase in sales due to higher export distribution sales which yielded lower margin as compared to the local distribution sales. In additions, we had secured more contract sales projects from government whereby the selling price are more competitive and hence less lucrative.

## **REVIEW OF FINANCIAL POSITION**

### **Current assets**

The Group's current assets decreased by approximately S\$0.4 million or 2.0% mainly due to the decrease in cash and cash equivalents of approximately S\$1.2 million and decrease in inventories of S\$0.4 million. The decrease in inventories was an on-going efforts to reduce our inventory holding costs. The decreased was offset by the increase in trade and other receivables of approximately S\$1.2 million due to an increase in revenue and some customers requested for a longer credit period.

### **Non-current assets**

The Group's non-current assets increased by approximately S\$1.3 million or 68.1% mainly due to the progressive payment made for the investment property (Skyline Residences) under construction and the SAP enterprise resource planning system installed in January 2015. The investment property has been granted the TOP (Temporary Occupation Permit) on September 2015.

### **Current liabilities**

The increase in current liabilities of approximately S\$0.5 million or 9.3% was due to increase in trade and other payables and borrowings (trust receipts) of approximately S\$0.6 million and S\$0.1 million respectively. This was mainly due to the increase in purchases which are in-line with the increased demand from Distribution Sales and Contract Sales. The increase was offset with the reduction in income tax payable of approximately S\$0.4 million.

### **Working capital**

The Group had a positive working capital of S\$14.0 million as at 31 December 2015 as compared to S\$14.8 million as at 31 December 2014.

### **Shareholders' equity**

The Group's shareholders' equity increased by approximately S\$0.4 million or 2.3% due to FY2015 profit after tax of approximately S\$0.9 million and dividend paid to the equity shareholders of the Company of S\$0.5 million.

## **REVIEW OF CASH POSITION**

Cash flows generated from operating activities of the Group for FY2015 reduced significantly to approximately S\$0.4 million from S\$1.6 million in FY2014 mainly due to combination of some customers requested for a longer credit period in view of the slowdown in the local construction industry and prompt payment to suppliers was made in accordance with the credit terms.

Net cash used in investing activities were mainly due to the progressive payment made for the Group's investment property and SAP enterprise resource planning system.

Net cash used in financing activities of approximately S\$3.9 million was mainly due to changes in fixed deposits with maturity of more than three months of S\$3.5 million together with the dividend paid to the equity shareholders of the Company of S\$0.5 million.

Overall, the Group recorded a net cash decrease of approximately S\$4.7 million as compared to net cash increase of S\$3.1 million in FY2014.

**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.**

With the current economic instability, we believe most private organizations will hold back on their office refurbishment projects or cut the budgets massively. Even with the government sector, we have noticed that there has been a shift in the budget from interior furnishings to security emphasis due to the increased in terrorist activities. Though there are still many government planned projects in the pipeline, however, most of them are in the infrastructure sector. There are still some smaller scale government planned projects that require carpet, but these projects would be subjected to massive competition. We are expecting the overall selling price to reduce significantly. In response to the competitive environment, we have increased our market research and development work so that we can produce more SMJ carpet tiles to meet this price sensitive market. We hope with our good relationship with our factories and our expertise in the carpet industry, we will be able to produce good design carpets at the most competitive prices for our clients.

We will also focus our efforts on our export Distribution sector this year, especially our core markets Malaysia, Indonesia and Philippines. With the development of more SMJ carpet tiles, we will have more products to offer our dealer and will help to increase our export sales. Also, we would see more activities from Indonesia market once we complete our joint venture setup by first half of 2016. More marketing efforts will be done in Philippines market as we have seen an increase in the construction sector in 2015.

At the same time, we are also actively seeking opportunities in potential acquisitions, joint ventures and or strategic alliances within the furnishings industry.

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

**(a) Current Financial Period Reported On**

A final dividend has been recommended in respect of the current financial year ended 31 December 2015 as stated below:

|                                                     |                     |
|-----------------------------------------------------|---------------------|
| <b>Name of dividend</b>                             | Final (proposed)    |
| <b>Dividend type:</b>                               | Cash                |
| <b>Dividend amount per ordinary shares (cents):</b> | 0.33                |
| <b>Tax rate:</b>                                    | One tier tax exempt |

**(b) Corresponding Period of the Immediately Preceding Financial Year**

A tax-exempt (one-tier) dividend of \$0.61 per share was declared and paid in respect of financial year ended 31 December 2014.

**11. If a decision regarding dividend has been made (cont'd):-**

**(c) Date payable**

The proposed dividend, if approved at the forthcoming annual general meeting, will be paid out at a later date to be announced.

**(d) Book closure date**

The book closure date will be announced at a later date.

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

Not applicable.

**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. 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 statement, with comparative information for the immediately preceding year.**

As at 31 December 2015 and 2014, the Group only has one business segment, which is sale and distribution of wide range of carpets. This is based on the Group's internal organisation, management structure and the primary way in which the Board of Directors is provided with the financial information.

Whilst revenue are reported into two business streams, as described below, the Group's result, the cost and combined balance sheets are only analysed by one operating segment.

**(i) Distribution sales**

Distribution sales refer to wholesale of carpets to dealers, carpet importers and carpet installation companies.

**(ii) Contract sales**

Contract sales refer to supply, deliver of carpets which include the project management work, by handling the installation of these carpets on site for its customers.

Please refer to paragraph 8 for the segmented revenue of the Group by geographical area.

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

Please refer to paragraph 8.

**16. A breakdown of sales**

|                           |                                                     | The Group |         | Change<br>% |
|---------------------------|-----------------------------------------------------|-----------|---------|-------------|
|                           |                                                     | FY 2015   | FY 2014 |             |
|                           |                                                     | S\$'000   | S\$'000 |             |
| <b><u>First Half</u></b>  |                                                     |           |         |             |
| (a)                       | Sales reported for first half year                  | 9,389     | 8,656   | 8.5         |
| (b)                       | Total comprehensive income, representing net profit | 547       | 725     | (24.6)      |
| <b><u>Second Half</u></b> |                                                     |           |         |             |
| (c)                       | Sales reported for second half year                 | 11,340    | 11,572  | (2.0)       |
| (d)                       | Total comprehensive income, representing net profit | 318       | 861     | (63.1)      |

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

|                                   |  | The Group |         |
|-----------------------------------|--|-----------|---------|
|                                   |  | FY 2015   | FY 2014 |
|                                   |  | S\$'000   | S\$'000 |
| Ordinary, final proposed dividend |  | 260       | -       |
| Ordinary, final dividend          |  | -         | 476     |
|                                   |  | 260       | 476     |

**18. 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<br>S\$'000 | Amount utilised<br>S\$'000 | Amount unused<br>S\$'000 |
|------------------------------------------------------------------------------------|-----------------------------|----------------------------|--------------------------|
| Business expansion through acquisitions, joint ventures and/or strategic alliances | 1,500                       | -                          | 1,500                    |
| Improving inventory management system and logistics support <sup>(1)</sup>         | 340                         | (269)                      | 71                       |
| Marketing and business development                                                 | 250                         | -                          | 250                      |
| General working capital <sup>(2)</sup>                                             | 329                         | (302)                      | 27                       |
| IPO expenses borne by the Company                                                  | 1,501                       | (1,501)                    | -                        |
|                                                                                    | 3,920                       | (2,072)                    | 1,848                    |

## 18. Use of IPO Proceeds (cont'd)

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 and \$156,691 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        | 156,241        |
| Directors' fees          | 74,999         |
| Compliance/Listing fees  | 6,873          |
| Administrative expenses  | 27,497         |
| Other operating expenses | 36,866         |
| Total                    | <u>302,476</u> |

The Company will make periodic announcements on the use of the proceeds as and when the funds are materially disbursed. Balance of the IPO proceeds will be 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.

**19. Disclosure of persons occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there is no such persons, the issuer must make an appropriate negative statement.**

| Name               | Age | Family relationship with any director, CEO and/or substantial shareholder                                                                                         | Current position and duties, and the year the position was first held                                                                                                                                                              | Details of changes in duties and position held, if any, during the year |
|--------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Rena Ho Pei Yuen   | 40  | Daughter of the controlling shareholder<br><br>Sibling of Nellie Ho Wan Jing (Executive director and Deputy CEO)                                                  | Executive director and CEO of the Group since 2014. She is responsible for the formulation of the Group's strategic directions, expansion plans and overall business developments.                                                 | Not applicable                                                          |
| Nellie Ho Wan Jing | 36  | Daughter of the controlling shareholder<br><br>Sibling of Rena Ho Pei Yuen (CEO)<br><br>Spouse of Tay Twan Lee                                                    | Executive director and Deputy CEO of the Group since 2014. She is responsible for export sales and marketing functions. She is also responsible for the expansion plans and business development for the Group's overseas markets. | Not applicable                                                          |
| Tay Twan Lee       | 37  | Spouse of Nellie Ho Wan Jing (Executive director and Deputy CEO)<br><br>Brother-in-law to Rena Ho Pei Yuen (CEO)<br><br>Son-in-law of the controlling shareholder | Business director since 2014. He is responsible for business development of the Group's export and local sales departments.                                                                                                        | Not applicable                                                          |

On behalf of the Board

Rena Ho Pei Yuen  
Executive Director and CEO  
19 February 2016

**SMJ International Holdings Ltd.**  
31 Jurong Port Road,  
South Wing #02-20  
Singapore 611915  
Tel: (65) 6261-1212  
Fax: (65) 6261-6512  
Website: [www.smjf.com.sg](http://www.smjf.com.sg)



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

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

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, telephone (65) 6415 9886.