



SMJ INTERNATIONAL HOLDINGS LTD.

INSPIRED
BY CHANGE
**DRIVEN BY
EXCELLENCE**

ANNUAL REPORT **2018**

2018: A YEAR OF TRANSFORMATION

Following the disposal of the carpet business, SMJ International Holdings Ltd. (“SMJ” or the “Company”, and together with its subsidiaries, the “Group”) continues to focus on the tourism and hospitality industry. In July 2018, the Group successfully acquired a 52% equity interest in Beijing Shengyan Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd.) and its subsidiaries (“Libre Hospitality”). The principal business of Libre Hospitality is hospitality facilities management, including the management of hotels and resorts, provision of consultancy services on hotels and resorts management, investment, development and branding. Additionally, Libre Hospitality develops its own brands catering to mid-to-high end hotels and resorts targeted at the growing number of Chinese travelers. As part of its centralized operational support, Libre Hospitality manages the hotels through the appointment of key on-site managers while also helping in the training of their staff to ensure high standards of service as well as consistent guest experience across all the hotels under the Group’s brands. Libre Hospitality collects fees from the hotel owners or operators based on the revenue and operating performance of the hotels in accordance to the terms of the hotel management agreements.

Currently, Libre Hospitality brands includes Libre Resorts, F Hotels & Resorts, Libre Collections, Lodge & Hills, Reminiscence Onsen and Wild Hootz. As of 31 December 2018, Libre Hospitality has five hotels in China under long term management contracts and three of these hotels, located in Huangshan, Anhui Province, Lijiang, Yunnan Province and Yangzhou, Jiangsu Province, have commenced operation.

The acquisition is a strategic transformation for the Group, bringing together a team of highly experienced professionals in the China tourism and hospitality industry. The Libre brands of hotels and resorts and long-term hotel management contracts will provide the Group with recurring income. Additionally, the Group has successfully integrated the existing project management consultancy business into Libre Hospitality to provide an extensive scope of pre-opening services across five different areas: Opening Operations, Sales and Marketing, Revenue Management, Platform Delivery, and Operations Delivery and Brand Activation. Libre Hospitality now offers an integrated suite of hospitality related services to property owners, managers and investors.

At the same time, the Group continues to seek new growth areas and opportunities for investment or acquisition with the goal of expanding and enhancing the performance and net asset value of the Group.



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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private 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 annual report.

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

The contact person for the Sponsor is Ms. Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road #21-00 AIA Tower, Singapore 048542.

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

On behalf of the Board, I am pleased to present to you the annual report of SMJ International Holdings Ltd. ("SMJ" or the "Company"; and together with its subsidiaries, the "Group") for the financial year ended 31 December 2018 ("FY2018"). This is the first time I am presenting this report following my appointment as the Independent Non-Executive Chairman of the Board in May 2018.

FY2018 IN REVIEW

FY2018 was a year of transformation for the Group. Following the disposal of SMJ Furnishings (S) Pte Ltd, which was in the carpet business, effective in late 2017, the Group has been focusing its attention and resources on the development of its property related investment and management business as well as project management and consultancy services business targeting at the tourism and hospitality industries in China. In July 2018, the Group announced the acquisition of Beijing Shengyan Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd.) and its subsidiaries ("Libre Hospitality"). The principal business of Libre Hospitality is hospitality facilities management, including the management of hotels and resorts, provision of consultancy services on hotels and resorts management, investment, development and branding, in China.

The acquisition of Libre Hospitality is a transformational change for the Group. Through Libre Hospitality, the Group has acquired a team of highly experienced professionals with a wide range of capabilities from consultancy services to hotel management, targeting at the China tourism and hospitality industry. As such, the Group is well-positioned to capitalise on the positive macro trends in the tourism market of China, where the total tourism revenue is projected to reach RMB7 trillion by 2020 under the Chinese government's "Thirteenth Five-Year Plan".

While the Group reported a loss attributable to equity holders of the Company of RMB2.3 million for FY2018, the balance sheet remains strong, with net assets attributable to equity holders of RMB77.9 million as at 31 December 2018. Additionally, the Group has more than RMB50.0 million of investable resources at our disposal as we continue to seek new growth areas for investment and acquisition. The economic uncertainties and volatile market conditions could present interesting opportunities and rewards for the Group.

CHANGES TO THE BOARD OF DIRECTORS

I was appointed as the Chairman of the Board on 4 May 2018 following Mr Marcus Chow Wen Kwan's cessation as an Independent Director and him stepping down from the Board as the Non-Executive Chairman. Additionally, Ms Ho Pei Yuen Rena, Ms Ho Wan Jing Nellie and Mr Ng Tiang Hwa have also left the Board during the year. We are grateful for their service to the Group and wish them well in all their future endeavours. Finally, we would like to welcome Mr Ng Wee Cheng Steven, who was appointed on 1 January 2019 as a Non-Executive Director, to the Board.

APPRECIATION

On behalf of the Board, I thank our customers, business partners, management and employees for their support, commitment and hard work over the past year.

To the shareholders, we would like to thank you, for your loyalty and continued support. I look forward to speaking with all of you at the upcoming Annual General Meeting.

NG FOOK AI VICTOR

Independent Non-Executive Chairman



Dear Valued Shareholders

I am pleased to present to you the annual report of SMJ International Holdings Ltd. ("SMJ" or the "Company"; and together with its subsidiaries, the "Group") for the financial year ended 31 December ("FY") 2018.

Industry Overview

2018 was a tremulous year, with escalating trade tensions between China and the United States precipitated uncertainties regarding economic development and sparked a decline in global economic activities. China also saw a slow down in economic growth, with the Gross Domestic Product ("GDP") growth rate for the fourth quarter dropping to 6.4% and China annual growth rate falling to 6.6% for 2018. Despite the slowest growth in 28 years, China GDP reached RMB90 trillion in 2018 and there were several bright spots in the China economy. Employment remained stable, and consumer prices increased modestly. Consumer spending continued to grow with total sales of consumer goods up 9.0% year-on-year ("YoY"). The China tourism industry earned RMB5.97 trillion and 5.5 billion domestic trips were made in 2018, up 10.5% and 10.8%, respectively, according to data from the China Ministry of Culture and Tourism.

Operational and Financial Review

For SMJ, FY2018 was a year of transformation. It has been more than a year since I took over as Chief Executive Officer. Last year, we highlighted our strategic shift to dispose the carpet business and focus on the new business to provide consultancy services to hotels and property owners in the China. On 23 July 2018, the Group announced, amongst others, the proposed acquisition of 52% equity interest in Beijing Shengyan Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd.) ("Libre Hospitality") for RMB15.59 million (the "Libre Acquisition"). On 13 August 2018, the Group announced the completion of the Libre Acquisition. Libre Hospitality is in the business of hospitality facilities management, including the management of hotels, resorts and



provision of consultancy services on hotels and resorts management, investment, development and branding.

The acquisition of Libre Hospitality marked a new chapter in the history of the Group as contribution from Libre Hospitality kicked in from the second half of 2018. As of 31 December 2018, Libre Hospitality has five hotels under long term management contracts. Three of these hotels have commenced operation and the details are as follows:

Names of hotels/resorts	Number of rooms	Location
Libre Resorts Huangshan	528	Huangshan, Anhui Province, China
Libre Resorts Lijiang	562	Lijiang, Yunnan Province, China
Libre Collection Yizheng	36	Yangzhou, Jiangsu Province, China

CEO MESSAGE: OPERATING AND FINANCIAL REVIEW



The others subsidiary, Beijing Zhuoyue Tiancheng Business Management Co. Ltd. ("ZYTC"), is in the business of providing consultancy service to hotels and



resorts. Following the acquisition of Libre Hospitality, the Group has included the business of the Libre Hospitality and ZYTC under the hospitality division of the Group.

In addition, the Group has changed the presentation currency from SGD to RMB in FY2018 as the majority of its revenue and assets are now denominated in RMB. As a result of the change, prior year comparative figures have been restated to RMB as well.

REVIEW OF FINANCIAL PERFORMANCE

Revenue from continuing operations

The Group recorded a revenue of RMB10.2 million for FY2018, up 87% from RMB5.5 million in FY2017. The newly acquired Libre Hospitality contributed approximately RMB8.5 million for FY2018 from its hotel management activities and consultancy services. ZYTC, recorded revenue of approximately RMB1.7 million in FY2018, down from RMB5.5 million in FY2017, due to the lower revenue contribution from consulting projects. A breakdown of revenue by type of services is set out below:

Revenue type (RMB'000)	2018	2017	Change	Change (%)
Consultancy services	7,412	5,472	1,940	35
Hotel management fees	2,829	–	2,829	Not meaningful
Total	10,241	5,472	4,769	87

Consultancy services contributed RMB7.4 million or 72% of total revenue for FY2018, representing 35% YoY growth, driven mostly by the acquisition of Libre Hospitality. The Group earns its consultancy fees mostly for the pre-opening services across five different areas: Opening Operations, Sales and Marketing, Revenue Management, Platform Delivery, and Operations Delivery and Brand Activation.

Hotel management fees were RMB2.8 million or 28% of total revenue for FY2018. Under the long-term management contracts, The Group earns management fees for managing hotels, their branding and marketing, the fees are calculated based on a percentage of the total hotel revenue.

CEO MESSAGE: OPERATING AND FINANCIAL REVIEW

Other gains and losses from continuing operations

The Group's net other gains of RMB2.9 million for FY2018, down 29% from RMB4.0 million in FY2017, was mainly contributed by the gains on financial assets, at fair value through profit or loss ("FVTPL"). The gain from the disposal of SMJ Furnishings (S) Pte Ltd ("SMJ Furnishings") did not recur in FY2018. As the Group changed its presentation currency from SGD to RMB, the previous year financial statements of SMJ Furnishings (denominated in SGD) and PT Spektrum Meguh Jaya (denominated in Indonesian Rupiah) were restated into RMB and the corresponding currency translation reserve was derecognised upon disposal of the furnishing business in FY2017.

Employees compensation from continuing operations

The employee compensation increased significantly from approximately RMB1.7 million in FY2017 to approximately RMB9.0 million in FY2018 due to increased headcount and higher compensation structure from the newly acquired Libre Hospitality. The headcount in the Group rose from 9 at the end of 2017 to 25 at the end of 2018. Libre Hospitality is managed by an experienced management team and many of them have previous

work experiences in well-established hotel chains. As such, the compensation structure in Libre Hospitality is higher than other companies within the Group.

The hospitality industry is highly human capital intensive. Despite the increasing reliance on technology, the human touch is still essential to the hospitality business, especially in the luxury segment where Libre hotels are positioned. Therefore, compensation related costs are likely to remain a major cost component for the Group.

Other operating expenses from continuing operations

The increase in other operating expenses of approximately RMB2.3 million or 90%, from RMB2.5 million in FY2017 to RMB4.8 million in FY2018, was mainly due to the following:

- (i) Other operating expenses from the newly acquired Libre Hospitality amounting to approximately RMB1.3 million. These expenses include marketing and promotional, travelling and entertainment, rental and other operating expenses to support Libre Hospitality operations;



CEO MESSAGE: OPERATING AND FINANCIAL REVIEW

- (ii) Rental expenses of approximately RMB0.7 million for the Singapore office. In FY2017, the Company shared the office of SMJ Furnishings. There is no rental expense in the comparable figure as the financial results of SMJ Furnishings has been reclassified as discontinued operations in FY2017;
- (iii) Withholding tax expenses of approximately RMB0.3 million borne by ZYTC on management fees to the Company;
- (iv) Professional fees incurred for the disposal of SMJ Furnishings of approximately RMB0.1 million; and
- (v) Renovation expense of approximately RMB0.1 million for the Singapore office.

Income tax expense from continuing operations

While the Group recorded a loss before tax of RMB1.3 million, the Group incurred an income tax expense of RMB0.1 million. The tax expense is largely attributable to tax expense on profitable companies within the Group and provision for deferred tax liability on unremitted earnings from foreign subsidiaries in accordance with SFRS (I) 1-12. Furthermore, the losses from other companies within the Group were not allowed to offset their losses against the profits from other profitable companies within the Group for income tax purposes.

Loss after tax from continuing operations

The Group recorded a loss after tax of RMB1.4 million, as compared to a profit after tax of RMB4.4 million in FY2017 due mainly to absence of other gains, amortisation of intangible assets, higher employee compensation and other operating expenses.

REVIEW OF FINANCIAL POSITION

Current assets

As of 31 December 2018, the Group had RMB59.5 million worth of financial assets, at FVTPL, which comprises of mostly short-term fixed income instruments denominated in RMB. The Group also deploys the excess cash with licensed investment managers to earn higher returns.

As of 31 December 2018, the Group has trade receivables of RMB6.3 million which comprises of hotel management fees and project management revenue due from customers arising from the hotel management activities and consultancy services. The increase in trade receivables from RMB1.3 million to RMB6.3 million was in line with the increase in revenue.

The other receivables, deposits and prepayments comprised of mostly deposits for bidding new hotel management contracts. As of 31 December 2017, the

Group's other receivables, deposits and prepayments comprised mostly of approximately RMB68.0 million from the disposal of SMJ Furnishings. These receivables were fully collected in FY2018.

Non-current assets

The Group's non-current assets amounted to RMB26.4 million as at 31 December 2018 mainly due to goodwill and intangibles assets which arose from the acquisition of Libre Hospitality.

The amount under goodwill represents the excess of purchase consideration over the attributable identifiable net assets acquired. The goodwill is provisionally determined as the Purchase Price Allocation ("PPA") exercise of the acquisition are being assessed currently.

The intangible assets comprise of long term management contracts and naming rights identified during the acquisition. The Group will amortise the intangible assets over 12 to 15 years in accordance to the contract periods of the management contracts and naming rights.

Current liabilities

The Group's trade and other payables increased from RMB1.0 million as at 31 December 2017 to RMB5.2 million as at 31 December 2018 due to higher payables and accrued operating expenses, which is in line with the increased scale of the Group's business.

Non-current liabilities

The Group's deferred income tax liabilities of RMB3.6 million as at 31 December 2018 were pertaining to the deferred tax liabilities allocated to the intangible assets based on the statutory tax applied on the fair value of the intangible assets.

Working capital

The Group had a positive working capital of approximately RMB74.8 million as at 31 December 2018 as compared to approximately RMB79.9 million as at 31 December 2017.

Shareholders' equity

The Group's equity attributable to equity holders of the Company fell by RMB2.0 million to RMB77.9 million as at 31 December 2018 from RMB79.9 million as at 31 December 2017. The decrease is due to losses from FY2018 of RMB2.3 million, partially offset by an increase in the currency translation reserve by RMB0.3 million.

CEO MESSAGE: OPERATING AND FINANCIAL REVIEW

REVIEW OF CASH POSITION

Net cash used in operating activities of the Group amounted to RMB14.4 million mainly due to an increase in financial assets, FVTPL, of RMB56.7 million and a decrease in trade and other payables of RMB17.1 million, partially offset by a decrease trade and other receivables of RMB63.6 million.

Net cash provided by investing activities of RMB8.5 million in FY2018 were mainly due to a net cash of RMB8.9 million acquired by the Group from the acquisition of Libre Hospitality.

There was no cash flow from financing activities in FY2018.

Overall, the Group recorded a net cash decrease of RMB5.8 million as compared to a net cash decrease of RMB2.7 million in FY2017.

Outlook

According to the Tourism Development Plan of the "Thirteenth Five-Year Plan", the number of domestic tourists and value of the tourism industry is expected to reach 6.4 billion and RMB7 trillion by 2020, respectively, maintaining a healthy growth trend. The hotel industry, being an important component of the tourism industry, will also be expected to grow.

China Tourism Industry Development Goals during the "Thirteenth Five-Year Plan"

	2020 Goals	CAGR (%)*
Domestic Tourists (billion)	6.4	9.9
International Arrivals (million)	150	2.3
Outbounds Tourists (million)	150	5.1
Total Tourist Revenue (RMB trillion)	7.0	11.2
Tourism Investment (RMB trillion)	2.0	14.7
Contribution to GDP (%)	12	—

* 2016-2020 Compounded Annual Growth Rate ("CAGR")

Source: Tourism Development Plan of the Thirteen Five-Year Plan

The Group expects the increased volume in tourism to drive the development of the hotel industry in China. The Group aims to achieve higher occupancy rates in the hotels under our management with creative promotional activities targeted at new market segments. For example, the newly-opened Hangzhou Huangshan High Speed Railway offers a fast and convenient way to travel from Hangzhou to Huangshan in around 1.5 hours. With the reduced travelling time, Libre Resorts Huangshan can expand its target customer base to travelers in the Shanghai region for weekend vacations.

Despite the losses in FY2018, the Group remains comfortable with its financial position with net assets attributable to equity holders of the Company of RMB77.9 million as of 31 December 2018. With the economic uncertainties and the volatile market conditions, the management have implemented various cost cutting measures to improve the profitability of the Group.

Looking ahead, the Group will continue to identify new growth areas and opportunities for investment or acquisition with the goal of expanding and enhancing the performance and net asset value of the Group. With more than RMB50.0 million investable resources available, the Group believes that volatile market conditions may offer opportunities to acquire attractive businesses or assets with favourable risk and reward profiles.

Appreciation

On behalf of the management team, I thank our customers, business partners and employees for your commitments and hard work over the past year. I would like to convey our appreciation to our Board of Directors for their leadership and insight throughout the year. To our shareholders, we would like to thank you, for your loyalty and support. I look forward to charting new milestones with you in the year ahead.

Peng Fei

Group Chief Executive Officer and Executive Director

NG FOOK AI VICTOR

Mr Ng was appointed as the Independent Director and Chairman of the Group on 4 May 2018. Mr Ng is currently the Chairman of the Nominating Committee as well as a member of the Audit Committee and the Remuneration Committee.

Mr Ng is currently an independent director of The Place Holdings Limited, Sunshine 100 China Holdings Ltd. and SB REIT Management Pte. Ltd. Mr Ng had also previously served as a director of several other public listed companies including SHC Capital Asia Limited, My E.G. Services Berhad, Asia Power Corporation Limited, Cityneon Holdings Limited, Devotion Energy Group Limited and SIIC Environment Holdings Ltd. Mr Ng has more than 30 years of experience as a director on various companies, including directorships held in companies listed in Singapore, Hong Kong and Malaysia. He is the chairman of 1Rockstead GIP Fund Ltd. and the founder and executive chairman of New Climate Pte. Ltd., an investment company headquartered in Asia focused on investments in Greater China.

PENG FEI

Mr Peng is the Executive Director and Chief Executive Officer (“CEO”) of our Group. He was appointed to our Board on 3 October 2016.

Mr Peng’s role as CEO of the Group is to drive its strategic direction, as well as manage the Group’s corporate finance investments and overseas expansion.

Mr Peng served as executive director of Forise International Limited since August 2015 and was re-designated as non-executive director in December 2017, where he is responsible for executing the strategic directions set by the board. Mr Peng has over 20 years of experience in investment management, corporate and financial restructuring advisory, and strategic planning, with strong knowledge relating to capital markets in the China, Hong Kong, Singapore and the United Kingdom. Mr Peng’s past experience includes being the president of Reignwood International Investment Ltd, where he was responsible for managing the group’s overall investment portfolio activities, he was also the vice president of Chinalco Overseas Holdings Ltd where he was overseeing the company’s major overseas investments.

Mr Peng holds an MSc in Finance and Investment with Distinction from Durham University, United Kingdom.





LEO PENG WEILE

Mr Leo Peng is the Executive Director of our Group. He was appointed to our Board on 3 October 2016 and is responsible for the Group's property related investment and management business as well as project management and consultancy services business in China. Mr Leo Peng is currently a member of the Nominating Committee.

He has over 17 years of experience in investment banking, direct investment, asset management, corporate advisory, financial restructuring advisory and strategic planning. He has strong knowledge relating to the capital markets in China, Hong Kong, Singapore and Australia. He has served as the executive director of Forise International Limited since October 2015 and has been appointed by several companies as their external financial advisor, to provide strategic planning, financial structuring, listing and fundraising services during the past few years. He has been involved in a number of successful listings, pursuant to which he has successfully assisted various Chinese companies in their listing on the stock exchanges in Singapore, Hong Kong and Australia, and has a very good network and in-depth knowledge of capital markets, both on-shore and off-shore. He was previously with Deutsche Morgan Grenfell Securities Ltd and HL Bank Singapore, in which he assisted companies in their fundraising from the equity capital markets in Singapore.

Mr Leo Peng holds a Master's degree in Finance from the National University of Ireland, Dublin and a Diploma in Wealth Management from Wealth Management Institute of Singapore.



CHONG SOO HOON SEAN

Mr Chong is the Independent Director of our Group and was appointed to our Board on 12 July 2017. He is currently the Chairman of the Audit Committee and the Remuneration Committee as well as a member of the Nominating Committee.

Mr Chong is currently the managing director of Anda Capital Solutions Pte. Ltd., a business advisory and investment firm. He has more than 18 years of experience in investment banking, corporate advisory and direct investment. In particular, he was actively involved in a broad range of corporate finance transactions for listed and private entities throughout the Asia-Pacific region, including initial public offers, mergers and acquisitions, rights issues and other corporate advisory work.

Mr Chong graduated with a Bachelor's (Honours) degree in Accounting and Financial Studies from University of Exeter, United Kingdom. He is currently an independent non-executive director of China Yuanbang Property Holdings Limited and several private companies in Singapore.



NG WEE CHENG STEVEN

Mr Ng is the Non-Executive Director of our Group. He was appointed on 1 January 2019. He is currently a member of the Audit Committee and the Remuneration Committee.

Mr Ng is the founder, chief executive officer and director of TNT Global Capital Pte Ltd (“TNT”), an investment manager. TNT is incorporated in Singapore and received the approval to commence business as a Registered Fund Management Company (“RFMC”) by the Monetary Authority of Singapore (“MAS”) in 2016. Mr Ng has over 18 years of investment banking related experiences comprising corporate advisory, financial restructuring advisory, debt and equity fundraising, mergers and acquisitions and initial public offerings. In 2004, Mr Ng co-founded Genesis Capital Pte Ltd which had a CMS license to advise on corporate finance. He has successfully listed many companies on the SGX-ST and was involved in a wide range of corporate advisory services. Mr Ng started in the public sector before joining the banking sector holding positions in the Investment Banking Division of Oversea-Chinese Banking Corporation Limited and Industrial and Commercial Bank of China Singapore Branch and was involved in several initial public offerings, mergers and acquisitions and various corporate finance advisory transactions.

Mr Ng graduated with a Bachelor’s (2nd Upper Honours) degree in Accountancy from Nanyang Technological University. Mr Ng is currently a Chartered Financial Analyst (“CFA”) Charterholder.



DAVID CHENG ERJUN

Mr Cheng joined the Group on 1 July 2018. He is currently the Chief Executive Officer of Beijing Shengyan Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd.) and its subsidiaries (“Libre Hospitality”). He has over 27 years of experience with global hotel brands and real estate companies, such as Jinmao, Wanda, Thaihot Group in China. As one of the pioneers in the China hospitality industry, Mr Cheng successfully launched many landmark hotels, such as Grand Hyatt Shanghai, Hilton Sanya Yalong Bay Resorts & Spa and Westin Beijing Chaoyang. During his career with Wanda Hotels & Resorts, he founded Wanda branded hotels, which is a remarkable milestone in the China hospitality industry. Mr Cheng contributes to the development of the Group through his profound knowledge and rich experience in hotel management, development of hospitality real estates, as well as corporate and branding strategies.



ANDY LIU XIAOFENG

Mr Liu joined the Group on 1 July 2018. He is currently the Vice President of Libre Hospitality and has over 22 years of experience in leading global hospitality brands and commercial real estates companies, such as Starwood, Intercontinental, Wanda, Thaihot and NHA Hospitality Group. Mr Liu is responsible for the overall sales and marketing strategy of Libre Hospitality and the hotels under its management. Mr Liu is highly experienced in global and marketing strategies for high-end luxury hospitality brands.



JOHNNY PAN MINGDE

Mr Pan joined the Group on 1 July 2018. Mr Pan is the Assistant Vice President of Libre Hospitality. He is currently responsible for the operation and information technology department of Libre Hospitality. Mr Pan has more than 25 years of experience in the hospitality industry and has held a variety of appointments from room director, sales director to general manager in charge of a hotel during this period. He has worked with both international hotel chains and Chinese hotel groups in China such as Crowne Plaza, Wanda Hotel, Mandarin Oriental, Sofitel and Sheraton in Nanjing, Jinglin Hotel.



MARCO XU CONG

Mr Xu joined the Group on 1 July 2018. Mr Xu is the Assistant Vice Present of Libre Hospitality. He is responsible for the Libre Hospitality’s human resources department and has more than 18 years of experience in the industry. His past experiences include human resources manager with various hotel groups, such as Wanda, Crowne Plaza, Fourpoints by Sheraton, Aloft, Pavilion Hotel and Longyuan Hotspring Resort. Additionally, Mr Xu was the executive assistant manager with Crowne Plaza in Tianjin Binhai from 2013 to 2015. Mr Xu received his MBA from the International Hotel and Tourism College in Switzerland in 2001.



CHONG MEAN PHIL

Mr Chong is the Chief Financial Officer of SMJ International Holdings Ltd. He joined the Company in June 2018 and is responsible for the overall financial accounting and reporting functions of the Group. He has more than 20 years of working experience with roles in equity research, finance and auditing. His past employers include Morgan Stanley, UOB Kay Hian, Devotion Eco-Thermal and Arthur Andersen. Mr Chong is currently a Chartered Financial Analyst (“CFA”) Charterholder.

FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS	FY2018	FY2017	Change	
	RMB'000	RMB'000	RMB'000	%
Revenue	10,241	5,472	4,769	87%
Total expenses	(14,388)	(4,210)	(10,178)	242%
(Loss)/profit before income tax	(1,280)	5,311	(6,591)	NM
(Loss)/profit from continuing operations	(1,424)	4,392	(5,816)	NM
Loss from discontinued operations	–	(1,052)	1,052	NM
Net (loss)/profit	(1,424)	3,340	(4,764)	NM

FINANCIAL POSITION	31 Dec 2018	31 Dec 2017	Change	
	RMB'000	RMB'000	RMB'000	%
Current assets	80,077	81,861	(1,784)	-2%
Non-current assets	26,363	3	26,360	NM
Total Assets	106,440	81,864	24,576	30%
Current liabilities	5,297	1,932	3,365	174%
Non-current liabilities	3,642	–	3,642	NM
Total Liabilities	8,939	1,932	7,007	363%
Net Assets	97,501	79,932	17,569	22%
Share capital	29,194	29,194	–	–
Currency translation reserves	1,767	1,471	296	20%
Accumulated profits	46,968	49,267	(2,299)	-5%
	77,929	79,932	(2,003)	-3%
Non-controlling interests	19,572	–	19,572	NM
Total Equity	97,501	79,932	17,569	22%

CASH FLOW SUMMARY	FY2018	FY2017	Change	
	RMB'000	RMB'000	RMB'000	%
Net cash (used in)/provided by operating activities	(14,417)	2,946	(17,363)	NM
Net cash provided by/(used in) investing activities	8,575	(8,149)	16,724	NM
Net cash provided by financing activities	–	2,510	(2,510)	NM
Net decrease in cash and cash equivalents	(5,842)	(2,693)	(3,149)	117%
Cash and cash equivalents at the end of year	1,980	7,822	(5,842)	-75%

The Board of Directors (the “**Board**” or “**Directors**”) of SMJ International Holdings Ltd. (the “**Company**”) is committed to ensuring a high standard of corporate governance within the Company and its subsidiary corporations (the “**Group**”), as a fundamental part of its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2018 (“**FY2018**”), with specific reference to the principles and guidelines of the Code of Corporate Governance (the “**Code**”) issued by the Monetary Authority of Singapore on 2 May 2012.

The Code of Corporate Governance 2018 (the “**2018 Code**”) was published by the Monetary Authority of Singapore on 6 August 2018. According to the accompanying Transitional Practice Note 2, the 2018 Code will apply to Annual Reports covering financial years commencing from 1 January 2019. Nevertheless, the Group has currently where possible adhered to the guidance provided, and will review and set out the corporate practices in place to comply with the 2018 Code where appropriate in the next Annual Report.

The Board confirms that the Group had generally adhered to all principles and guidelines set out in the Code which is divided into four main sections as described below:

- A) Board Matters
- B) Remuneration Matters
- C) Accountability and Audit
- D) Shareholders’ Rights and Responsibilities

Where there are deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

A) BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board’s primary role is to protect and enhance shareholders’ value.

The responsibilities of the Board include:

- Providing entrepreneurial leadership, setting strategic direction, determining the Group’s values and standards (including ethical standards) and ensuring the overall corporate policies of the Group meet its objectives;
- Ensuring adequate risk management processes;
- Ensuring adequacy and effectiveness of internal controls and periodic reviews of the Group’s financial performance and compliance;

- Monitoring the Board composition, processes and performance; and
- Considering sustainability issues as part of its strategic formulation.

Matters which specifically require the Board's decision or approval are those involving:

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nominations of directors for appointment to the Board and appointment of key management personnel;
- Announcement of half-year and full-year results, the Annual Reports and financial statements;
- Material acquisitions and disposal of assets;
- Corporate or financial restructuring;
- Share issuance;
- Dividends and other returns to shareholders;
- Directors' and key management personnel's remuneration; and
- All matters of strategic importance.

All Directors exercise due care in discharging their duties and responsibilities and are obliged to act in good faith and consider at all times the interests of the Company. The Board meets regularly on a half-yearly basis and ad-hoc meetings may be convened whenever deemed necessary to address any specific issue of significance that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Constitution allows a Board meeting to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or other means.

CORPORATE GOVERNANCE REPORT

The Board is assisted by various Board committees, namely the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”), in carrying out and discharging its duties and responsibilities efficiently and effectively. The attendance of the Directors at meetings of the Board and Board committees during FY2018, as well as the frequency of such meetings, are disclosed below:

Name of Director	Board	AC	RC	NC
Number of meetings held in FY2018	4	3	1	1
Attendance				
Ng Fook Ai Victor ⁽¹⁾	3	2	N.A.	N.A.
Peng Fei	4	3	1	1
Peng Weile	4	3	1	1
Chong Soo Hoon, Sean	4	3	1	1
Ng Wee Cheng Steven ⁽²⁾	N.A.	N.A.	N.A.	N.A.
Ng Tiang Hwa ⁽³⁾	1	1	1	1
Ho Wan Jing Nellie ⁽⁴⁾	1	1	1	1
Chow Wen Kwan Marcus ⁽⁵⁾	1	1	1	1
Ho Pei Yuen Rena ⁽⁶⁾	2	2	1	1

Notes:

- (1) Ng Fook Ai Victor was appointed as Independent Non-Executive Chairman of the Company, Chairman of NC and member of AC and RC on 4 May 2018. He has attended all meetings since his appointment.
- (2) Ng Wee Cheng Steven was appointed as Non-Executive Director of the Company and member of AC and RC on 1 January 2019 and therefore did not attend the meetings in 2018.
- (3) Ng Tiang Hwa ceased to be the Independent Director of the Company, Chairman of AC and member of RC with effect from 26 April 2018.
- (4) Ho Wan Jing Nellie ceased to be the Non-Executive Director of the Company with effect from 26 April 2018.
- (5) Chow Wen Kwan Marcus ceased to be the Independent Non-Executive Chairman of the Company, Chairman of NC and member of AC and RC with effect from 4 May 2018.
- (6) Ho Pei Yuen Rena ceased to be the Non-Executive Director of the Company and member of AC and NC with effect from 31 December 2018.

The Directors are informed via electronic mails and briefed during Board meetings of new or revision in laws and regulations which are relevant to the Group. Changes to financial reporting standards are monitored closely by the management (consisting of the Executive Directors and key management personnel (who are not Director or the CEO).) The Directors may also attend appropriate courses, conferences and seminars at the Company’s expenses.

Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations. Newly appointed Directors to the Board will undergo a comprehensive and tailored orientation programme and will be provided with materials to help them familiarise themselves with the duties as director, how to discharge those duties and business and governance practices of the Company. During FY2018 and up to the date of this report, Ng Fook Ai Victor was appointed as Independent Non-Executive Chairman of the Company on 4 May 2018 and Ng Wee Cheng Steven was appointed as Non-Executive Director of the Company on 1 January 2019. The Directors recognise that it is equally important that they receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 406(3)(a) of the Catalist Rules, which was revised to be consistent with the 2018 Code and effective from 1 January 2019, the Company will, within one year from their dates of appointment, arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal, compliance and industry-specific knowledge, where appropriate, in connection with their duties.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently consists of five members, including two Executive Directors, two Independent Directors and a Non-Executive Director. As the Chairman of the Board is an Independent Director, this Board composition complies with the Code's guidelines that at least one-third of the Board should be made up of Independent Directors as well as the 2018 Code's guidelines that the Non-Executive Directors (including Independent Directors) make up a majority of the Board. The Directors are as follows:

Executive Directors

Peng Fei	Executive Director and CEO
Peng Weile	Executive Director

Non-Executive Directors

Chong Soo Hoon, Sean	Independent Director and Chairman of AC and RC
Ng Fook Ai Victor	Independent Non-Executive Chairman and Chairman of NC
Ng Wee Cheng Steven	Non-Executive Director

The NC and the Board consider an "independent" Director as one who has no relationship with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement of the conduct of the Group's affairs.

Following the recent revision to the Code, the Catalist Rules has been amended to be consistent with the 2018 Code. In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Catalist Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which took effect on 1 January 2019, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer.

The NC has conducted an annual review of the independence of the Independent Directors, namely Chong Soo Hoon, Sean and Ng Fook Ai Victor based on the Code's guidelines as well as the latest Catalist Rules, and has ascertained that they are independent.

The NC noted that under the Code, the independence of a Director who has served for more than nine years since date of appointment should be subject to rigorous review. There are no Independent Directors who have served on the Board beyond nine years from the date of his first appointment.

The Board through the NC, taking into consideration the scope and nature of the Group's operations, is of the view that the current size and structure are appropriate for effective decision making and given that the chairman of the Board is an Independent Director and at least one-third of the Board is made up of Independent Directors, there exists a strong independent element to ensure that objective judgement is exercised on corporate affairs.

Generally, each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Group's business. As each of the Director brings valuable insights from different perspectives vital to the strategic interest of the Group, the NC considers that the Directors possess the necessary competencies to provide management with a diverse and objective perspective on issues so as to lead and govern the Group effectively.

The Non-Executive Directors (including Independent Directors) will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. When necessary, the Non-Executive Directors will have discussions/meetings amongst themselves without the presence of the Management.

Principle 3: Chairman and CEO

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Company adopts a dual leadership structure whereby the positions of Chairman of the Board and CEO are separate.

The Independent Non-Executive Chairman of the Board, Ng Fook Ai Victor, is assisted by the three Board committees and the company secretary in ensuring compliance with the Group's guidelines on corporate governance. The Chairman is responsible to, among others:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the directors receive complete, adequate and timely information;
- (e) ensure effective communication with shareholders;
- (f) encourage constructive relations within the Board and between the Board and management;
- (g) facilitate the effective contribution of non-executive directors in particular; and
- (h) promote high standards of corporate governance.

The CEO, Peng Fei, is responsible for the overall management, operations and charting the corporate and strategic direction of the Group.

The Independent Directors provide unbiased and independent views, advice and judgment to safeguard the interests of not only the Group but also the stakeholders, employees, customers and suppliers. Furthermore, the Board is of the view that with the functions of the three Board committees, there are adequate safeguards in place to prevent an unbalanced concentration of power, authority and decision making in a single individual.

To facilitate a more effective check on the management, the Independent Directors meet at least once a year with the internal and external auditors without the presence of the management. The Independent Directors may meet regularly on their own as warranted without the presence of the management.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC consists of three members, the majority of whom, including the Chairman, are independent. As at the date of this Annual Report, the NC members are:

Ng Fook Ai Victor	(Chairman)
Chong Soo Hoon, Sean	(Member)
Peng Weile	(Member)

The NC is guided by written terms of reference that describe the responsibilities of its members.

The NC is responsible for:

- (a) re-nomination of the Directors having regard to each Director's contribution and performance;
- (b) determining annually whether or not a Director is independent;
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director; and
- (d) assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

In addition, the NC is also responsible for the review of board succession plans for Directors, in particular, for the Chairman of the Board and for the CEO, the review of training and professional development programs for the Board and the review of the appointment of Directors (including alternate directors) and key management personnel.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Generally, the NC does not appoint new Directors, but nominates them to the Board which retains the final discretion in appointing such new Directors. In the search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on the mix of the attributes of the existing Board and the requirements of the Group. Thereafter, the NC taps on the resources of the existing Directors' personal contacts and recommendations of potential candidates for the shortlisting process. If candidates shortlisted are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

Under the Company's Constitution, all Directors, including Executive Directors, are required to submit themselves for re-nomination and re-election every three years. Directors who retire are eligible to offer themselves for re-election. In addition, Directors who are appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next Annual General Meeting ("AGM") of the Company, and shall be eligible for re-election.

The NC, in considering the re-election of an incumbent Director, evaluates such Director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board committees and pro-activeness of participation in meetings.

Having regard to the effectiveness of the Board, Directors' attendance and deliberations at meetings of the Board and Board committees and the time spent on the Company's affairs, the NC considers that the multiple board representations held presently by some Directors do not impede their respective performance in carrying out his duties towards the Company. Therefore, the NC and the Board do not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. The Board does not have any alternate directors.

Key information regarding the Directors is set out below:

Name of Director	Date of first appointment	Date of last re-election	Directorships in other listed companies	
			Present	Past (Last three years from 1 January 2016 to date of this Annual Report)
Peng Fei	3 October 2016	26 April 2018	1. Forise International Limited 2. Frontier Resources Limited	Nil
Peng Weile	3 October 2016	26 April 2018	1. Forise International Limited	1. Sino-Excel Energy Limited (delisted on 29 August 2016)
Chong Soo Hoon, Sean	12 July 2017	26 April 2018	1. China Yuanbang Property Holdings Limited	1. China Kangda Food Company Limited
Ng Fook Ai Victor	4 May 2018	–	1. The Place Holdings Limited 2. Sunshine 100 China Holdings Ltd 3. SB REIT Management Pte. Ltd.	1. SHC Capital Asia Limited (now known as Memories Group Limited) 2. Cityneon Holdings Limited 3. My E.G. Services Berhad
Ng Wee Cheng Steven	1 January 2019	–	Nil	Nil

The professional and academic qualifications and the information on shareholdings in the Company held by each Director are set out in the "Board of Directors" and "Directors' Statement" sections of this Annual Report respectively.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board committees and for assessing the contribution from each Director to the effectiveness of the Board. Assessment checklists which include evaluation factors such as Board size and composition, Board process, Board accountability, corporate strategy and planning, risk management, training and recruitment, compensation and standards of conduct, are disseminated to each Director for completion and the assessment results are discussed at the NC meeting. The Board reviews the assessment conducted by the NC and where necessary makes changes to further improve the effectiveness of the Board. Following the review, the Board is of the view that the Board and its Board committees operate effectively and has met its performance objectives for FY2018.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

No external facilitator had been engaged by the Board for this purpose.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board recognises the importance timely information for the Board to discharge its duties effectively. The management regularly furnishes the Board and where appropriate, each Director, with information about the Group as well as the relevant background information or explanatory information relating to the business to be discussed at Board meetings. All Directors are also provided with the contact details of the management and company secretary to facilitate separate and independent access.

The company secretary and/or his/her representatives attend Board and Board committee meetings. The company secretary, together with the management, are responsible for ensuring that appropriate procedures are followed and the requirements of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) and the provisions in the Catalist Rules are complied with. Directors have separate and independent access to the company secretary. The appointment and the removal of the company secretary is a matter for the Board as a whole. Each Director has the right to seek independent legal and other professional advice, at the Company’s expenses, concerning any aspect of the Group’s operations or undertakings in order to fulfil his duties and responsibilities as a Director.

B) REMUNERATION MATTERS**Principle 7: Procedures for Developing Remuneration Policies**

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three Non-Executive Directors, the majority of whom, including the Chairman, are independent. As at the date of this Annual Report, the RC members are:

Chong Soo Hoon, Sean	(Chairman)
Ng Fook Ai Victor	(Member)
Ng Wee Cheng Steven	(Member)

The RC is guided by written terms of reference that describe the responsibilities of its members.

The RC will review and recommend to the Board a framework of remuneration for the Directors and key management personnel (who are not Directors or the CEO), and determine specific remuneration packages for each Executive Director and key management personnel (who are not Directors or the CEO).

The recommendations of the RC are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind (if any) shall be covered by the RC. The remuneration of employees who are related to the Directors or substantial shareholders of the Company will also be reviewed annually by the RC to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

The RC has not engaged external professional remuneration consultant in considering the remuneration matters of the Directors or key management personnel for FY2018. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The RC will ensure that any relationship between the appointed consultant and any of its Director or the Company will not affect the independence and objectivity of the remuneration consultant.

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company has a remuneration policy for its Executive Directors and key management personnel (who are not Directors or the CEO) which consists of a fixed component and a variable component. The fixed component is in the form of a base salary and/or fixed bonus, and the variable component is in the form of a variable bonus. The variable bonus takes into account the performance of the Group and the performance of the individual Executive Directors and key management personnel (who are not Directors or the CEO), as well as the Singapore employment market rates. The Company does not have any employee share scheme or other long-term employee incentive scheme.

All Non-Executive Directors have no service agreements with the Company and do not receive any remuneration from the Company. The Non-Executive Directors are paid fixed Directors' fees, which are determined by the Board based on their contribution, effort, time spent and responsibilities. The Directors' fees are subject to approval by shareholders of the Company at each AGM.

Service agreements

The Company had entered into separate service agreements (the "**Service Agreements**") with the Executive Directors, namely Peng Fei and Peng Weile. The Service Agreement for Lee Lay Choo has been terminated with effect from her date of cessation as Executive Director and Chief Operating Officer with effect from 1 January 2018. The Service Agreements for Ho Pei Yuen Rena and Ho Wan Jing Nellie have also been terminated with effect from their cessation as Executive Directors of the Company with effect from 1 January 2018. The Company entered into a new Service Agreement with Peng Fei upon his appointment as Executive Director of the Company on 1 January 2018. Upon the expiry of the initial period of three years, the employment of the Executive Directors shall be automatically renewed for a period of two years (and thereafter automatically renewed every two years) on such terms and conditions as the parties may agree.

The current Executive Directors, Peng Fei and Peng Weile, are entitled to an annual fixed bonus of one month of their respective last drawn salary. They are also entitled to receive an annual performance bonus, the amount of which is to be determined in the absolute discretion of the RC. The Group will pay all reasonable travelling, hotel and other expenses incurred by the Executive Directors in connection with its business. In addition, the Group shall reimburse all reasonable medical expenses of the Executive Directors in accordance with its personnel policy.

Under the Service Agreements, the salary of each Executive Director is subject to review by the RC after the financial statements of the Group for the immediate preceding financial year have been audited. The Executive Directors shall abstain from voting in respect of any resolution or decision to be made by the Board in relation to the terms and renewal of their Service Agreements.

Save as disclosed, there are no existing or proposed service agreements between the Company and any of its Directors. There are no existing or proposed service agreements entered or to be entered into by the Directors with the Group which provide for benefits upon termination of employment.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Executive Directors and the key management personnel owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties. The RC will review such contractual provision as and when necessary.

Principle 9: Disclosure of Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown, showing the level and mix of each Director's remuneration for FY2018 is as follows:

Remuneration band and name of Director	Director's fee	Salary, CPF and allowance	Performance related bonus	Total
Up to S\$250,000	(%)	(%)	(%)	(%)
Ng Fook Ai Victor ⁽¹⁾	100	–	–	100
Peng Fei	–	100	–	100
Peng Weile	–	100	–	100
Chong Soo Hoon, Sean	100	–	–	100
Ng Wee Cheng Steven ⁽²⁾	N.A.	N.A.	N.A.	N.A.
Ng Tiang Hwa ⁽³⁾	100	–	–	100
Ho Wan Jing Nellie ⁽⁴⁾	100	–	–	100
Chow Wen Kwan Marcus ⁽⁵⁾	100	–	–	100
Ho Pei Yuen Rena ⁽⁶⁾	100	–	–	100

Notes:

- (1) Ng Fook Ai Victor was appointed as Independent Non-Executive Chairman of the Company, Chairman of NC and member of AC and RC on 4 May 2018.
- (2) Ng Wee Cheng Steven was appointed as Non-Executive Director of the Company and member of AC and RC on 1 January 2019.
- (3) Ng Tiang Hwa ceased to be the Independent Non-Executive Director of the Company, Chairman of AC and member of RC with effect from 26 April 2018.
- (4) Ho Wan Jing Nellie ceased to be the Non-Executive Director of the Company with effect from 26 April 2018.
- (5) Chow Wen Kwan Marcus ceased to be the Independent Non-Executive Chairman of the Company, Chairman of NC and member of AC and RC with effect from 4 May 2018.
- (6) Ho Pei Yuen Rena ceased to be the Non-Executive Director of the Company and member of AC and NC with effect from 31 December 2018.

A breakdown, showing the level and mix of each key management personnel's (who are not Directors or the CEO) remuneration for FY2018 is as follows:

Remuneration band and name of key management personnel (who are not Directors or the CEO) [#]	Salary, CPF and allowance	Performance related bonus	Total
Up to S\$250,000	(%)	(%)	(%)
David Cheng Erjun ⁽⁷⁾	100	–	100
Andy Liu Xiaofeng ⁽⁷⁾	100	–	100
Johnny Pan Mingde ⁽⁷⁾	100	–	100
Marco Xu Cong ⁽⁷⁾	100	–	100
Chong Mean Phil ⁽⁸⁾	100	–	100

There were five key management personnel (who are not Directors or the CEO) during FY2018.

(7) With effect from 1 July 2018, following the acquisition of Beijing Shengyan Commercial Management Co., Ltd. (formerly known as Beijing Libre Commercial Management Co., Ltd).

(8) Chong Mean Phil was appointed as Chief Financial Officer on 18 June 2018.

Given the general sensitivity and confidentiality of remuneration matters, the Company is not disclosing the remuneration of each Director and key management personnel (who are not Directors or the CEO). However, the Company adopts the disclosure of remuneration in bands of S\$250,000 for Directors and key management personnel (who are not Directors or the CEO) which would provide a good overview and is informative of the remuneration of each Director and key management personnel (who are not Directors or the CEO).

The aggregate total remuneration paid to or accrued to the key management personnel (who are not Directors or the CEO) amounted to S\$636,000 for FY2018. There are no employees of the Group who is an immediate family member of any Director or the CEO, and whose remuneration exceeded S\$50,000 during FY2018.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

The review of the remuneration of the Executive Directors and key management personnel (who are not Directors or the CEO) by the RC takes into consideration the performance and contributions of the staff to the Group as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel (who are not Directors or the CEO) are adequately but not excessively remunerated.

C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with the legislative and statutory requirements and requirements of the Catalist Rules.

Prior to the release of half-yearly and full year results to the public, the Executive Directors will present the Group's performance together with explanatory details of its operations to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the results.

The Board ensures that the management maintains a sound system of internal controls to safeguard the shareholders' interest and the Group's assets.

The management provides all members of the Board with management accounts of the Company and its subsidiaries on a quarterly basis for understanding of the Group's performance, financial position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board collectively oversees the risk management and is responsible for the governance of risk. The Company did not set up a Risk Management Committee as the management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management regularly reviews significant risk management and internal control policies and procedures and highlights the significant matters to the Board and the AC. Appropriate measures are put in place to control and mitigate these risks when identified.

The Board is responsible for the overall risk management and internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest and the Group's assets.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal control system.

The Board, under the AC's recommendation, selected and appointed Wensen Consulting Asia (S) Pte Ltd as the internal auditor of the Group to review, recommend and carry out subsequent follow-up review of the Group's internal control system. The internal auditor plans its internal audit schedules in consultation with, but independent of, the management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

The Board has received assurance from the CEO and the Chief Financial Officer that:

- (a) the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and
- (b) the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

Based on the internal controls established and maintained by the Group, work performed by the internal auditor, internal control recommendation reported by the external auditor during the course of fulfilling its duties as statutory auditor and reviews performed by the management, the Board with the concurrence of the AC, is of the opinion that the risk management system and internal controls in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group as at 31 December 2018.

Principle 12: Audit Committee

The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises three Non-Executive Directors, the majority of whom, including the Chairman, are independent. As at the date of this Annual Report, the AC members are:

Chong Soo Hoon, Sean	(Chairman)
Ng Fook Ai Victor	(Member)
Ng Wee Cheng Steven	(Member)

The AC has written terms of reference clearly setting out its authority and duties.

At least two members, including the Chairman of the AC, have accounting and related financial management expertise. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC will assist the Board in discharging its responsibility to safeguard the assets of the Group, maintain adequate accounting records and develop and maintain effective system of internal controls, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.

The AC will provide a channel of communication between the Board, the management and the external auditor on matters relating to audit.

The AC shall meet half-yearly and as and when the need arises, to perform, inter alia, the following functions:

- (a) review the audit plan of the internal auditor, and internal auditor's review and evaluation of the Group's system of internal controls;
- (b) review the audit plan of the external auditor, including review the annual consolidated financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Financial Reporting Standards in Singapore, concerns and issues arising from its audits including any matters which the external auditor may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (c) review the half-yearly consolidated financial statements comprising the statement of comprehensive income and the balance sheets and such other information required by the Catalist Rules, before submission to the Board for approval;
- (d) review and discuss with the external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;
- (e) review the co-operation given by the management to the external auditor;
- (f) consider the appointment or re-appointment of the external auditor;
- (g) review and ratify any interested person transactions falling within the scope of Chapter 9 of the SGX-ST Catalist Rules;
- (h) review potential conflicts of interests (if any);
- (i) review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) undertake generally such other functions and duties as may be required by law or the SGX-ST Catalist Rules, and by such amendments made thereto from time to time.

The AC had met with the internal and external auditors, without the presence of the management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

The AC confirms that it has undertaken a review of all non-audit services provided by the external auditor and that such non-audit services would not, in the AC's opinion, affect the independence of the external auditor. In the AC's opinion, the external auditor, Nexia TS Public Accounting Corporation is suitable for re-appointment and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for re-appointment as auditor of the Company at the forthcoming AGM.

The AC is mindful of the need to maintain a balance between the independence and objectivity of the external auditor and the work carried out by the external auditor based on value for money consideration. During FY2018, the aggregate amount of fees paid or payable to the external auditor for the audit and non-audit services (in relation to Sustainability Reporting services) amounted to S\$80,000 and S\$5,000, respectively.

The Group is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointments of its external auditors. No former partner or director of the Company's auditing firm has acted as a member of the Company's Audit Committee.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group has a whistle-blowing policy in place which encourages the reporting of mainly matters of fraud, corruption or dishonest and unethical practices. The whistle-blowing policy has been communicated to all staff. The Group undertakes to investigate complaints or suspected fraud and unethical behaviour in an objective manner and has put in place, with the AC's endorsement, arrangement by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and allow appropriate actions to be taken. All such concerns are to be raised in confidentiality directly to the Chairman of the Board and AC. For FY2018, the Group did not receive any whistle-blowing reports.

It is the Company's practice for the external auditor to present to the AC its audit plan and with updates relating to any change in accounting standards impacting the financial statements of the Group. During FY2018, the changes in accounting standards did not have any material impact on the Group's financial statements.

In line with the recommendations by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and SGX-ST, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**"). The AC considered the KAM presented by the external auditor together with management. The AC reviewed the KAM and concurred and agreed with the external auditor and management on their assessment, judgements and estimates on the significant matter reported by the external auditor.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The Company has therefore appointed Wensen Consulting Asia (S) Pte Ltd, an external risk advisory consultancy firm, to undertake the functions of an internal auditor for the Group. The internal auditor reports directly to the AC and administratively to the Executive Directors. The internal auditor has unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

The AC approves the engagement, removal, evaluation and compensation of the internal auditor and reviews the activities of the internal auditor on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified.

The internal auditor has adopted the standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC is satisfied that the internal auditor appointed by the Company has adequate resources and experience. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

D) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES**Principle 14: Shareholders' Rights**

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Group ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

All shareholders are entitled to attend and vote at the AGM and are afforded the opportunity to participate effectively at the AGM. The Constitution of the Company allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the AGM. Any relevant intermediary is entitled to appoint more than two proxies to attend and vote at the general meetings pursuant to the legislative amendment in January 2016.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, it is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group. Such information is disclosed in an accurate and comprehensive manner through SGXNET.

The Company does not practise selective disclosure. Results and Annual Reports are announced or issued within the mandatory period.

The Company conducts its investor relations on the following principles:

- (a) Information deemed to be price-sensitive is disseminated without delay via announcements on SGXNET;
- (b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and
- (c) Operate an open policy with regard to investors' enquiries.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividend will depend on the Company's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. No dividend was paid or proposed for FY2018 in view of the loss for FY2018.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All the shareholders of the Company will receive the Company's Annual Report and notice of AGM. At each AGM, shareholders will be given the opportunity and time to air their views and ask Directors or the management questions regarding the Group.

The Chairman of each Board committee is required to be present to address questions at the AGM. The external auditor will also be present at such meeting to assist the Directors to address shareholders' queries, if necessary.

The Constitution of the Company allows any shareholder of the Company, if he or she is unable to attend the meeting, to appoint not more than two proxies to attend and vote on his or her behalf at the meeting through proxy forms sent in advance.

Resolutions at general meetings are on each substantially separate issue. The Company avoids bundling resolutions unless they are interdependent and linked.

Minutes of general meeting will be made available to shareholders upon their request.

The Company adopts voting by poll for all resolutions in annual general meeting in accordance with the requirement of the Catalist Rules. Announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will also be made on the same day.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of shareholders' identities through the web are not compromised.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has devised and adopted policies in line with the requirements of the Catalist Rules on dealings in the Company's securities.

The Company and its officers are prohibited from dealing in the Company's shares on short-term consideration or at any time when they are in possession of unpublished price-sensitive information. They are also not allowed to deal in shares of the Company during the period commencing one month before the date of announcement of the Company's half year and full year financial results, and ending on the date of the announcement of the relevant results.

In addition, the Directors and employees are expected to observe insider trading laws at all times when dealing in securities within the permitted trading period.

Interested Person Transactions

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions, if any, to be at agreed and normal commercial terms, and not prejudicial to the interests of the Company and its shareholders, and to be reviewed by the AC to ensure compliance with the requirements of the Catalist Rules on interested person transactions.

If the Group enters into an interested person transaction and a potential conflict of interest arises, the Director concerned shall abstain from any discussions and also refrain from exercising any influence over other members of the Board.

The Company did not enter into interested person transactions which are required for disclosure pursuant to Rule 1204(17) of the Catalist Rules during FY2018.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees incurred in FY2018 paid/payable to Hong Leong Finance Limited, the Company's former continuing sponsor for the period commencing from 1 January 2018 to 3 September 2018, and SAC Capital Private Limited, the Company's current continuing sponsor with effect from 4 September 2018 to 31 December 2018.

Material Contracts

There were no material contracts of the Company and its subsidiary corporations involving the interests of the CEO or any Director or controlling shareholder of the Company, either still subsisting at the end of FY2018 or if not then subsisting, which were entered into since the end of the previous financial year.

Use of Proceeds

The gross proceeds of S\$3.92 million from the initial public offering of the Company's shares has been fully utilised during FY2018, as announced on 13 August 2018.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors are pleased to present their statement to the members together with the audited financial statements of SMJ International Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and statement of cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Peng Fei

Peng Weile

Chong Soo Hoon Sean

Ng Fook Ai Victor

(appointed on 4 May 2018)

Ng Wee Cheng

(appointed on 1 January 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of a director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018 or date of appointment, if later	At 31.12.2018	At 1.1.2018 or date of appointment, if later
The Company				
(No. of ordinary shares)				
Peng Weile	15,300,000	—	—	—

The directors' interests in the ordinary shares or debentures of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Chong Soo Hoo Sean	Independent director (Chairman)
Ng Fook Ai Victor	Independent director (Member)
Ng Wee Cheng	Non-Executive director (Member)

Two members of the AC were independent and all of them were non-executive directors. The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the Code of Corporate Governance.

AUDIT COMMITTEE (CONTINUED)

The AC has met half-yearly and as and when the need arises, to perform, inter alia, the following functions:

- (a) review the audit plan of the internal auditor, and internal auditor's review and evaluation of the Group's system of internal controls;
- (b) review the audit plan of the external auditor, including review the annual consolidated financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Financial Reporting Standards in Singapore, concerns and issues arising from its audit including any matters which the external auditor may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (c) review the half-yearly consolidated financial statements comprising the statement of comprehensive income and the balance sheets and such other information required by the SGX-ST Catalist Rules, before submission to the Board for approval;
- (d) review and discuss with our external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;
- (e) review the co-operation given by our management to the external auditor;
- (f) consider the appointment or re-appointment of the external auditor;
- (g) review and ratify any interested person transactions falling within the scope of Chapter 9 of the SGX-ST Catalist Rules;
- (h) review potential conflicts of interests (if any);
- (i) review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensured that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) undertake generally such other functions and duties as may be required by law or the SGX-ST Catalist Rules, and by such amendments made thereto from time to time.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for reappointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept reappointment.

On behalf of the directors

Peng Fei
Director

Peng Weile
Director

4 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMJ INTERNATIONAL HOLDINGS LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of SMJ International Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business combination

(Refer to Note 29 to the financial statements)

On 21 July 2018, The Group acquired 52% equity interest in Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) for a total consideration of RMB15.6 million, and recognised goodwill of RMB12.2 million.

SFRS (I) 3 Business Combinations requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill.

Management has engaged external valuation specialist to assist them with the allocation of purchase consideration to identified assets acquired and liabilities assumed, and the measurement of their fair value at acquisition date.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Business combination (Continued)

(Refer to Note 29 to the financial statements) (Continued)

Due to significant management judgement and estimates involved in the identification of intangible assets such as management contracts and naming rights, and their respective fair values, we identified accounting for this acquisition to be a key audit matter.

How our audit addressed the Key Audit Matters

In obtaining sufficient audit evidence, the following procedures were carried out:

- Examined the sale and purchase agreement to understand the key terms and conditions.
- Evaluated the competence, capabilities and objectivity of management's external valuation specialist.
- Involved our internal valuation specialists to evaluate the appropriateness of the valuation methodologies and key assumptions applied in the purchase price allocation report, including forecasted cash flows and discount rate.
- Assessed the adequacy of disclosures relating to the acquisitions in Note 29 to the financial statements.

As disclosed in Note 29 to the financial statements, the goodwill arising from the acquisition is provisional and will be finalised in the following year. Provisional goodwill arising from the acquisition and relating carrying amounts of the assets and liabilities will be adjusted accordingly on a retrospective basis when the valuation is finalised.

Impairment assessment on goodwill

(Refer to Note 20 to the financial statements)

The Group has a provisional goodwill arising from the acquisition amounting to RMB12.2 million as at 31 December 2018. This represents 11% of the Group's total assets.

Goodwill is assessed for impairment annually irrespective of whether there is any indication that the goodwill may be impaired.

The management applies the value-in-use method to determine the recoverable amount of the cash-generating unit ("CGU") in which goodwill is attributed to. The recoverable amount of the goodwill is highly dependent on management's forecasts and estimates which includes, but not limited to, discount rate and growth rates in revenue and cost of services rendered.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Impairment assessment on goodwill (Continued)

(Refer to Note 20 to the financial statements) (Continued)

How our audit addressed the Key Audit Matters

In obtaining sufficient audit evidence, the following procedures were carried out:

- Evaluated whether the methodology used by management to determine the recoverable amount of goodwill complies with SFRS(I) 1-36 Impairment of Assets.
- Analysed the future discounted cash flows used in the model to determine whether they are reasonable and supportable given the expected future performance of the CGU.
- Involved our internal valuation specialists to evaluate the reasonableness and challenged the appropriateness of key assumptions used by the management, by comparing them against internal information relating to the CGU and/or publicly available market data.
- Assessed the appropriateness of disclosures contained in Note 20 to the financial statements.

Revenue recognition

(Refer to Note 4 and Note 32 to the financial statements)

The Group earns its revenue through rendering of consultancy services and hotel management fees. For rendering of consultancy services, the revenue is recognised based on project milestones according to the contract terms.

For the financial year ended 31 December 2018, revenue from consultancy services, which is recognised based on milestone certified by independent third party surveyor amounted to RMB7.4 million.

Due to significant management judgement and estimates involved in the identification of the project milestones, we identified accounting for consultancy services revenue to be a key audit matter.

The accounting policies for revenue recognition are set out in Note 2.3 to the financial statements and the different revenue streams for the Group have been disclosed in Note 4 to the financial statements.

How our audit addressed the Key Audit Matters

In obtaining sufficient audit evidence, the following procedures were carried out:

- Understood and evaluated management's processes and control over revenue recognition.
- Reviewed all the contracts identified during the financial year and identified performance obligations and transaction price in the contracts.
- Evaluated management's assessment of the application of SFRS(I) 15.
- Interviewed the major customer of the Group to ascertain its existence and understand the revenue cycle with the customer.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMJ INTERNATIONAL HOLDINGS LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Revenue recognition (Continued)

(Refer to Note 4 and Note 32 to the financial statements) (Continued)

How our audit addressed the Key Audit Matters (Continued)

- Assessed the competence and independence of the third party surveyor to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitation on their work.
- Tested all invoices raised to engineer report and customer acknowledgement for accuracy of revenue recognised.
- Performed substantive audit procedures to ascertain revenue, including sales cut-off procedures at financial year end, reasonableness testing and ensure that revenue is recognised in the correct financial year.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMJ INTERNATIONAL HOLDINGS LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMJ INTERNATIONAL HOLDINGS LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ross Yu Limjoco.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
4 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
Revenue	4	10,241	5,472
Other income	5	10	13
Other gains – net	6	2,857	4,036
Expenses			
– Amortisation of intangible assets	20(b)	(518)	–
– Depreciation of property, plant and equipment		(32)	*
– Employee compensation	7	(9,019)	(1,669)
– Other expenses	8	(4,819)	(2,541)
Total expenses		(14,388)	(4,210)
(Loss)/profit before income tax		(1,280)	5,311
Income tax expense	9	(144)	(919)
(Loss)/profit from continuing operations		(1,424)	4,392
Discontinued operations			
Loss from discontinued operations	10	–	(1,052)
Total (loss)/profit for the financial year		(1,424)	3,340
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		296	1,471
Other comprehensive income, net of tax		296	1,471
Total comprehensive (loss)/income for the financial year		(1,128)	4,811
(Loss)/profit attributable to:			
Equity holders of the Company		(2,299)	3,340
Non-controlling interests		875	–
		(1,424)	3,340
(Loss)/profit attributable to equity holders of the Company related to:			
(Loss)/profit from continuing operations		(2,299)	4,392
Loss from discontinued operations		–	(1,052)
		(2,299)	3,340
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,003)	4,811
Non-controlling interests		875	–
		(1,128)	4,811
(Loss)/Earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company (RMB cents per share)			
Basic and diluted (loss)/earnings per share (RMB cents)			
From continuing operations	11	(2.95)	5.63
From discontinued operations	11	–	(1.35)

* Less than RMB1,000

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	12	1,980	7,822	28,403
Financial assets, at fair value through profit or loss	13	59,530	–	–
Trade and other receivables	14	18,567	74,039	24,770
Inventories	15	–	–	20,956
		80,077	81,861	74,129
Non-current assets				
Investment in a joint venture	16	–	–	1,647
Investment property	18	–	–	13,760
Property, plant and equipment	19	277	3	3,751
Intangible assets	20	26,086	–	–
		26,363	3	19,158
Total assets		106,440	81,864	93,287
LIABILITIES				
Current liabilities				
Trade and other payables	21	5,200	1,014	8,674
Current income tax liabilities		97	918	44
Borrowings	22	–	–	9,315
Deferred government grant	23	–	–	131
		5,297	1,932	18,164
Non-current liability				
Deferred income tax liabilities	24	3,642	–	2
Total liabilities		8,939	1,932	18,166
NET ASSETS		97,501	79,932	75,121
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	25	29,194	29,194	29,194
Currency translation reserves	26	1,767	1,471	–
Accumulated profits	27	46,968	49,267	45,927
		77,929	79,932	75,121
Non-controlling interests	17	19,572	–	–
Total equity		97,501	79,932	75,121

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 RMB'000	The Company As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	12	153	498	6,707
Trade and other receivables	14	75,880	77,899	5,396
		76,033	78,397	12,103
Non-current assets				
Investments in subsidiary corporations	17	*	*	16,054
Property, plant and equipment	19	148	—	—
		148	*	16,054
Total assets		76,181	79,397	28,157
LIABILITIES				
Current liability				
Trade and other payables	21	831	578	408
NET ASSETS		75,350	77,819	27,749
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	25	29,194	29,194	29,194
Currency translation reserves	26	3,550	1,471	—
Accumulated profits/(losses)	27	42,606	47,154	(1,445)
Total equity		75,350	77,819	27,749

* Less than RMB1,000

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

← Attributable to equity holders of the Company →						
Note	Share capital RMB'000	Currency translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
The Group						
2018						
Beginning of financial year	29,194	1,471	49,267	79,932	–	79,932
Total comprehensive income/(loss) for the financial year	–	296	(2,299)	(2,003)	875	(1,128)
Acquisition of subsidiary corporations	29	–	–	–	18,697	18,697
End of financial year	29,194	1,767	46,968	77,929	19,572	97,501
2017 (Restated)						
Beginning of financial year	29,194	–	45,927	75,121	–	75,121
Total comprehensive income for the financial year	–	1,471	3,340	4,811	–	4,811
End of financial year	29,194	1,471	49,267	79,932	–	79,932

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Cash flows from operating activities			
Net (loss)/profit for the financial year			
– Continuing operations		(1,424)	4,392
– Discontinued operations		–	(1,052)
Adjustments for:			
– Income tax expense	9	144	953
– Amortisation of intangible assets	20(b)	518	–
– Fair value gain on financial assets, at fair value through profit or loss	6	(2,859)	–
– Depreciation of property, plant and equipment	19	32	1,328
– Depreciation of investment property	18	–	321
– Impairment loss on investment property	18	–	222
– Gain on disposal of property, plant and equipment		–	(49)
– Property, plant and equipment written off		–	12
– Gain on disposal of a subsidiary corporation	6	–	(4,036)
– Interest income	5	(10)	(13)
– Unrealised currency translation losses		296	1,471
		(3,303)	3,549
Change in working capital, net of effects from acquisition of subsidiary corporations and disposal of a subsidiary corporation:			
– Inventories		–	540
– Trade and other receivables		63,558	(8,545)
– Financial assets, at fair value through profit or loss		(56,671)	–
– Trade and other payables		(17,093)	7,555
– Deferred government grant		–	(131)
Cash (used in)/generated from operations		(13,509)	2,968
Income tax paid		(918)	(51)
Interest received		10	29
Net cash (used in)/provided by operating activities		(14,417)	2,946
Cash flows from investing activities			
Acquisition of subsidiary corporations, net of cash acquired	29	8,850	–
Additions to property, plant and equipment	19	(275)	(1,352)
Disposal of property, plant and equipment		–	49
Disposal of a subsidiary corporation, net of cash disposed of	12	–	(6,846)
Net cash provided by/(used in) investing activities		8,575	(8,149)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings		–	33,759
Repayment of borrowings		–	(33,132)
Fixed deposits with maturity more than three months		–	1,883
Net cash provided by financing activities		–	2,510
Net decrease in cash and cash equivalents		(5,842)	(2,693)
Cash and cash equivalents			
Beginning of financial year		7,822	10,515
End of financial year	12	1,980	7,822

Reconciliation of liabilities arising from financing activities

	1 January 2017 RMB'000 (restated)	Proceeds from borrowings RMB'000 (restated)	Principal and Interest payments RMB'000 (restated)	Non-cash changes RMB'000 (restated)		31 December 2017 RMB'000 (restated)
				Interest expense	Disposal of subsidiary corporation	
Bank borrowings	9,315	33,759	(33,462)	905	(10,517)	–

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL INFORMATION

SMJ International Holdings Ltd. (“the Company”) is listed on the Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and incorporated and domiciled in Singapore. The address of its registered office is 80 Raffles Place #11-20 UOB Plaza 2 Singapore 048624.

The principal activity of the Company is investment holding. The principal activities of its subsidiary corporations and joint venture are described in Note 16 and Note 17 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Prior to 1 July 2018, the Singapore Dollar (“SGD”) was regarded as the functional currency of the Company and the consolidated financial statements were also presented in SGD. After reviewing the Group’s interim financial performance, the directors of the Company (the “Directors”) consider that as a result of the acquisition of Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and subsequent growth of SMJ International Holdings Ltd. and its subsidiary corporations (the “Group”) in the People Republics of China (“PRC”), the primary economic environment in which the Group operates has changed and it is more appropriate to use Chinese Renminbi (“RMB”) as the Group’s presentation currency. The presentation currency of the Company was also changed to RMB in line with the change in presentation currency of the Group, while the functional currency of the Company has not changed and remained as SGD. The change in presentation currency was accounted for in accordance with SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates. Comparative figures have been restated to reflect the change in the Group’s presentation currency. The Group has also presented the consolidated statement of financial position as at 1 January 2017.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS (I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the financial year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

There were no material adjustments to the Group's equity, total comprehensive income and statement of cash flows arising from the transition from SFRS to SFRS(I).

(a) *Optional exemptions applied*

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Business combination

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS (I) (Continued)

(a) *Optional exemptions applied (Continued)*

(ii) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

The accounting policies for financial assets under SFRS(I) 9 is as disclosed in Note 2.11.

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

– Trade and other receivables

The impairment methodology for each classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.11 and Note 30(b).

(iii) Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;
- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation (PO) by transferring a promised goods or services to the customer, which is when the customer obtains control of the goods or services. A performance obligation is satisfied at a point in time or over time.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual stand-alone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

The Group recognises revenue from the following sources:

(a) *Consultancy services*

The provision of consultancy services is recognised at over time when the Group satisfies a performance obligation by transferring control of a promised service to the customer. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Output method used to recognise revenue by reference to the Group's progress towards completing the services rendered. The measure of progress is determined based on surveys of work performed.

(b) *Hotel management fees*

Hotel management fees involve planning, assessing, supervising and quality control on hotel and resort development. The hotel management fees are charged based on a percentage of the total revenue of the hotels under the Group's management. Total hotels' revenue includes but is not limited to room revenue, food and beverage revenue, revenue from conference, banquet and spa service. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue from the hotel management is recognised at a point in time when the management services is delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the services rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

2.5 Group accounting

(a) *Subsidiary corporations*

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting (Continued)

(a) *Subsidiary corporations (Continued)*

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and joint venture" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting (Continued)

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Joint ventures*

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint ventures represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the joint ventures are recognised as a reduction of the carrying amount of the investments.

When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Group accounting (Continued)

(c) Joint ventures (Continued)

(iii) Disposals

Investments in joint ventures are derecognised when the Group loses joint control. If the retained equity interest in the former joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph “Investments in subsidiary corporations and joint venture,” for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

2.6 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Computers	3 years
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	3-10 years
Leasehold improvements	3-5 years

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains – net".

2.7 Borrowings costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Investment properties

Investment properties include residential buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties includes properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. Investment properties under construction is not depreciated. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.9 Investments in subsidiary corporations and joint venture

Investments in subsidiary corporations and joint venture are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Property, plant and equipment*

Investment property

Intangible assets

Investments in subsidiary corporations and joint venture

Property, plant and equipment, investment property, intangible assets and investments in subsidiary corporations and joint venture are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

At the end of the financial year, the Group does not hold any of the financial assets except loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 14) and "cash and cash equivalents" (Note 12) on the balance sheet.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

The accounting for financial assets before 1 January 2018 is as follows: (Continued)

(e) *Impairment*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

The accounting for financial assets from 1 January 2018 under SFRS(I) 9 is as follows:

(f) *Classification and measurement*

The Group classifies and measures its financial assets at amortised cost or fair value through profit or loss (FVPL). The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

The accounting for financial assets from 1 January 2018 under SFRS(I) 9 is as follows:
(Continued)

(f) *Classification and measurement (Continued)*

At subsequent measurement

Debt instruments

Debt instruments of the Group mainly comprise cash and cash equivalents and trade and other receivables.

The subsequent measurement categories depend on the Group's business model for managing the assets and the cash flow characteristic of the assets. The Group manages these groups of financial assets by collecting the contractual cash flow and these cash flows represent solely payment of principal and interest. Accordingly, these groups of financial assets are measured at amortised cost subsequent to initial recognition.

A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest rate method.

(g) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applied the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

(a) Goodwill

Goodwill on acquisition of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to entity sold.

(b) Management contracts and naming rights

Management contracts and naming rights acquired in business combination are initially recognised at costs which represent fair values at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss on a straight-line method over their estimated useful lives as follows:

	<u>Useful lives</u>
Management contracts	15 years
Naming rights	12 years

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporation. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporation fails to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.17 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.18 Leases

(a) *When the Group is the lessee:*

The Group leases office and warehouse spaces under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

(b) *When the Group is the lessor:*

The Group leases investment property under operating leases to non-related party.

Lessor – Operating leases

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.19 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises the purchase price and other direct costs directly attributable to the acquisition of finished goods – carpets but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.20 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and joint venture, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income taxes (Continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.21 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.22 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Defined contribution plans – retirement benefits

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary corporations of the Group ("PRC Subsidiary Corporations") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC Subsidiary Corporations are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiary Corporations. The only obligation of the PRC Subsidiary Corporations with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss when incurred.

2.23 Currency translation*(a) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore Dollar. The financial statements are presented in Chinese Renminbi ("RMB") as the functional currency of the Group's operating subsidiary corporations is RMB.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity instruments) and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Currency translation (Continued)

(b) Transactions and balances (Continued)

Foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker whose members are responsible for allocating resources and assessing performance of the operating segments.

2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet, if any.

2.26 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Discontinued operations

A discontinued operation is a component of an entity that neither has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Credit loss allowance for trade and other receivables

Expected credit losses (ECL) on trade and other receivables are probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account current conditions and assessment of future economic conditions.

The Group has used relevant current payment patterns to determine the probability of default of the instruments and also incorporated forward looking information, including significant changes in external market indicators.

As at 31 December 2018, the Group's trade receivables amounted to RMB6,288,000 which arises from the Group's different revenue segments – consultancy services and hotel management fees.

During the financial year, there was no ECL provided, as the Group is of the view that the need to provide for expected credit loss is minimal after the assessment for current customers' payment patterns.

The carrying amounts of trade and other receivables at the end of each financial year are disclosed in Note 14.

(b) Estimated impairment of goodwill

The Group has a provisional goodwill of RMB12,223,000 (2017: NIL) in its balance sheet.

In performing the impairment assessment of the carrying amount of its goodwill, the recoverable amount of the CGU in which the goodwill has been attributable to is determined using value-in-use ("VIU") calculation.

If the estimated cost of equity used had been 10% higher/lower than management's estimates, the recoverable amount would have been lower/higher by RMB8,374,000 and RMB15,134,000 respectively.

Significant judgments are used to estimate the revenue growth rates and cost of equity applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on the CGU's actual performance for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 REVENUE

The Group derives revenue from the transfer of services at a point in time and over time in the following geographical location:

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
2018			
People's Republic of China			
Consultancy services	–	7,412	7,412
Hotel management fees	2,829	–	2,829
	2,829	7,412	10,241
2017 (Restated)			
People's Republic of China			
Consultancy services	–	5,472	5,472
	–	5,472	5,472

5 OTHER INCOME

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Interest income – bank deposits	10	13
Sundry income	*	*
	10	13

* Less than RMB1,000

6 OTHER GAINS – NET

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Fair value gain on financial assets, at fair value through profit or loss (Note 13)	2,859	–
Currency exchange losses – net	(2)	*
Gain on disposal of a subsidiary corporation (Note 10)	–	4,036
	2,857	4,036

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7 EMPLOYEE COMPENSATION

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Wages and salaries	7,411	1,255
Employer's contribution to defined contribution plan including Central Provident Fund	1,608	414
	9,019	1,669

8 OTHER EXPENSES

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Auditors' remuneration	391	319
Travel and entertainment	952	39
Professional fees	1,921	1,944
Rental expenses on operating lease	751	–
Marketing and promotion	556	–
Printing, stationery and postages	133	74
Others	115	165
	4,819	2,541

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9 INCOME TAX EXPENSE

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Tax expense attributable to (loss)/profit is made up of:		
– (Loss)/profit for the financial year:		
<u>From continuing operations</u>		
– Current income tax	97	919
– Deferred income tax (Note 24)	47	–
<u>From discontinued operations</u>		
– Current income tax (Note 10(a))	–	34
– Under provision of current income tax in prior financial years:		
From continuing operations	–	*
	144	953

* Less than RMB1,000

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
(Loss)/profit before tax from		
– continuing operations	(1,280)	5,311
– discontinued operations	–	(1,018)
	(1,280)	4,293
Tax calculated at tax rate of 17% (2017: 17%)	(218)	730
Effects of:		
– different tax rates in other countries	51	247
– tax exemptions and incentives	–	(62)
– deferred tax assets not recognised	1,331	–
– expenses not deductible for tax purposes	797	725
– income not subject to tax	(1,817)	(687)
– under provision of current income tax in prior financial years	–	*
	144	953

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10 DISCONTINUED OPERATIONS

On 20 October 2017, the Company entered into a Sale and Purchase Agreement (“SPA”) to dispose of the Group’s entire interests in SMJ Furnishings (S) Pte Ltd (“SMJ Furnishings”) (comprising the Group’s carpet furnishing business). On 26 December 2017, the shareholders of the Company approved the disposal of the Group’s entire interests SMJ Furnishings. On 16 January 2018, the Group completed the disposal of SMJ Furnishings. On 7 February 2018, the Board announced that the Company and the Purchasers had entered into a supplementary deed, notwithstanding and without affecting the legality nor effectiveness of completion which has occurred on 16 January 2018, risk and rewards associated with the SPA and control over SMJ Furnishings shall be transferred from 31 December 2017.

The Group deemed that they have lost control over SMJ Furnishings on 31 December 2017 and recognised a gain on disposal of approximately RMB4,036,000.

The entire results of SMJ Furnishings are presented separately on the statement of comprehensive income as “Discontinued Operations”.

- (a) The results of the discontinued operations and the remeasurement of the disposal group are as follows:

	The Group 2017 RMB'000 (Restated)
Revenue	81,947
Other income	954
Other gains	220
Expenses	(84,139)
Loss before income tax from discontinued operations (Note 9)	(1,018)
Income tax expense (Note 9)	(34)
Loss for the financial year from discontinued operations, net of tax	(1,052)

- (b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	The Group 2017 RMB'000 (Restated)
Operating cash inflows	1,522
Investing cash outflows	(1,468)
Financing cash outflows	(78)
Total cash outflows	(24)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group	
	2018	2017 (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB'000)		
– Continuing operations	(2,299)	4,392
– Discontinued operations	–	(1,052)
	(2,299)	3,340
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	78,000	78,000
Basic and diluted (losses)/earnings per share (RMB cents per share)		
– Continuing operations	(2.95)	5.63
– Discontinued operations	–	(1.35)
	(2.95)	4.28

There were no dilutive potential ordinary shares during the financial years ended 31 December 2018 and 2017.

12 CASH AND CASH EQUIVALENTS

	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Cash at bank and on hand	1,980	7,822	8,680
Bank deposits	–	–	19,723
	1,980	7,822	28,403

	As at 31 December 2018 RMB'000	The Company As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Cash at bank and on hand	153	498	2,120
Bank deposits	–	–	4,587
	153	498	6,707

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Cash and bank balances (as above)	1,980	7,822	28,403
Less: Bank deposits with maturity more than three months	—	—	(17,888)
Cash and cash equivalents per consolidated statement of cash flows	1,980	7,822	10,515

Acquisition and disposal of subsidiary corporations

Please refer to Note 29 to the financial statements for the effects of acquisitions of subsidiary corporations on the cash flows of the Group.

On 31 December 2017, the Group disposed its entire equity interest in SMJ Furnishing (S) Pte. Ltd., a wholly-owned subsidiary. The effects of the disposal on the cash flows of the Group were:

	The Group As at 31 December 2017 RMB'000 (Restated)
Carrying amounts of assets and liabilities as at the date of disposal	
Cash and cash equivalents	6,846
Bank deposits with maturity more than three months	17,110
Trade and other receivables	27,177
Inventories	21,710
Investment property (Note 18)	14,069
Property, plant and equipment (Note 19)	3,996
Investment in a joint venture	1,647
Total assets	92,555
Trade and other payables	(15,750)
Current income tax liabilities	(30)
Borrowings	(10,517)
Deferred income tax liabilities (Note 24)	(2)
Total liabilities	(26,299)
Net assets disposed of	66,256

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12 CASH AND CASH EQUIVALENTS (CONTINUED)

The aggregate cash outflows arising from the disposal of SMJ Furnishings (S) Pte. Ltd. were:

	The Group As at 31 December 2017 RMB'000 (Restated)
Net assets disposed of (as above)	66,256
Currency translation differences	(3,086)
Gain on disposal	4,036
Cash proceeds from disposal	67,206
Less: cash and cash equivalents in subsidiary corporation disposed of (as above)	(6,846)
Less: consideration receivables	(67,206)
Net cash outflow on disposal	(6,846)

13 FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group 2018 RMB'000
Beginning of financial year	-
Additions	56,671
Fair value gain on financial assets, at fair value through profit or loss (Note 6)	2,859
End of financial year	59,530

The instruments are all mandatorily measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14 TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Trade receivables – non-related parties	6,288	1,300	24,240	–	–	–
Less: Allowances for impairment (Note 30(b)(iii))	–	–	(919)	–	–	–
Trade receivables – net	6,288	1,300	23,321	–	–	–
Other receivables						
– Subsidiary corporations	–	–	–	75,812	5,170	5,137
– Consideration receivable from the disposal of SMJ Furnishing (S) Pte Ltd	–	67,206	–	–	67,206	–
– Related party	–	5,342	–	–	5,342	–
– Non-related party	1,421	–	–	–	–	–
	1,421	72,548	–	75,812	77,718	5,137
Advances to employees	–	–	252	–	–	–
Interest income receivable	–	–	33	–	–	15
Deposits	10,790	–	64	–	–	–
Prepayments	68	191	1,100	68	181	244
	18,567	74,039	24,770	75,880	77,899	5,396

Other receivables from subsidiary corporations and a related party are unsecured, interest-free and repayable on demand.

Deposits refer to a refundable security deposit paid for the bidding of a new hotel management contract.

15 INVENTORIES

	The Group As at 1 January 2017 RMB'000 (Restated)
At cost	
Finished goods	20,956

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16 INVESTMENT IN A JOINT VENTURE

	The Group 2017 RMB'000 (Restated)
<i>Equity investments at cost</i>	
Beginning of financial year	1,647
Additions	–
Disposal (Note 12)	(1,647)
End of financial year	–

The joint venture was incorporated on 10 November 2016 and remained dormant after incorporation.

There are no contingent liabilities relating to the Group's interest in the joint venture. The joint venture has share capital consisting solely of ordinary shares.

Details of the joint venture held by the Group are as follows:

Name of entity	Principal activities	Country of business/ incorporation	% of ownership interest	
			As at 31 December 2017 %	As at 1 January 2017 %
PT Spektrum Megah Jaya ⁽¹⁾⁽²⁾	Supply and distribution of carpets and other furnishing materials	Indonesia	–	33

(1) Not required to be audited as the company is presently dormant

(2) Disposed of in the previous financial year

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	The Company 2018 RMB'000	2017 RMB'000 (Restated)
<i>Equity investment at cost</i>		
Beginning of financial year	*	16,054
Additions	–	*
Disposal of a subsidiary corporation	–	(16,054)
End of financial year	*	*

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

The Group had the following subsidiary corporations as at 31 December 2018, 31 December 2017 and 1 January 2017:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Group			Proportion of ordinary shares directly held by the Company			Proportion of ordinary shares held by non-controlling interests		
			31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017
Held by the Company Elite Management (Singapore) Pte. Ltd. ⁽¹⁾	Investment holdings	Singapore	100	100	100	100	100	100	-	-	-
Held by Elite Management (Singapore) Pte. Ltd. SMJ Furnishings (S) Pte Ltd ⁽¹⁾	General wholesale trade of carpets and furnishings material	Singapore	-	-	100	-	-	-	-	-	-
Beijing Zhuoyue Tiancheng Business Management Co., Ltd. ⁽²⁾	Property and hospitality management consultancy services	People's Republic of China	100	100	-	-	-	-	-	-	-
Held by Beijing Zhuoyue Beijing Shengyan Commercial Management Co., Ltd. ⁽²⁾⁽³⁾ (f.k.a. Beijing Libre Commercial Management Co., Ltd.)	Tiancheng Business Management Co., Ltd.	People's Republic of China	52	-	-	-	-	-	48	-	-
Held by Beijing Shengyan Beijing Libre Hotel Management Co., Ltd. ⁽²⁾⁽³⁾	Property and hospitality management consultancy services	People's Republic of China	52	-	-	-	-	-	48	-	-
Beijing Tangzhi Xinyu Hot Spring Enterprise Management Co., Ltd. ⁽²⁾⁽³⁾	Property and hospitality management consultancy services	People's Republic of China	52	-	-	-	-	-	48	-	-
Held by Beijing Tangzhi Xinyu Lijiang Lanzhitang Management Co., Ltd. ⁽²⁾⁽³⁾	Hot Spring Enterprise Management Co., Ltd.	People's Republic of China	52	-	-	-	-	-	48	-	-
Huangshan Lanzhitang Enterprise Management Co., Ltd. ⁽²⁾⁽³⁾	Dormant	People's Republic of China	52	-	-	-	-	-	48	-	-

(1) Audited by Nexia TS Public Accounting Corporation

(2) Audited by Nexia TS (Shanghai) Co., Ltd.

(3) Acquired during the financial year

In accordance to Rule 716 of the Catalyst Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Carrying value of non-controlling interests

	The Group As at 31 December 2018 RMB'000
Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and its subsidiary corporations	19,572

Set out below are the summarised financial information for the subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised balance sheet of Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and its subsidiary corporations as at 31 December 2018

	As at 31 December 2018 RMB'000
Current	
Assets	31,474
Liabilities	(18,113)
Total current net assets	13,361
Non-current	
Total non-current net assets	5,260
Net assets	18,621

Summarised income statement of Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and its subsidiary corporations as at 31 December 2018

	2018 RMB'000
Revenue	8,514
Profit before income tax	2,300
Income tax expense	(97)
Profit after income tax, representing total comprehensive income	2,203
Total comprehensive income allocated to non-controlling interest	1,057

Summarised cash flows of Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and its subsidiary corporations as at 31 December 2018

	2018 RMB'000
Net cash provided by operating activities	(8,330)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 INVESTMENT PROPERTY

	The Group 2017 RMB'000 (Restated)
<i>Cost</i>	
Beginning of financial year	15,041
Currency translation differences	929
Disposal of a subsidiary corporation (Note 12)	(15,970)
End of financial year	–
<i>Accumulated depreciation and accumulated impairment losses</i>	
Beginning of financial year	1,281
Currency translation differences	77
Depreciation charge	321
Impairment loss	222
Disposal of a subsidiary corporation (Note 12)	(1,901)
End of financial year	–
Net book value	
End of financial year	–

The investment property was leased to a non-related party under operating lease.

The following amounts are recognised in profit and loss:

	Group 2017 RMB'000 (Restated)
Rental income	343
Direct operating expenses arising from:	
– Investment property that generate rental income	49
– Investment property that do not generate rental income	20

As at 31 December 2017, the details of the Group's investment property are as follows:

Location	Description/ existing use	Tenure	Lettable area (Sq m)
608 Telok Blangah Road, #08-01 ⁽¹⁾	Condominium	Freehold	160

- (1) The property was granted the Temporary Occupation Permit ("TOP") on September 2015 and obtained the Strata Certificate of Title on May 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18 INVESTMENT PROPERTY (CONTINUED)

Fair value hierarchy – Recurring fair value measurements

Description	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
As at 1 January 2017 (Restated)			
– Condominium	–	13,760	–

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's property has been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square metre.

Valuation processes of the Group

The management reviews and analyses the valuation of the investment property required for financial reporting purposes, including Level 2 fair values. Discussions of valuation processes and results are held between the Board of Directors on a yearly basis.

19 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
The Group			
2018			
<i>Cost</i>			
Beginning of financial year	4	–	4
Currency translation differences	*	(4)	(4)
Acquisition of subsidiary corporations (Note 29(c))	35	–	35
Additions	6	269	275
End of financial year	45	265	310
<i>Accumulated depreciation</i>			
Beginning of financial year	1	–	1
Currency translation differences	*	*	*
Depreciation charge	13	19	32
End of financial year	14	19	33
Net book value			
End of financial year	31	246	277

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computers RMB'000	Furniture and fittings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
The Group						
2017 (Restated)						
<i>Cost</i>						
Beginning of financial year	1,158	626	2,286	228	2,446	6,744
Currency translation differences	73	37	145	14	151	420
Additions	362	318	662	10	–	1,352
Disposal of a subsidiary corporation (Note 12)	(1,252)	(981)	(2,702)	(242)	(2,597)	(7,774)
Disposals	(9)	–	(391)	–	–	(400)
Write-off	(332)	–	–	(6)	–	(338)
End of financial year	–	–	–	4	–	4
<i>Accumulated depreciation</i>						
Beginning of financial year	836	324	1,398	77	358	2,993
Currency translation differences	51	20	87	7	19	184
Depreciation charge	375	43	364	24	522	1,328
Disposal of a subsidiary corporation (Note 12)	(931)	(387)	(1,458)	(103)	(899)	(3,778)
Disposals	(9)	–	(391)	–	–	(400)
Write-off	(322)	–	–	(4)	–	(326)
End of financial year	–	–	–	1	–	1
Net book value						
Beginning of financial year	322	302	888	151	2,088	3,751
End of financial year	–	–	–	3	–	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment RMB'000	Furniture and fittings RMB'000	Total RMB'000
The Company			
2018			
<i>Cost</i>			
Beginning of financial year	—	—	—
Currency translation differences	*	4	4
Additions	6	155	161
End of financial year	6	159	165
<i>Accumulated depreciation</i>			
Beginning of financial year	—	—	—
Currency translation differences	*	*	*
Depreciation charge	1	16	17
End of financial year	1	16	17
Net book value			
End of financial year	5	143	148

* Less than RMB1,000

20 INTANGIBLE ASSETS

	The Group As at 31 December 2018 RMB'000
<u>Composition</u>	
Goodwill (Note (a))	12,223
Management contracts and naming rights (Note (b))	13,863
	26,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

	The Group 2018 RMB'000
<i>Cost</i>	
Beginning of financial year	–
Acquisition of subsidiary corporations (Note 29)	12,223
End of financial year	12,223
<i>Net book value</i>	
End of financial year	12,223

The goodwill of RMB12,223,000 is provisionally allocated to Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and its subsidiary corporations ("Beijing Libre"). The initial purchase price allocation to identifiable net assets acquired is being assessed and expected to be finalised within 12 months from date of acquisition. Value-in-use method used to determine the recoverable amount of the cash-generating unit ("CGU") in which goodwill is attributed to and the recoverable amount is higher than the carrying amount of goodwill. Therefore, as at 31 December 2018, there is no impairment being provided for.

(b) Management contracts and naming rights

	Management contracts RMB'000	Naming rights RMB'000	Total RMB'000
<u>The Group</u>			
2018			
<i>Cost</i>			
Beginning of financial year	–	–	–
Acquisition of subsidiary (Note 29(c))	11,063	3,318	14,381
End of financial year	11,063	3,318	14,381
<i>Accumulated amortisation</i>			
Beginning of financial year	–	–	–
Amortisation charges	380	138	518
End of financial year	380	138	518
<i>Net carrying value</i>			
End of financial year	10,683	3,180	13,863

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21 TRADE AND OTHER PAYABLES

	The Group			The Company		
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Trade payables – non-related parties	9	–	3,965	–	–	–
Other payables – non-related parties	1,990	337	1,006	–	309	133
– joint venture	–	–	1,644	–	–	–
Advance received	40	–	27	–	–	–
Accruals	3,161	677	2,032	831	269	275
	5,200	1,014	8,674	831	578	408

Other payables due to a joint venture, PT Spektrum Megah Jaya, are unsecured, interest free and repayable on demand. The Company has ceased to have any interest in PT Spektrum Megah Jaya following the disposal of SMJ Furnishings (S) Pte Ltd which hold 100% shareholding interest in PT Spektrum Megah Jaya on 31 December 2017 as disclosed in Note 16.

22 BORROWINGS

	The Group As at 1 January 2017 RMB'000 (Restated)
<i>Current</i>	
Bank borrowings – trust receipts	9,315

Security granted for financial year ended 31 December 2017

The Company issued corporate guarantees of RMB32,655,000 to secure the bank borrowings of the former subsidiary corporation, SMJ Furnishing (S) Pte Ltd. The corporate guarantees have been discharged on 16 January 2018 following the disposal of the subsidiary corporation as disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23 DEFERRED GOVERNMENT GRANT

	The Group 2017 RMB'000 (Restated)
Beginning of financial year	131
Recognised in profit and loss during the financial year	(131)
End of financial year	–

Government grant relates to grant received from SPRING Singapore pertaining to the Group's new accounting software.

24 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined before and after appropriate offsetting, are shown on the balance sheet as follows:

	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Deferred income tax liabilities, representing accelerated tax depreciation			
– To be settled after one year	3,642	–	2

Movement in deferred income tax account is as follows:

	The Group 2018 RMB'000	2017 RMB'000 (Restated)
Beginning of financial year	–	2
Tax charge to profit or loss (Note 9)	47	–
Acquisition of subsidiary corporations (Note 29(c))	3,595	–
Disposal of a subsidiary corporation (Note 12)	–	2
End of financial year	3,642	–

The Group has unrecognised tax losses of RMB7,831,000 (2017: NIL) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24 DEFERRED INCOME TAXES (CONTINUED)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation and amortisation RMB'000	Unremitted foreign retained earnings RMB'000	Total RMB'000
The Group			
2018			
Beginning of financial year	–	–	–
Tax charge to profit or loss (Note 9)	(127)	174	47
Acquisition of subsidiary corporations (Note 29(c))	3,595	–	3,595
End of financial year	3,468	174	3,642
2017 (Restated)			
Beginning of financial year	2	–	2
Disposal of a subsidiary corporation (Note 12)	(2)	–	(2)
End of financial year	–	–	–

25 SHARE CAPITAL

	Number of shares '000	Issued and paid-up share capital RMB'000
The Group and The Company		
2018		
Beginning and end of financial year	78,000	29,194
2017		
Beginning and end of financial year	78,000	29,194

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26 CURRENCY TRANSLATION RESERVE

Movement in currency translation reserve is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
Beginning of financial year	1,471	–	1,471	–
Net currency translation differences of financial statements	296	1,471	2,079	1,471
End of financial year	1,767	1,471	3,550	1,471

The currency translation reserve represents exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group's presentation currency, RMB.

Currency translation reserve is non-distributable.

27 ACCUMULATED PROFITS/(LOSSES)

- (a) Retained profits of the Group and the Company are distributable.
- (b) Movement in accumulated profits/(loss) for the Company are as follows:

	The Company	
	2018	2017
	RMB'000	RMB'000 (Restated)
Beginning of financial year	47,154	(1,445)
Net (loss)/profit	(4,548)	48,599
End of financial year	42,606	47,154

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28 COMMITMENTS

- (a) Operating lease commitments – where the Group is a lessee

The Group leases office from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Not later than one year	1,074	584	4,080
Between one and five years	2,112	584	1,036
	3,186	1,168	5,116

- (b) Operating lease commitments – where the Group is a lessor

The Group lease out investment property to a non-related party under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group As at 1 January 2017 RMB'000 (Restated)
Not later than one year	54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29 BUSINESS COMBINATION

On 21 July 2018, the Group acquired 52% equity interest in Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) ("Libre") for RMB15.59 million.

Details of the consideration paid, the assets and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	RMB'000
Total consideration	15,590
Less: subscription of new equity interest	(15,590)
Consideration transferred for the business	–

(b) Effect on cash flows of the Group

	RMB'000
Cash paid	–
Add: Cash and bank balances in subsidiary acquired	8,850
Cash inflow on acquisition	8,850

(c) Identifiable assets acquired and liabilities assumed

	Estimated fair value RMB'000
Cash and bank balances	8,850
Trade and other receivables	8,223
Property, plant and equipment (Note 19)	35
Intangible assets (Note 20(b))	14,381
Total assets	31,489
Trade and other payables	(21,420)
Deferred tax liabilities (Note 24)	(3,595)
Total liabilities	(25,015)
Total identifiable net assets	6,474
Less: Non-controlling interest at fair value	(18,697)
Add: Provisional goodwill (Note 20)	12,223
Consideration transferred for the business	–

(d) Goodwill

The goodwill of RMB12,223,000 is provisionally allocated to Beijing Shengyan Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) and its subsidiary corporations ("Libre Hospitality") where the operations are held in People's Republic of China which could not be reliably allocated by 31 December 2018. The initial purchase price allocation to identifiable net assets acquired is being assessed and expected to be finalised within 12 months from date of acquisition. Value-in-use method used to determine the recoverable amount of the cash-generating unit ("CGU") in which goodwill is attributed to and the recoverable amount is higher than the carrying amount of goodwill. Therefore, as at 31 December 2018, there is no impairment being provided for.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in People's Republic of China and Singapore. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than its functional currency such as Singapore Dollar ("SGD") and United States Dollar ("USD").

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
The Group				
As at 31 December 2018				
Financial assets				
Cash and cash equivalents	718	14	1,248	1,980
Financial assets, at fair value				
through profit or loss	59,530	–	–	59,530
Trade and other receivables	18,499	–	–	18,499
Intra-group receivables	–	–	75,812	75,812
	<u>78,747</u>	<u>14</u>	<u>77,060</u>	<u>155,821</u>
Financial liabilities				
Trade and other payables	(4,239)	–	(921)	(5,160)
Intra-group payables	–	–	(75,812)	(75,812)
	<u>(4,239)</u>	<u>–</u>	<u>(76,733)</u>	<u>(80,972)</u>
Net financial assets	<u>74,508</u>	<u>14</u>	<u>327</u>	<u>74,849</u>
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	<u>–</u>	<u>14</u>	<u>–</u>	<u>14</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Group's currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	USD RMB'000	SGD RMB'000	Total RMB'000
The Group				
As at 31 December 2017 (Restated)				
Financial assets				
Cash and cash equivalents	2,981	13	4,828	7,822
Trade and other receivables	1,300	–	72,548	73,848
Intra-group receivables	–	–	5,170	5,170
	<u>4,281</u>	<u>13</u>	<u>82,546</u>	<u>86,840</u>
Financial liabilities				
Trade and other payables	(379)	–	(635)	(1,014)
Intra-group payables	–	–	(5,170)	(5,170)
	<u>(379)</u>	<u>–</u>	<u>(5,805)</u>	<u>(6,184)</u>
Net financial assets	<u>3,902</u>	<u>13</u>	<u>76,741</u>	<u>80,656</u>
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	<u>–</u>	<u>13</u>	<u>–</u>	<u>13</u>
		USD RMB'000	SGD RMB'000	Total RMB'000
The Group				
As at 1 January 2017 (Restated)				
Financial assets				
Cash and cash equivalents		1,398	27,005	28,403
Trade and other receivables		10,065	13,605	23,670
Intra-group receivables		13	5,137	5,150
		<u>11,476</u>	<u>45,747</u>	<u>57,223</u>
Financial liabilities				
Trade and other payables		(3,977)	(4,670)	(8,647)
Borrowings		(9,315)	–	(9,315)
Intra-group payables		(13)	(5,137)	(5,150)
		<u>(13,305)</u>	<u>(9,807)</u>	<u>(23,112)</u>
Net financial (liabilities)/assets		<u>(1,829)</u>	<u>35,940</u>	<u>34,111</u>
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies		<u>(1,829)</u>	<u>–</u>	<u>(1,829)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies as at 31 December 2018 and 2017 and 1 January 2017.

If the USD and SGD change against the RMB by 5% (31 December 2017:5%; 1 January 2017:5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset that are exposed to currency risk will be as follows:

	Increase/(decrease) Profit after tax		
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
The Group			
USD against RMB			
– Strengthened	*	*	(91)
– Weakened	*	*	91

* Less than RMB1,000

(ii) Price risk

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank balances and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to individual counterparty is restricted by credit limits that are approved by Executive Directors based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored by the Executive Directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Group As at 31 December 2017 RMB'000 (Restated)
Corporate guarantees provided to bank on subsidiary corporation's borrowings	32,655

The corporate guarantees have been discharged on 16 January 2018 following the disposal of the subsidiary corporation, SMJ Furnishings (S) Pte Ltd as disclosed in Note 12.

There is no significant concentration of credit risk.

(i) Credit rating

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables from customers.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers current payment patterns for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Credit rating (Continued)

Based on the Group's current customers' payment patterns, the risk for default of the trade receivables for current, past due within 1 to 90 days and past due more than 90 days aging group is minimal. Hence, the Group is of the view that the need to provide for expected credit loss is minimal. For trade receivables past due more than 365 days, 50% of the gross amount will be provided for expected credit loss.

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis of recognition of expected credit losses
Performing	Borrower or issuer have a low risk of default and a strong capability to meet contractual cash flows	12-month expected credit losses
Under-performing	Borrower or issuer for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 365 days past due	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 365 days past due	Lifetime expected credit losses
Write-off	Interest and/or principal repayments relating to debtor that failing to engage in a repayment plan with the Group and have no reasonable expectation of recovery.	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of the financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	The Group As at 1 January 2017 RMB'000 (Restated)
Past due within 30 days	6,703
Past due within 30 to 90 days	13,708
	20,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	The Group As at 1 January 2017 RMB'000 (Restated)
<u>Trade receivables</u>	
Gross amount	919
Less: Allowance for impairment (Note 14)	(919)
	—
	The Group 2017 RMB'000 (Restated)
Beginning of financial year	919
Currency translation differences	20
Allowance made	3,176
Allowance written back	(303)
Allowance utilised	(161)
Disposal of a subsidiary corporation	(3,651)
End of financial year (Note 14)	—

In prior financial year, allowance for impairment for trade receivables amounting to RMB3,176,000 and write-off of certain trade receivables amounting to RMB93,000 have been made to the profit or loss, as recoverability is determined to be low because the customers or debtors are in financial difficulties and payments are not forthcoming.

There is no other class of financial asset that is past due and/or impaired other than the above mentioned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk

At the balance sheet date, assets held by the Group for managing liquidity risk included cash and cash equivalents as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (Note 12) of the Group and of the Company on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Board of Directors.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000
<u>The Group</u>	
As at 31 December 2018	
Trade and other payables	5,160
As at 31 December 2017 (Restated)	
Trade and other payables	1,014
At 1 January 2017 (Restated)	
Trade and other payables	8,647
Borrowings	9,315
<u>The Company</u>	
As at 31 December 2018	
Trade and other payables	831
As at 31 December 2017 (Restated)	
Trade and other payables	578
As at 1 January 2017 (Restated)	
Trade and other payables	408

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt/(cash) divided by total capital. Net debt/(cash) is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt/(cash).

	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Net debt/(cash)	3,220	(6,808)	(10,414)
Total equity	97,501	79,932	75,121
Total capital	100,721	73,124	64,707
Gearing ratio	3%	N.A. ⁽¹⁾	N.A. ⁽¹⁾

(1) The cash position exceeds the total of trade and other payables and borrowings. The Group is in net cash position.

The Group and the Company are not subjected to externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(e) Fair value measurements

The assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found in Note 18. The carrying amounts less allowance for impairment of trade receivables and payables are assumed to approximate their fair values. The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	As at 31 December 2018 RMB'000	The Group As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Financial assets, at fair value through profit or loss	59,530	–	–
Loans and receivables	–	81,670	52,073
Financial assets at amortised cost	20,479	–	–
Financial liabilities at amortised cost	5,160	1,014	17,962
	As at 31 December 2018 RMB'000	The Company As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Loans and receivables	–	78,216	11,859
Financial assets at amortised cost	75,965	–	–
Financial liabilities at amortised cost	831	578	408

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Management fee

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Management service from subsidiary corporation	1,426	–
Management services to subsidiary corporations	1,327	328

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
<i>Directors</i>		
Wages and salaries	947	2,601
Employer's contribution to defined contribution plan, including Central Provident Fund	154	235
	1,101	2,836
<i>Other key management personnel</i>		
Wages and salaries	6,464	2,110
Employer's contribution to defined contribution plan, including Central Provident Fund	1,454	434
	7,918	2,544
	9,019	5,380

(c) Sale of subsidiary corporation

	The Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Sale of subsidiary corporation	–	67,206

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32 SEGMENT INFORMATION

The Group's chief operating decision-maker ("CODM") comprises of the Chief Executive Officer and Executive Directors. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources and assess performance.

The Chief Executive Officer and Executive Directors consider the business from both geographical and business segment perspectives. From a business segment perspective, following the deconsolidation of SMJ Furnishings (S) Pte Ltd ("SMJ Furnishings"), the Group's continuing operations derives its revenue solely from Consultancy services, i.e. provision of consultancy services for hotels or resorts. Other service within Singapore mainly relates to investment holding and is not included within the reportable operations segments as it is not included in the segment reports provided to the Executive Chairman and Executive Directors. The result of its operations is included under "HQ and other investing activities".

During the financial year ended 31 December 2017, the Group has disposed of the carpet business operation under SMJ Furnishings as disclosed in Note 12. Hence, management has classified the carpet business as "Discontinued operations".

The segment information provided to the CODM for the reportable segments are as follows:

	Continuing operations				Discontinued operations			
	Hospitality Division		HQ and other investing activities		Carpet Division		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue	10,241	5,472	–	–	–	81,947	10,241	87,419
Adjusted (LBITDA)/ EBITDA	(768)	3,690	(2,831)	(1,297)	–	6,128	(3,599)	8,521
Allowance for impairment of trade and other receivables – net	–	–	–	–	–	(2,873)	–	(2,873)
Depreciation	(17)	–	(15)	–	–	(1,649)	(32)	(1,649)
Finance costs	–	*	–	–	–	(333)	–	(333)
Income tax expense	(144)	(919)	–	–	–	(34)	(144)	(953)
Interest income	10	–	–	13	–	186	10	199
Amortisation	(518)	–	–	–	–	–	(518)	–
Fair value gain on financial assets, at fair value through profit or loss	2,859	–	–	–	–	–	2,859	–
Bad debts written off	–	–	–	–	–	(93)	–	(93)
Inventories written off	–	–	–	–	–	(387)	–	(387)
Inventories written down	–	–	–	–	–	(1,791)	–	(1,791)
Impairment loss on investment property	–	–	–	–	–	(222)	–	(220)
Segment assets	104,329	8,639	2,111	73,225	–	–	106,440	81,864

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32 SEGMENT INFORMATION (CONTINUED)

	Continuing operations				Discontinued operations			
	Hospitality Division		HQ and other investing activities		Carpet Division		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		(Restated)		(Restated)
Segment assets includes:								
Additions to:								
– property, plant and equipment	110	4	165	–	–	–	275	4
Segment liabilities	(8,018)	–	(921)	(1,353)	–	(580)	(8,939)	(1,932)

* Less than RMB1,000

Sales between segments are carried out at market terms. The revenue from external parties reported to the CODM is measured consistent with that in the statement of comprehensive income.

The CODM assesses the performance of the operating segments based on a measure of earnings before interest, tax and depreciation (“Adjusted EBITDA”). This measure basis excludes the effects of expenditure from the operating segments such as gains from disposal or impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

(a) Reconciliations

(i) Segment assets

The amounts reported to the Board of Directors with respect to the total assets are measured in a manner consistent with that of the financial statements. Hence, no reconciliation is provided.

(ii) Segment liabilities

The amounts reported to the Board of Directors with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Hence, no reconciliation is provided.

(b) Revenue for major products and services

The Group’s core business segment is the Hospitality Division. The Consultancy Services Division was renamed as Hospitality Division following the acquisition of Libre Hospitality. The activities of the Hospitality Division include the management of hotels, resorts and provision of consultancy service on hotel and resorts management, investment, developments and branding. The Discontinued Operations refer to the Carpet Division where revenue from external customers is derived from the sale of goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32 SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's business segments generated its revenue from the following main geographical areas based on customers' locations:

	Continuing operations				Discontinued operations			
	Hospidity Division		HQ and other investing activities		Carpet Division		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Revenue								
China	10,241	5,472	-	-	-	-	10,241	5,472
Singapore	-	-	-	-	-	54,714	-	54,174
Philippines	-	-	-	-	-	14,908	-	14,908
Malaysia	-	-	-	-	-	2,809	-	2,809
Indonesia	-	-	-	-	-	6,309	-	6,309
Others	-	-	-	-	-	3,207	-	3,207
	10,241	5,472	-	-	-	81,947	10,241	87,419
Non-current assets								
China	26,215	3	-	-	-	-	26,215	3
Singapore	-	-	148	-	-	-	148	-
	26,215	3	148	-	-	-	26,363	3

Revenue of approximately RMB2,300,000 (2017: RMB1,900,000) is derived from a single external customer.

33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB3,186,000 (Note 26).

However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

(b) **SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)**

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

34 SUBSEQUENT EVENTS

On 12 March 2019, Beijing Libre Commercial Management Co., Ltd., an indirect subsidiary corporation of the Company, changed its registered name to Beijing Shengyan Commercial Co., Ltd.

35 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of SMJ International Holdings Ltd. on 4 April 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

SHARE CAPITAL

Issued and fully paid capital	–	S\$7,420,100	Class of shares	–	Ordinary shares
Total number of shares in issue	–	78,000,000	Voting rights	–	1 vote per share
Number of treasury shares and subsidiary holdings held	–	Nil			

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 31.83% of the issued ordinary shares of the Company were held in the hands of the public as at 29 March 2018 and therefore Rule 723 of the Catalist Rules is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	7	3.82	4,100	0.01
1,001 – 10,000	46	25.14	307,600	0.39
10,001 – 1,000,000	121	66.12	11,069,600	14.19
1,000,001 and above	9	4.92	66,618,700	85.41
TOTAL	183	100.00	78,000,000	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Zhang Tian Bao	23,361,000	29.95
2	Peng Weile	15,300,000	19.62
3	Lu Ning	8,910,000	11.42
4	Yang Wei	5,599,000	7.18
5	Phillip Securities Pte Ltd	3,890,000	4.99
6	Hafary Holdings Limited	3,780,000	4.85
7	UOB Kay Hian Private Limited	2,156,200	2.76
8	Maybank Kim Eng Securities Pte. Ltd.	2,045,300	2.62
9	ABN AMRO Clearing Bank N.v	1,577,200	2.02
10	Ramesh S/O Pritamdas Chandiramani	995,600	1.28
11	Low Kok Ann	690,000	0.88
12	RHB Securities Singapore Pte. Ltd.	503,100	0.65
13	DBS Nominees (Private) Limited	426,000	0.55
14	Chan Qing Yao (Zeng Qingyao)	308,200	0.40
15	Chng Lay Guat	300,000	0.38
16	Lui Wing Loon	280,000	0.36
17	Oh Eng Bin (Hu Rongming)	239,000	0.31
18	Tan Chay Long	230,000	0.29
19	Lim Boon Hwee	220,000	0.28
20	Teo Kye Hwee Tony	217,000	0.28
TOTAL		71,027,600	91.07

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct interest		Deemed interest	
	Number of shares	%	Number of shares	%
Zhang Tian Bao	23,361,000	29.95	—	—
Peng Weile	15,300,000	19.62	—	—
Lu Ning	8,910,000	11.42	—	—
Yang Wei	5,599,000	7.18	—	—

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of **SMJ INTERNATIONAL HOLDINGS LTD.** (the “**Company**”) will be held at 4 Shenton Way #17-01 SGX Centre 2, Singapore 068807 on 29 April 2019 at 10:00 a.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2018 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of S\$120,000 for the financial year ending 31 December 2019, to be paid half-yearly in arrears. (2018: S\$126,151) **(Resolution 2)**
3. To re-elect Mr Ng Fook Ai Victor, a Director retiring pursuant to the Company’s Constitution.
(see explanatory note 1) **(Resolution 3)**
4. To re-elect Mr Ng Wee Cheng Steven, a Director retiring pursuant to the Company’s Constitution.
(see explanatory note 2) **(Resolution 4)**
5. To re-appoint Nexia TS Public Accounting Corporation as auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

6. That pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”) and Rule 806 of Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”), the Directors be authorised and empowered to:
(Resolution 6)
 - (a)
 - (i) allot and issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution of the Company for the time being; and
 - (4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
- (see explanatory note 3)*

7. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Peng Fei
Executive Director and CEO

12 April 2019
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Mr Ng Fook Ai Victor will, upon re-election as a Director, remain as the Independent Non-Executive Chairman of the Board of Directors, the Chairman of the Nominating Committee and a member of the Remuneration Committee and the Audit Committee of the Company, and will be considered independent for the purposes of Rule 704(7) of the Catalyst Rules. Detailed information on Mr Ng Fook Ai Victor can be found under the sections entitled “Board of Directors” and “Addendum to the Annual Report 2018” of the Company’s Annual Report 2018.
2. Mr Ng Wee Cheng Steven will, upon re-election as a Director, remain as the Non-Executive Director of the Company and a member of the Remuneration Committee and the Audit Committee of the Company. Detailed information on Mr Ng Wee Cheng Steven can be found under the sections entitled “Board of Directors” and “Addendum to the Annual Report 2018” of the Company’s Annual Report 2018.
3. The Ordinary Resolution proposed in item 6 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a *pro rata* basis to shareholders of the Company.

Notes:

- (i) (a) A member of the Company entitled to attend and vote at the AGM and who is not a relevant intermediary may appoint not more than two proxies to attend and vote in his/her stead.

(b) A member of the Company entitled to attend and vote at the AGM and who is a relevant intermediary may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by such member.

“relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.
- (ii) A proxy need not be a member of the Company.
- (iii) If a proxy is to be appointed, the instrument appointing a proxy must be deposited at the registered office of the Company at 80 Raffles Place #11-20 UOB Plaza 2, Singapore 048624 not later than 48 hours before the time appointed for holding the AGM.
- (iv) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (v) A Depositor’s name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy:

“Personal data” in this notice of AGM has the same meaning as “personal data” in the Personal Data Protection Act 2012, which includes your name and your proxy’s and/or representative’s name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s and its proxy(ies)’s or representative’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty. Your personal data and your proxy and/or representative’s personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company’s verification and record purposes.

Additional information on Directors seeking re-election pursuant to Rule 720(5) of the SGX-ST Listing Manual Section B: Rules of Catalyst ("Catalist Rules")

Mr Ng Fook Ai Victor and Mr Ng Wee Cheng Steven are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 29 April 2019 ("AGM") under Ordinary Resolutions 3 and 4 as set out in the Notice of AGM dated 7 April 2019 (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(5) of the Catalyst Rule, the additional information as set out in Appendix 7F of the Catalyst Rules relating to the Retiring Directors is disclosed below and to be read in conjunction with their respective biographies under the section entitled "Board of Directors" in the Annual Report 2018:

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
Date of appointment	4 May 2018	1 January 2019
Date of last re-appointment	N.A.	N.A.
Age (as of 31 December 2018)	70	45
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee and the qualifications and work experience of Mr Ng Fook Ai Victor ("Mr Victor Ng"), has accepted the recommendation of the Nominating Committee and approved Mr Victor Ng's re-appointment as Chairman of the Board of Directors and a member of the Audit Committee and the Remuneration Committee.	The Board of Directors, having considered the recommendation of the Nominating Committee and the qualifications and work experience of Mr Ng Wee Cheng Steven ("Mr Steven Ng"), has accepted the recommendation of the Nominating Committee and approved Mr Steven Ng's re-appointment as Non-Executive Director and a member of the Audit Committee and the Remuneration Committee.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Chairman of the Board Nominating Committee Chairman Audit Committee Member Remuneration Committee Member	Non-Executive Director Audit Committee Member Remuneration Committee Member
Professional qualifications	Bachelor of Science in Economics, University of London Master of Science in Economics, University of London	Bachelor's (2 nd Upper Honours) degree in Accountancy, Nanyang Technological University Chartered Financial Analyst (CFA) Charterholder

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
Working experience and occupation(s) during the past 10 years	Nov 1989 – Present: Independent Non-executive Director, SHC Investment Ltd Jun 1999 – Jun 2014: Independent Non-executive Director, Asia Power Corporation Jul 1999 – Nov 2017: Director, Mercur Business Control Asia Pte. Ltd. Dec 1999 – Oct 2008: Director, Asia Cable TV Pte Ltd Feb 2001 – Aug 2009: Director, AEC College Pte Ltd (now known as Malvern International Academy Pte. Ltd.) Oct 2002 – Mar 2014: Non-executive Director, Devotion Energy Group Limited Nov 2003 – Nov 2009: Non-executive Director, London Asia Capital (S) Pte. Ltd. Jan 2004 – Jul 2010: Director, China Financial Services Ltd Feb 2004 – Jul 2010: Director, Orient Capital Holding Pte. Ltd. Dec 2004 – March 2010: Director, Ofex Asia Pte. Ltd. Jan 2005 – Aug 2009: Independent Non-executive Director, SIIC Environmental Holdings Ltd. Jan 2006 – Apr 2009: Director, Asia Cleantech Exchange Pte. Ltd. Jan 2006 – Nov 2009: Director, London Asia Group Pte. Ltd. Apr 2006 – Nov 2009: Director, New Asia Assets Pte. Ltd. Sep 2006 – Apr 2010: Director, World Water Private Limited Jan 2008 – Dec 2017: Independent Non-executive Director, My E.G. Services Berhad	Dec 2016 – Present: TNT Global Capital Pte Ltd, Director and CEO Jul 2004 – Dec 2016: Genesis Capital Pte Ltd, Director 2002 – 2004: ICBC, Singapore Branch, Vice President 2000 – 2002: OCBC, Assistant Manager

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
	Jun 2008 – Oct 2009: Director, The Chosunfund Pte. Ltd. Jun 2008 – Oct 2009: Director, Angloasia Capital Management Pte. Ltd. Jul 2008 – Nov 2009: Director, Asia Agriculture Group Pte. Ltd. Oct 2008 – Nov 2009: Director, Asia Strategy Holdings Pte. Ltd. Dec 2008 – Aug 2009: Director, China Biofoods Pte. Ltd. May 2010 – Present: Non-executive Director, 1Rockstead GIP Fund Ltd Jan 2013 – Sep 2014: Director, Grand Canal Property Pte. Ltd. Feb 2013 – Jun 2015: Director, JH Global Resources Pte. Ltd. Apr 2013 – June 2015: Director, New Climate Pte. Ltd. Jul 2013 – Jun 2015: Director, Jiahui New Climate Holdings Pte. Ltd. Jul 2013 – Present: Non-executive Director, Nee Soon Social Enterprise Limited Sep 2013 – Present: Director, 1Rockstead GIP Fund II Pte. Ltd. Feb 2014 – Present: Independent Non-executive Director, Sunshine 100 China Holdings Ltd Aug 2014 – Dec 2017: Lead Independent Director, SHC Capital Asia Limited (now known as Memories Group Limited) Jan 2015 – Jan 2015: Director, Global Arena Asia Pte. Ltd. May 2015 – Present: Independent Director, SB REIT Management Pte. Ltd.	

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
	Apr 2016 – Present: Futsalarena @ Yishun Limited Jun 2016 – Aug 2017: Independent Non-executive Director, Cityneon Holdings Limited Jan 2017 – Present: Director, Caregiver Group Pte. Ltd. Feb 2017 – Jul 2018: Director, SG Makers Association Ltd. May 2017 – Present: Director, Laviani Pte. Ltd. Jul 2017 – Present: Director, Sun Resources Holdings Pte. Ltd. Aug 2017 – Present: Director, Star Publications (Singapore) Pte. Ltd. Sep 2017 – Present: Director, Li TV Asia Pte. Ltd. Sep 2017 – Present: Director, Ocision Pte. Ltd. Nov 2017 – Present: Director, Millet Holdings Private Limited Jan 2018 – Present: Independent Non-executive Director, The Place Holdings Limited Feb 2018 – Apr 2018: Director, Millet World Private Limited Apr 2018 – Present: Director, Millet Capital Private Limited May 2018 – Present: Director, Millet World Trading Post Private Limited Nov 2018 – Nov 2018: Director, DConstruct Systems Pte. Ltd.	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Mr Steven Ng is a 30% shareholder of TNT Global Capital Pte Ltd ("TNT"), which is a 40%-joint venture under Forise International Limited ("Forise"). Mr Peng Fei and Mr Peng Weile are Non-Executive Director and Executive Director, respectively, of Forise. In addition, Mr Steven Ng, Mr Peng Fei and Mr Peng Weile are directors of TNT.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes
Other principal commitments* including directorships		
<i>*Excludes the current occupation(s) as listed in the previous section</i>		
Past (for the last 5 years from 1 January 2014 to the date of the Annual Report 2018)	<u>Directorships</u> Asia Power Corporation Limited Mercur Business Control Asia Pte. Ltd. Devotion Energy Group Limited MY E.G. Services Berhad Grand Canal Property Pte. Ltd. JH Global Resources Pte. Ltd. New Climate Pte. Ltd Jiahui New Climate Holdings Pte. Ltd. SHC Capital Asia Limited (now known as Memories Group Limited) Global Arena Asia Pte. Ltd. Cityneon Holdings Limited SG Makers Association Ltd. Millet World Private Limited DConstruct Systems Pte. Ltd. <u>Other principle commitments</u> Nil	<u>Directorships</u> Nil <u>Other principle commitments</u> Nil

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
Present	<u>Directorships</u> SHC Investment Ltd 1 Rockstead GIP Fund Ltd Nee Soon Social Enterprise Limited 1 Rockstead GIP Fund II Pte. Ltd. Sunshine 100 China Holdings Ltd SB REIT Management Pte. Ltd. Futsalarena@Yishun Limited Caregiver Group Pte. Ltd. Laviani Pte. Ltd. Sun Resources Holdings Pte. Ltd. Star Publications (Singapore) Pte. Ltd. Li TV Asia Pte. Ltd. Ocision Pte. Ltd. Millet Holdings Private Limited The Place Holdings Limited Millet Capital Private Limited Millet World Trading Post Private Limited <u>Other principle commitments</u> Nil	<u>Directorships</u> TNT Global Capital Pte Ltd Genesis Capital Pte Ltd Capital Partners Investment Pte Ltd <u>Other principle commitments</u> Nil
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No <i>(Note: The Company wishes to clarify that its announcement dated 25 June 2018 had incorrectly made reference to this paragraph which is actually not applicable to those disclosures made in the said announcement.)</i>	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

NAME OF RETIRING DIRECTOR		NG FOOK AI VICTOR	NG WEE CHENG STEVEN
(j) Whether he has ever, to his knowledge, been concerned with management of conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes. Please refer to the Company's announcement dated 25 June 2018 for the relevant disclosure.	No	
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	

NAME OF RETIRING DIRECTOR	NG FOOK AI VICTOR	NG WEE CHENG STEVEN
Any prior experience as a director of an issuer listed on the SGX-ST? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the SGX-ST (if applicable).	Yes	Mr Steven Ng has no prior experience as a director of an issuer listed on the SGX-ST. Mr Steven Ng will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST within one year from the date of his appointment to the Board.

SMJ INTERNATIONAL HOLDINGS LTD.

(Company Registration Number 201334844E)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

- Investors who hold shares under the Supplementary Retirement Scheme ("SRS Investors") may attend and cast their votes at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the SRS Investors shall be precluded from attending the AGM.
- This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We, _____ (Name) _____ (*NRIC/Passport/Registration No.)
of _____ (Address)
being a *member/members of **SMJ International Holdings Ltd.** (the "**Company**"), hereby appoint:

Name	NRIC/Passport/Registration No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport/Registration No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at 4 Shenton Way #17-01 SGX Centre 2, Singapore 068807 on Monday, 29 April 2019 at 10.00 a.m. and at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without amendment, the following Resolutions:

No.	Ordinary Resolutions relating to:	No. of Votes For	No. of Votes Against
Ordinary Business			
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2018 together with the Independent Auditor's Report thereon.		
2.	To approve the payment of Directors' fees of S\$120,000 for the financial year ending 31 December 2019, to be paid half-yearly in arrears.		
3.	To re-elect Mr Ng Fook Ai Victor, a Director retiring pursuant to the Company's Constitution.		
4.	To re-elect Mr Ng Wee Cheng Steven, a Director retiring pursuant to the Company's Constitution.		
5.	To re-appoint Nexia TS Public Accounting Corporation as auditor of the Company and to authorise the Directors to fix their remuneration.		
Special Business			
6.	To authorise the Directors to allot and issue shares and convertible securities.		

(Please indicate your vote 'For' or 'Against' with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.)

Dated this _____ day of _____ 2019

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

* Delete as appropriate



Notes:

- (1) Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act (Chapter 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number of shares is inserted, this proxy form will be deemed to relate to all shares held by you.
 - (2)
 - (a) A member of the Company entitled to attend and vote at the AGM and who is not a relevant intermediary may appoint not more than two proxies to attend and vote in his/her stead. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
 - (b) A member of the Company entitled to attend and vote at the AGM and who is a relevant intermediary may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.
- “relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.
- (3) A proxy need not be a member of the Company.
 - (4) If a proxy is to be appointed, the instrument appointing a proxy must be deposited at the registered office of the Company at 80 Raffles Place, #11-20 UOB Plaza 2, Singapore 048624 not later than 48 hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.
 - (5) A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act (Chapter 50) of Singapore.
 - (6) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
 - (7) Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
 - (8) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
 - (9) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2019.

BOARD OF DIRECTORS

NG FOOK AI VICTOR

Independent Non-Executive Chairman

PENG FEI

Executive Director and Chief Executive Officer

LEO PENG WEILE

Executive Director

CHONG SOO HOON SEAN

Independent Director

NG WEE CHENG STEVEN

Non-Executive Director

AUDIT COMMITTEE

CHONG SOO HOON SEAN Chairman

NG FOOK AI VICTOR

NG WEE CHENG STEVEN

REMUNERATION COMMITTEE

CHONG SOO HOON SEAN Chairman

NG FOOK AI VICTOR

NG WEE CHENG STEVEN

NOMINATING COMMITTEE

NG FOOK AI VICTOR Chairman

CHONG SOO HOON SEAN

LEO PENG WEILE

COMPANY SECRETARY

ONG WEI JIN, LL.B. (Hons)

TEO LI MEI, LL.B. (Hons)

SHARE REGISTRAR

RHT CORPORATE ADVISORY PTE. LTD.

9 Raffles Place

#29-01 Republic Tower 1

Singapore 048619

SPONSOR

SAC CAPITAL PRIVATE LIMITED

1 Robinson Road

#21-00 AIA Tower

Singapore 048542

INDEPENDENT AUDITOR

NEXIATS PUBLIC

ACCOUNTING CORPORATION

100 Beach Road

#30-00 Shaw Tower

Singapore 189702

Director-in-charge: Ross Yu Limjoco

(Appointed since the financial year ended
31 December 2018)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

80 Raffles Place

#11-20 UOB Plaza 2

Singapore 048624

SMJ INTERNATIONAL HOLDINGS LTD.

(Incorporated in the Republic of Singapore on 31 December 2013)

(Company Registration Number: 201334844E)

80 Raffles Place, UOB Plaza 2 #11-20, Singapore 048624

T: (65) 6532-3006 F: (65) 6532-3007