



CREATING A **VIBRANT FUTURE**

2015 ANNUAL REPORT



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

This annual report has not been examined or approved by the SGX-ST and 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.

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CORPORATE PROFILE

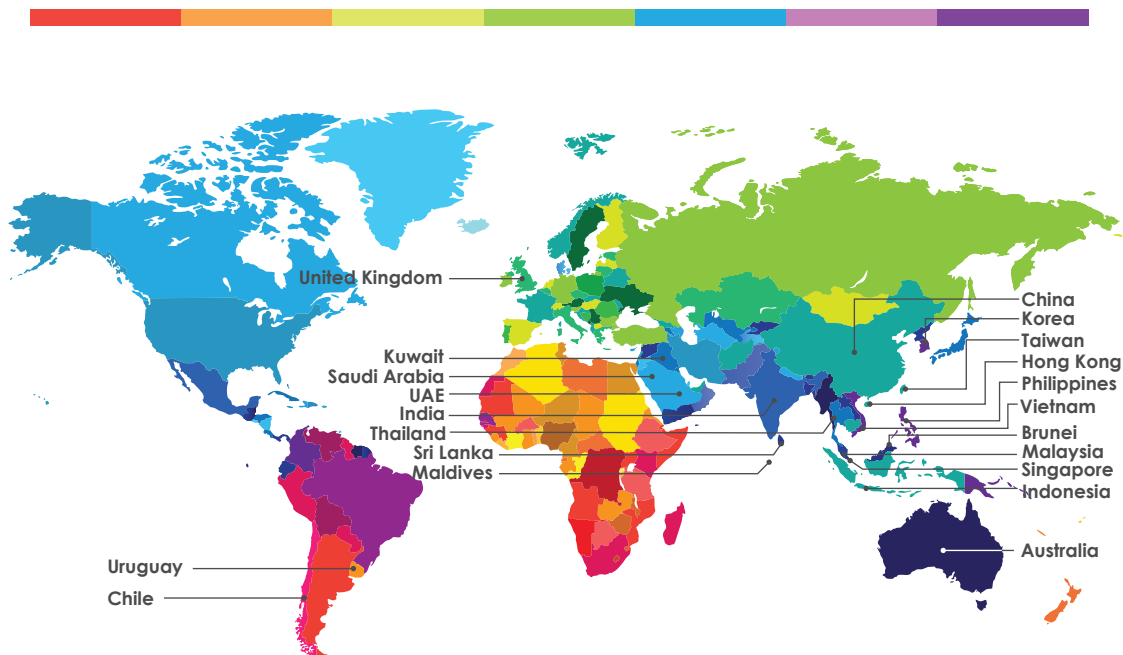
SMJ Furnishings (S) Pte Ltd ("SMJF") was set up in 1988 and specialises in the supply and installation of carpet tiles and broadloom carpets. SMJF is a subsidiary corporation of SMJ International Holdings Ltd. (collectively referred to as the "Group"), which was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") Catalist Board on 30 June 2014.

With an established reputation and track record of more than 25 years, the Group specialises in the sale and distribution of a wide range of carpets marketed under its "SMJ" brand through its global distribution network of more than 260 carpet dealers, carpet importers and carpet installation companies in Singapore and over 20 countries, mainly in Asia.

The Group is the exclusive distributor for the Mohawk Industries, Inc's ("Mohawk Group"), "LEES", "Bigelow" and "Duracolor" range of carpets for Singapore, Malaysia and Indonesia. The Group is also the authorised distributor for Mohawk Group's luxury vinyl tiles. It is also an authorised supplier for the Nox Corporation range of vinyl tiles in Singapore.



DISTRIBUTION NETWORK



We specialise in the sale and distribution of a wide range of premier carpets globally marketed under our proprietary "SMJ" brand. To support the global demand for our carpets, we have established a wide distribution network of more than 260 distributors in more than 20 countries.

One of our major strengths is having a large inventory program of approximately S\$4.4 million in Singapore.

We stock up more than 90 different designs of carpets in over 400 colours at our 42,614 sq ft warehouse.

With a wide variety of carpet stocks in different designs and colours, we have the ability to fulfill orders within a short turnaround time. One advantage that we possess is the ability to respond to customers' orders within the next working day if we have available stock in our Singapore warehouse.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("the Board"), I hereby present to you the annual report of SMJ International Holdings Ltd. (the "Company") and its subsidiary corporation (collectively referred to as the "Group"), for the financial year ended 31 December 2015 ("FY2015").

We live in challenging times. The current global economic instability has affected our markets overseas as well as at home in Singapore. We believe these uncertain times will cause private organisations to hold back their office refurbishments and cut budgets. Over FY2015, we have noticed that even the government sector's interior furnishing budgets have shifted to other areas. Accordingly, as government planned projects which require carpet, have smaller budgets, there is now competition for smaller pie which results in pressure on overall selling prices. In response, we are doing more research to produce carpet tiles that can meet this price-sensitive market.

Despite this difficult business environment, we are confident that we will weather the storm out. Over our long history, we have weathered many storms and have emerged stronger than before. One year after our listing in 2014, we have put our IPO proceeds to good use by, among others, installing an improved inventory management system that allows us to better track our stock levels and replenishment, and this has increased overall efficiency in our inventory management and logistics support.

REVIEW OF 2015

Over the past financial year, we have also been seizing opportunities to expand overseas. We signed a non-binding Memorandum of Understanding in relation to the establishment of a joint venture company, to be known as PT Spektrum Megah Jaya ("PT Spektrum"), with our partners in Indonesia. Subject to the requisite approvals being obtained, the Group will hold 33% of the shareholding interest in PT Spektrum, which will not only enhance our footprint in Indonesia but will allow PT Spektrum to undertake large scale projects in Indonesia, by leveraging on the Group's inventory support.

In 2015, the Group has been appointed the exclusive distributor for the Mohawk Industries, Inc.'s ("Mohawk Group") "LEES", "Bigelow" and "Duracolor" range

of carpets for Singapore, Malaysia and Indonesia. At the same time, the Group is also the authorised distributor for the Mohawk Group's luxury vinyl tiles. With this appointment, we put our focus on the distribution of Mohawk Group's range of carpets in the premium space as its exclusive distributor and have ceased to be an authorised supplier for the Shaw Contract Group brand of carpets.

Despite the challenging operating environment in FY2015, we are recommending a one-tier tax exempt first and final dividend of 0.33 Singapore cents per share, subject to shareholders' approval at the forthcoming annual general meeting.

LOOKING AHEAD

In 2016, we will focus on export distribution to our core markets of Malaysia, Indonesia and the Philippines. As we develop more SMJ carpet tiles, we will have more products to offer dealers to increase our export sales. We also hope to see more activities in Indonesia, once our joint venture is set-up in the first half of 2016. We will also enhance our marketing efforts in the Philippines which is seeing an increase in the construction sector.

In pursuit of our vision to become a regional one-stop office furnishing solution provider, we will continue to look for opportunities to create new revenue streams such as offering new products and services that will complement our existing core carpet distribution business. Some of these new products could range from system office furniture to non-carpet floor coverings that the Group intends to sell and distribute.

IN APPRECIATION

The Board would like to take this opportunity to express its appreciation to the management and staff for their dedication and support for the Group. Their valuable hard work behind the scenes is crucial to help the Group fulfill its long term goals.

Last but not least, we would like to thank our shareholders for their unwavering support. I believe that despite the challenging environment, we will persevere and reap the rewards of our hard work.

HO D'ORVILLE RAYMOND

INDEPENDENT NON-EXECUTIVE CHAIRMAN



CEO'S STATEMENT

Dear Shareholders,

FY2015 was a challenging year for the Group as the construction sector continued to see a slowdown from the previous financial year. During FY2015, the Group had remained active in the promotion and marketing of its brand and products both locally and overseas.

FY2015 HIGHLIGHTS

The Group participated in the Domotex Carpet Exhibition in Hannover, Germany ("Domotex") for the second time in January 2015. Domotex is the world's leading trade fair for carpet and floor coverings with 1,500 exhibitors from over 60 countries. This trade fair offers a beneficial networking platform for us to connect with potential customers and renew relationships with our existing customers.

In April 2015, we signed a distribution agreement with Armstrong China Holdings Limited ("Armstrong China"), which is part of Armstrong

World Industries Inc., an industry leader in the design and manufacture of floors and ceiling systems. We became one of the two distributors to represent Armstrong China for a part of their vinyl flooring collection in the Singapore market.

We were also appointed as the exclusive distributor for the Mohawk Industries, Inc. ("Mohawk Group") to distribute its "LEES", "Bigelow" and "Duracolor" range of carpets for Singapore, Malaysia and Indonesia in November 2015. This is in addition to the Group being the authorised distributor for Mohawk Group's luxury vinyl tiles. With this new appointment, we will focus on the distribution of Mohawk Group's range of carpets in the premium space as its exclusive distributor, and have ceased to be an authorised supplier for the Shaw Contract Group brand of carpets.



CEO'S STATEMENT



BUSINESS OUTLOOK

Due to the volatility of the construction market in Singapore, the Group expects a slowdown in the private sector construction activities in the next financial year but a rise in construction activities for the government sector. According to the Building and Construction Authority ("BCA"), the value of construction contracts for the built environment sector in 2016 is expected to reach between S\$27 billion to S\$34 billion. Out of this, public sector projects are expected to account for approximately 65% of total construction demand. However, it is important to note that a large portion of this construction demand is for public infrastructure projects, and the pricing for government-related projects that require carpet is expected to be competitive.

The Group will continue its efforts to enhance export distribution sales in the region, especially in Indonesia, Malaysia and Philippines. With the development of different product ranges of SMJ carpet tiles, we will have more products to offer our dealers and this in turn, will help to increase our export sales.

We also hope to see more activities from the Indonesian market once we complete our joint venture set-up in the first half of 2016. The Indonesia government announced a

modest economic growth forecast at 5.5% for 2016 and we believe that the expected spending in infrastructure in 2016 will help to boost business confidence. In addition, we will focus our marketing efforts in the Philippines, as their construction sector has seen an increase in 2015. Besides growing organically, we will continue to actively seek opportunities in potential acquisitions, joint ventures and/or strategic alliances within the furnishings industry to expand the business of the Group and enhance our shareholders' value.

IN APPRECIATION

My appreciation goes out to our customers, suppliers and business associates who have supported us despite these challenging times and also to our staff who have worked very hard to help us generate sales and service our customers. Lastly, I would like to thank our shareholders, for their continued support and faith in the Group as we forge ahead against headwinds.

HO PEI YUEN RENA

EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS

HO D'ORVILLE RAYMOND

Ho D'Orville Raymond is our Independent Non-executive Chairman and was appointed to our Board on 3 June 2014. He is also the Chairman of our Audit Committee.

From 1963 and 1970, Mr Ho was with Cycle & Carriage Company (Industries) Pte Ltd as finance manager and company secretary in charge of finance, human resource and general management. He later served as the finance controller of Vetco Pte Ltd, an MNC based in the United States which produces connectors and drill pipes for the petroleum industry between 1970 and 1975.

From 1976 to 2006, Mr Ho was the founder and chief executive officer of Systematic Commercial Training Centre, an institution offering business related courses in Singapore and Malaysia. From 2006 to 2012, Mr Ho served as an independent director of Infinio Group Limited, a company listed on Catalist and from 2012 to 2014, he was an executive director of Infinio Group Limited, where he was responsible for its overall management.

Mr Ho holds an associateship in Commerce from Perth Technical College. He was a certified public accountant (Australia) and a qualified teacher who taught accountancy, economics, and cost and management accounting and had also provided educational consultancy services to tertiary institutions in Vietnam, Cambodia, Thailand and Indonesia.

HO PEI YUEN RENA

Ho Pei Yuen Rena is the Executive Director and Chief Executive Officer ("CEO") of our Group and is responsible for the formulation of our Group's strategic directions, expansion plans and managing our Group's overall business development. In addition, she oversees local sales and marketing function of our Group.

Ms Ho joined our Group in 1997 and rose through the ranks from administrative assistant, local sales co-ordinator, becoming an Executive Director in 2002 and subsequently CEO in 2014. During her time with our Group, she gained experience on various products in carpet industry and spearheaded the growth of our local sales and marketing department with effective sales strategies and techniques.

Ms Ho graduated from Nanyang Technological University with a Bachelor's degree in Business (Honours) in 1997.

HO WAN JING NELLIE

Ho Wan Jing Nellie is the Executive Director and Deputy CEO of our Group and her primary role is to formulate the viable expansion plans and business development for overseas markets. Ms Ho is responsible for export sales and marketing function and monitoring the implementation of all expansion plans and policies for overseas markets.

Ms Ho joined our Group in 1999 starting as an administrative assistant, export sales co-ordinator, becoming an Executive Director in 2002 and subsequently Deputy CEO in 2014. Her experience in handling overseas customers and distributorships led to the continuous growth of our Distribution Sales department.

Ms Ho has been admitted as a Certified Accounting Technician of the Association of Chartered Certified Accountants in 2001.

BOARD OF DIRECTORS

LEE LAY CHOO

Lee Lay Choo is the Executive Director and Chief Operating Officer ("COO") of our Group.

Ms Lee started her career in 1979 with Carpets & Furnishings (United Agencies Pte Ltd) as administrative assistant in charge of administrative duties and local client delivery scheduling. In 1981, she joined Hong Fook Realty Pte Ltd as administrative assistant in charge of administrative duties.

Ms Lee joined our Group in 1988 as administrative assistant and was promoted to administrative manager in 1996 handling local distribution sales and overseeing the administrative and warehousing functions. She was subsequently promoted to Associate Director in 2004 and was responsible for local and export distribution sales, purchasing and cost control. In 2014, she was promoted to the role of COO, where she is responsible for the day to day operation, purchasing and inventory management. Ms Lee attained a GCE 'O' Level certificate in 1978.

NG TIANG HWA

Ng Tiang Hwa is our Independent Director and was appointed to our Board on 3 June 2014. He is also the Chairman of our Remuneration Committee.

Mr Ng is currently the director of Eastern Growth International Holdings Pte. Ltd., a trading and investment services company which he founded jointly with his partners in 2004. He is also the executive director of TPK & Co. Pte. Ltd., an investment company and the director of Pawsibility Pte. Ltd., an animal assisted therapy counselling company.

Mr Ng was the chief financial officer of Qualitek Singapore Pte Ltd and was responsible for financial management and corporate affairs from 2003 to 2004.

Between 2001 and 2002, he was the head of finance department in Singapore Land Authority where he was in charge of accounting, treasury tax and budgets. From 2000 to 2001, he was the financial controller of Image Transforms Pte Ltd and was responsible for financial management and corporate affairs. Between 1992 and 1999, he was the senior manager in The Polyolefin Company (Singapore) Pte. Ltd. where he was in charge of accounting, manufacturing costing, corporate finance, banking and treasury, taxation and audit.

Mr Ng is a member of the Institute of Singapore Chartered Accountants, a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Singapore Institute of Directors. He graduated from the University of Singapore with a Bachelor's degree in Accountancy in 1976.

CHOW WEN KWAN MARCUS

Chow Wen Kwan was re-elected to our Board as an Independent Director on 17 April 2015. He is currently a partner of Bird & Bird ATMD LLP in Singapore. Mr Chow has more than 15 years of experience in legal practice and his practice focuses on mergers and acquisitions, private equity as well as equity and debt capital markets. He had worked in various international law firms in New York, Hong Kong and Singapore. Mr Chow graduated with a Bachelor of Laws from the National University of Singapore in 1998 and a Master of Laws from the University of Virginia in 1999. He also holds a certificate in Governance as Leadership from the Harvard Kennedy School. Mr Chow is qualified to practice in Singapore and New York, USA.

KEY MANAGEMENT

◆ NG HUI HSIEN

Ng Hui Hsien joined our Group as Financial Controller in September 2015 to oversee the Group's financial functions as well as human resource and information technology matters. Ms Ng has about ten years of experience in the audit profession. Prior to this position, she served as an Audit Manager in Nexia TS Public Accounting Corporation where she gained extensive experience in the field of business assurance involving various public-listed companies and small and medium enterprises in a wide range of industries. She was also involved in listing work as a Reporting Accountant of Initial Public Offering with Singapore Stock Exchange.

Ms Ng is a fellow with the Association of Chartered Certified Accountants, and a member of the Institute of Singapore Chartered Accountants.

◆ TAY TWAN LEE

Tay Twan Lee is our Business Director where he is responsible for business development of our export and local sales departments. He started his career as sales staff in charge of selling automobile with Pinnacle Motors Pte Ltd from 2002 to 2005 and RTMT Motors Pte Ltd from 2005 to 2006.

Mr Tay joined our Group in 2007 as sales executive and was promoted to senior product consultant in 2012 and eventually to our Business Director in 2014. He graduated from Temasek Polytechnic in 2001 with a Diploma in Mechatronics.

◆ SHERINA LOW YEEN MEI

Sherina Low Yeen Mei is our Finance and Administration Manager. She is responsible for daily accounting and human resource matters of our Group. Ms Low started her career working as accounts assistant for Evergreen Shipping (S) Pte Ltd, a company which is principally engaged in shipping business, from 2003 to 2005. She joined Geometra Worldwide Movers Pte Ltd which is principally engaged in logistic business in 2005 as accounts executive and was the accounts manager when she left in 2011.

Prior to joining our Group in 2012, Ms Low was on a six-month contract assignment with FIL SPA Intelligence Pte Ltd as an accountant. She graduated with a Bachelor of Science in Applied Accounting (Honours) from Oxford Brookes University in 2008.



FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS

	FY2015 \$'000	FY2014 \$'000	CHANGE \$'000	%
Revenue				
Distribution Sales	11,292	10,848	444	4.1%
Contract Sales	9,437	9,380	57	0.6%
Total revenue	20,729	20,228	501	2.5%
Changes in inventories	(357)	(233)	(124)	53.2%
Purchases of inventories	(12,862)	(11,566)	(1,296)	11.2%
Employee compensation	(2,809)	(2,562)	(247)	9.6%
Freight and transportation	(576)	(524)	(52)	9.9%
Other operating expenses	(2,327)	(2,663)	336	-12.6%
Profit after tax	865	1,586	(721)	-45.5%

FINANCIAL POSITION

	31 DEC 2015 \$'000	31 DEC 2014 \$'000	CHANGE \$'000	%
Non-current assets	3,096	1,842	1,254	68.1%
Current assets	19,324	19,713	(389)	-2.0%
Total Assets	22,420	21,555	865	4.0%
Current liabilities	5,338	4,882	456	9.3%
Non-current liabilities	29	9	20	NM
Total Liabilities	5,367	4,891	476	9.7%
Net Assets	17,053	16,664	389	2.3%
Share capital	6,365	6,365	-	0.0%
Retained earnings	10,688	10,299	389	3.8%
Total Equity	17,053	16,664	389	2.3%

CASH FLOW SUMMARY

	FY2015 \$'000	FY2014 \$'000	CHANGE \$'000	%
Net profit	865	1,586	(721)	-45.5%
Net cash provided by operating activities	442	1,608	(1,166)	-72.5%
Net cash used in investing activities	(1,274)	(795)	(479)	60.3%
Net cash (used in)/provided by financing activities	(3,901)	2,303	(6,204)	NM
Net (decrease)/increase in cash and cash equivalents	(4,733)	3,116	(7,849)	NM
Cash and cash equivalents at the end of the financial year	3,858	8,591	(4,733)	-55.1%

NM – not meaningful

OPERATING AND FINANCIAL REVIEW

REVENUE

For the financial year ended 31 December 2015 ("FY2015"), the Group continues to specialise in the sale and installation of a wide range of carpets marketed under its "SMJ" brand as well as third party brands in Singapore and in over 20 countries mainly in the South East Asia region.

During the year, the Group's revenue increased by approximately S\$0.5 million, or 2.5% from S\$20.2 million in FY2014 to S\$20.7 million in FY2015 mainly due to an increase in the overall Distribution Sales.

The decrease in Distribution Sales in Singapore of approximately S\$0.6 million was mainly due to the slowdown in private sector construction activities in FY2015, which resulted in a lower demand for carpets from distributors.

Regional Distribution Sales in countries such as Malaysia, Indonesia and Brunei also declined as Malaysia has implemented goods and services tax (GST). The weakening Malaysian Ringgit has also adversely affected the export sales to the country.

On the other hand, there is an increase in Distribution Sales for Philippines and Saudi Arabia by S\$1.6 million and S\$0.6 million respectively which have helped to boost up the overall Distribution Sales.

CHANGES IN INVENTORIES

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

PURCHASES OF INVENTORIES

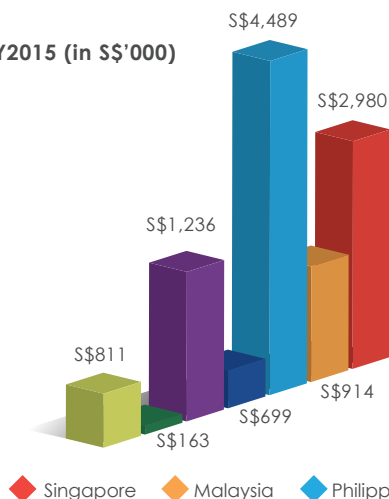
Inventory purchases increased by S\$1.3 million or 11.2% from S\$11.6 million in FY2014 to S\$12.9 million in FY2015. This was mainly due to the increase in demand from Distribution Sales and Contract Sales during the year.

DEPRECIATION

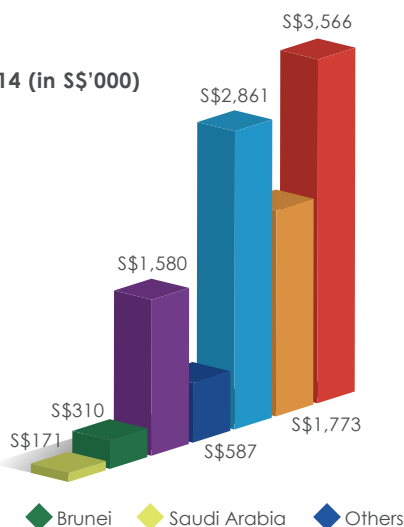
The increase in depreciation expense in FY2015 as compared to FY2014 was due to the commencement of the depreciation of the SAP enterprise resource planning system installed and used from 1 January 2015 onwards.

Revenue by geographical area

FY2015 (in S\$'000)



FY2014 (in S\$'000)



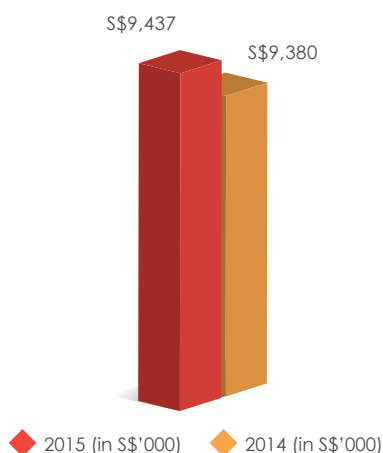
OPERATING AND FINANCIAL REVIEW

NOTABLE PROJECTS

In FY2015, our Contract Sales business has completed the supply and installation of carpets for the following notable projects (among other projects). The completion of these projects has contributed to the revenue of our Contract Sales for FY2015.

Customer	Project Location	Area (sq ft)
DB & B Pte Ltd	CPF Board office at Novena Square Tower A and B	201,285
WT Partnership (S) Pte. Ltd.	Level 4 North Lobby at One @ Changi city for Credit Suisse AG	40,391
DBS Bank Ltd	12 Marina Boulevard	19,248
DHL Express (Singapore) Pte Ltd	75 Airport Cargo Road, #02-01	21,504
Gennal Industries Pte Ltd	Block MD11 NUS Basement 1, Level 1 to 5 offices and Auditorium	52,151
Vista Real Estate Investments Pte Ltd	PSA Vista office corridors from level 2 to 7	29,548
Jones Lang Lasalle Property Consultants Pte Ltd	Twitter Asia Pacific Singapore Office at 138 Market Street Capitagreen Building Level 20	14,534
Shanghai Chong Kee Furniture & Construction Pte Ltd	A*Star Fusionopolis 2A Tower A & B	139,488

Contract Sales Singapore



EMPLOYEE COMPENSATION

Employee compensation of the Group increased by 9.6% or S\$0.2 million due to the revision of pay scale as well as the increase in the Central Provident Fund contribution rates effective beginning of the financial year 2015.

FINANCE EXPENSE

The finance expense remained fairly consistent with the comparative period.

FREIGHT AND TRANSPORTATION EXPENSE

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

OPERATING AND FINANCIAL REVIEW

INSTALLATION EXPENSE

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

OTHER OPERATING EXPENSE

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

PROFIT AFTER TAX

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

FINANCIAL POSITION

As at 31 December 2015, the Group had net assets of approximately S\$17.1 million as compared to S\$16.7 million as at 31 December 2014. Cash and cash equivalent stood at S\$7.4 million as at 31 December 2015 compared to S\$8.6 million as at 31 December 2014. The Group had a positive working capital of S\$14.0 million as at 31 December 2015 as compared to S\$14.8 million as at 31 December 2014.

CASH FLOW

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

Net cash used in investing activities in FY2015 were mainly due to the progressive payments made for the Group's investment property and SAP enterprise resource planning system. Net cash used in financing activities in FY2015 of approximately S\$3.9 million was mainly due to changes in fixed deposits with maturity of more than three months of S\$3.5 million together with the dividend paid to the equity shareholders of the Company of S\$0.5 million.

Overall, the Group recorded a net cash decrease of approximately S\$4.7 million in FY2015 as compared to net cash increase of S\$3.1 million in FY2014.

PROPOSED DIVIDEND

In line with the intended dividend policy mentioned in the Group's Offer Document dated 20 June 2014 (in connection with the Company's IPO), the Board of Directors have proposed a final one-tier tax exempted dividend of 0.33 Singapore cents per ordinary share which translates to approximately 30% of the Group's net profit after tax. This proposed final dividend will be tabled for approval by the shareholders at the Annual General Meeting on 8 April 2016.

PRIMED FOR GROWTH

The Group maintains a strong balance sheet and an efficient capital structure to maximise the returns for shareholders. The strong operational cash flow of the Group will provide resources for future business expansion. Currently, the Group has no outstanding term loans with banks, allowing the Group to tap into the debt market whenever required, for expansion purposes.

CORPORATE GOVERNANCE REPORT

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 corporation (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 2015 ("FY2015"), 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 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) Shareholder Rights and Responsibilities

A) BOARD MATTERS

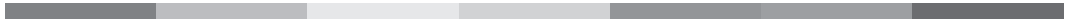
Principle 1: The Board's Conduct of Affairs

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

The responsibilities of the Board include:

- Providing entrepreneurial leadership, set strategic direction and ensuring the overall corporate policies of the Group meet its objectives;
- Ensuring adequate risk management processes;
- Ensuring adequacy of internal controls and periodic reviews of the Group's financial performance and compliance; and
- Monitoring the Board composition, processes and performance.

CORPORATE GOVERNANCE REPORT



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 personnel;
- Announcement of half-year and full-year results, the annual report and financial statements;
- Material acquisitions and disposal of assets;
- Corporate or financial restructuring;
- Share issuance;
- Dividends and other returns to shareholders;
- Directors' remuneration; and
- All matters of strategic importance.

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 allow 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 the year, as well as the frequency of such meetings, are disclosed below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held in FY2015	2	2	1	1
Attendance				
Ho D'Orville Raymond	2*	2*	1	1
Ho Pei Yuen Rena	2	2 [#]	1 [#]	1
Ho Wan Jing Nellie	2	2 [#]	1 [#]	1 [#]
Lee Lay Choo	2	2 [#]	1 [#]	1 [#]
Ng Tiang Hwa	2	2	1*	1 [#]
Chow Wen Kwan Marcus	2	2	1	1*

* Chairman

[#] By invitation

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 Executive Officers). The Directors may also attend appropriate courses, conferences and seminars at the Company's expenses.

There were no incoming Directors during the course of the financial year. Newly appointed Directors to the Board will undergo an orientation programme and will be provided with materials to help them familiarise themselves with the business and governance practices of the Company.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board currently consists of six members, three of whom are independent. This composition provides a strong and independent element on the Board. The Directors are as follows:

Executive Directors

Ho Pei Yuen Rena	Chief Executive Officer ("CEO")
Ho Wan Jing Nellie	Deputy CEO
Lee Lay Choo	Chief Operating Officer

Non-Executive Directors

Ho D'Orville Raymond	Independent Non-Executive Chairman and Chairman of AC
Ng Tiang Hwa	Independent Director and Chairman of RC
Chow Wen Kwan Marcus	Independent Director and Chairman of NC

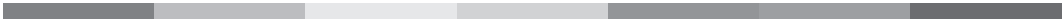
The NC adopts the definition in the Code as to what constitutes an Independent Director. The Board considers an "Independent" Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement of the conduct of the Group's affairs.

The NC has conducted an annual review of the independence of the Independent Directors namely, Ho D'Orville Raymond, Ng Tiang Hwa and Chow Wen Kwan Marcus, based on the guidelines stated in the Code, and has ascertained that they are independent.

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 half 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.

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 Directors 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 Board includes three female Directors in recognition of the value of gender diversity.

CORPORATE GOVERNANCE REPORT



There are no Directors who have served on the Board beyond nine years from the date of his appointment.

Particulars of Directors' interests in the shares in the Company (if any) are set out in the "Directors' Statement" section of this annual report.

Principle 3: Chairman and CEO

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

The Chairman and Independent Non-Executive Director, Ho D'Orville Raymond, is assisted by the three Board Committees and the internal auditor who reports to the AC in ensuring compliance with the Group's guidelines on corporate governance.

The CEO, Ho Pei Yuen Rena, is responsible for the overall management, operations and charting the corporate and strategic direction, including the sales, marketing and procurement strategies of the Group.

The Independent Directors provide unbiased and independent view, advice and judgment to safeguard the interests of not only the Group but also the stakeholders, employees, customers, suppliers and the communities in which the Group conducts business. Furthermore, the Board is of the view that with the functions of the three Board Committees, there are adequate safeguard 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

The NC consists of three members, namely Chow Wen Kwan Marcus, Ho D'Orville Raymond and Ho Pei Yuen Rena, majority of whom are independent. The chairman of the NC is Chow Wen Kwan Marcus. The NC is guided by written terms of reference that describe the responsibilities of its members.

CORPORATE GOVERNANCE REPORT

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.

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 the 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.

CORPORATE GOVERNANCE REPORT

The NC recommended that the following Directors who are retiring at the forthcoming AGM to be nominated for re-election or re-appointment. 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. The retiring Directors have offered themselves for re-election and the Board had accepted the recommendations of the NC.

<u>Name</u>	<u>Retired under</u>
Ho D'Orville Raymond	Regulation 107 of the Company's Constitution
Ho Pei Yuen Rena	Regulation 107 of the Company's Constitution
- Ho D'Orville Raymond will, upon re-election as a Director, remain as the Chairman of the Board and AC and a member of the NC and RC, and will be considered independent for the purposes of Rule 704(7) of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). - Ho Pei Yuen Rena will, upon re-election as a Director of the Company, remain as a member of the NC.	

The NC considers that the multiple board representations held presently by Chow Wen Kwan Marcus do not impede his performance in carrying out his duties towards the Company.

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 and the Board do not propose to set the maximum number of listed company board representations which Directors may hold until such need arises.

CORPORATE GOVERNANCE REPORT

Directors' appointment dates and directorships in other listed companies are as follows:

Name of Directors	Date of first appointment	Date of last re-election	Directorships in other listed companies	
			Present	Past (Last three years)
Ho D'Orville Raymond	3 June 2014	17 April 2015	Nil	1. Infinio Group Limited
Ho Pei Yuen Rena	31 December 2013	17 April 2015	Nil	Nil
Ho Wan Jing, Nellie	31 December 2013	17 April 2015	Nil	Nil
Lee Lay Choo	31 December 2013	17 April 2015	Nil	Nil
Ng Tiang Hwa	3 June 2014	17 April 2015	Nil	Nil
Chow Wen Kwan Marcus	3 June 2014	17 April 2015	1. Hafary Holdings Limited 2. Versalink Holdings Limited	1. Ley Choon Group Holdings Limited 2. Zhongxin Fruit and Juice Limited

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

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 has met its performance objectives for FY2015.

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

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

The Board recognises the importance of unhindered flow of information for the Board to discharge its duties effectively. The Executive Directors and management furnish the Board, and where appropriate each Director regularly 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 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 that the requirements of the Companies Act, Chapter 50, 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

The RC consists of entirely Independent Directors, namely Ng Tiang Hwa, Ho D'Orville Raymond and Chow Wen Kwan Marcus. The chairman of the RC is Ng Tiang Hwa. The RC is guided by written terms of reference that describe the responsibilities of its members.

The RC will recommend to the Board a framework of remuneration for the Directors and Executive Officers, and determine specific remuneration packages for each Executive Director and Executive Officer.

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 to commensurate with their respective job scopes and level of responsibilities. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix of Remuneration

The Company has a remuneration policy for its Executive Directors and Executive Officers which consists of a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus respectively. The variable bonus takes into account the performance of the Group and the performance of the individual Executive Directors and Executive Officers, 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 Independent Directors have no service agreements with the Company and do not receive any remuneration from the Company. They are paid fixed directors' fees, which are determined by the Board based on contribution, effort, time spent and responsibilities of the Independent Directors. The directors' fees are subject to approval by shareholders at each AGM.

Service agreements

The Company had entered into separate service agreements (the "Service Agreements") with the Executive Directors, namely Ho Pei Yuen Rena, Ho Wan Jing Nellie and Lee Lay Choo. The Service Agreements are valid for an initial period of three years upon admission of the Company on Catalist. 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. During the initial period of three years, either party may terminate the Service Agreement at any time by giving to the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the Executive Director's last drawn monthly salary. The Group may also terminate the employment of any of the Executive Directors at any time without notice or payment in lieu of notice under the following circumstances:

- (i) if the Executive Director is guilty of any gross default or grave misconduct in connection with or affecting the business of the Group;
- (ii) in the event of any serious or repeated breach or non-observance by the Executive Director of any of the stipulations contained in the Service Agreements;
- (iii) if the Executive Director becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors;

CORPORATE GOVERNANCE REPORT

- (iv) if the Executive Director shall become of unsound mind; or
- (v) if the Executive Director commits any act of criminal breach of trust or dishonesty.

The Executive Directors 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.

Principle 9: Disclosure of Remuneration

A breakdown, showing the level and mix of each Director's remuneration for FY2015 is as follows:

Name of Director	Director's fee	Salary, CPF and allowance	Performance related bonus	Total
Up to \$250,000	(%)	(%)	(%)	(%)
Ho D'Orville Raymond	100.0	–	–	100.0
Ho Pei Yuen, Rena	–	87.6	12.4	100.0
Ho Wan Jing, Nellie	–	87.8	12.2	100.0
Lee Lay Choo	–	87.5	12.5	100.0
Ng Tiang Hwa	100.0	–	–	100.0
Chow Wen Kwan Marcus	100.0	–	–	100.0

CORPORATE GOVERNANCE REPORT

A breakdown, showing the level and mix of each Executive Officer's remuneration for FY2015 is as follows:

Name of Executive Officer [#]	Salary, CPF and allowance	Performance related bonus	Total
Up to \$250,000	(%)	(%)	(%)
Tay Twan Lee	88.1	11.9	100.0
Bernard Neoh Teck Wei*	73.0	27.0	100.0
Ng Hui Hsien [^]	93.1	6.9	100.0
Sherina Low Yeen Mei	88.4	11.6	100.0

[#] There were only three Executive Officers during FY2015.

^{*} Bernard Neoh Teck Wei has resigned from his role as the Chief Financial Officer on 31 July 2015.

[^] Ng Hui Hsien was appointed as the Financial Controller on 16 September 2015.

The remuneration of each Director and Executive Officer is not fully disclosed as the Board is of the view that full disclosure is not in the best interests of the Company, having taken into consideration the sensitive nature of the matter and the competitive business environment the Group operates in.

The aggregate total remuneration paid to or accrued to the Executive Officers amounted to \$371,000 for FY2015.

The review of the remuneration of the Executive Directors and Executive Officers 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 Executive Officers are adequately but not excessively remunerated.

The Company does not have any employee share scheme or other long-term employee incentive scheme.

Save that (i) Ho Pei Yuen Rena and Ho Wan Jing Nellie are siblings, (ii) Tay Twan Lee is the spouse of Ho Wan Jing Nellie and (iii) Lui Oi Kheng, the controlling shareholder of the Company, is the mother of Ho Pei Yuen Rena and Ho Wan Jing Nellie, there is no employee of the Group who is an immediate family member of the Directors or CEO.

CORPORATE GOVERNANCE REPORT

C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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 subsidiary corporation on a monthly basis for understanding of the Group's performance, financial position and prospects.

Principle 11: Risk Management and Internal Controls

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 reviews significant control policies and procedures and highlights the significant matters to the Board and the AC.

The Board is responsible for the overall 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.

CORPORATE GOVERNANCE REPORT

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 Financial Controller that:

- (a) the financial records have been properly maintained and the financial statements for FY2015 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 and internal control systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group as at 31 December 2015.

Principle 12: Audit Committee

The AC consists of entirely Independent Directors, namely Ho D'Orville Raymond, Ng Tiang Hwa and Chow Wen Kwan Marcus. The chairman of the AC is Ho D'Orville Raymond. 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 shall update themselves of the changes to accounting standards, listing rules of the Singapore Exchange Securities Trading Limited and other regulations which could have an impact on the Group's business and financial statements.

CORPORATE GOVERNANCE REPORT

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 Singapore Financial Reporting Standards, concerns and issues arising from its audits including any matters which the auditor may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (c) review the periodic consolidated financial statements comprising the profit and loss statements 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 the external and internal auditors, 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 (if any);
- (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;

CORPORATE GOVERNANCE REPORT

- (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 constantly bears in mind 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 FY2015, the aggregate amount of fees paid or payable to the external auditor for the audit and non-audit services amounted to \$58,600 and \$3,800 respectively.

The Group is in compliance with Rules 712 and 715 of the Catalist Rules.

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.

CORPORATE GOVERNANCE REPORT

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 FY2015, the changes in accounting standards did not have any material impact on the Group's financial statements.

Principle 13: Internal Audit

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 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.

D) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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 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.

CORPORATE GOVERNANCE REPORT

Principle 15: 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, Chapter 50, 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 and press releases.

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 and/or press releases 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 dividends 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.

Principle 16: Conduct of Shareholder Meetings

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 Company.

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 allow any member 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.

CORPORATE GOVERNANCE REPORT

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 Executive Officers 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 non-controlling 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 FY2015.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Sponsor, Hong Leong Finance Limited for FY2015.

CORPORATE GOVERNANCE REPORT

Material Contracts

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

Use of IPO Proceeds

The Group raised net proceeds of approximately \$2.4 million from its IPO. As at 19 February 2016, such proceeds had been utilised in accordance with the intended purposes as follows:

Intended use of net proceeds	Amount allocated (\$'000)	Amount utilised (\$'000)	Balance (\$'000)
Business expansion through acquisitions, joint ventures and/or strategic alliances	1,500	–	1,500
Improving inventory management system and logistics support ⁽¹⁾	340	269	71
Marketing and business development	250	–	250
General working capital ⁽²⁾	329	302	27
Total	2,419	571	1,848

Notes:

1. Out of \$340,000 allocated for improving inventory management system and logistics support, \$113,000 has been utilised to purchase a new delivery truck and \$157,000 has been utilised to purchase SAP inventory cum accounting system.
2. The breakdown of the use of the IPO proceeds on general working capital is as follows:

	\$'000
Professional fees	156
Directors' fees	75
Compliance/Listing fees	7
Administrative expenses	27
Other operating expenses	37
Total	302

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

This table outlines the Company's corporate governance practices that were in place during FY2015 with specific reference made to the disclosure guide developed by the Singapore Exchange Securities Trading Limited in January 2015.

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	The Company has complied with all the principles and guidelines of the Code, except for the disclosure of the remuneration of each individual Director to the nearest thousand dollars. Alternatively, the Company disclosed the Directors' remuneration in the bands of \$250,000 and the breakdown in percentage of each Director's and the CEO's remuneration earned through director's fee, fixed salary, CPF and allowance and performance related bonus.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	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 personnel; • Announcement of half-year and full-year results, the annual report and financial statements; • Material acquisitions and disposal of assets; • Corporate or financial restructuring; • Share issuance; • Dividends and other returns to shareholders; • Directors' remuneration; and • All matters of strategic importance.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	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 Directors 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 Board includes three female Directors in recognition of the value of gender diversity. Both Mr Ho D'orville Raymond and Mr Ng Tiang Hwa are trained in finance and management while Mr Chow Wen Kwan Marcus is a practising lawyer in corporate finance. Combined, these three Independent Directors are all experienced in overall risk management and corporate governance. The Executive Directors: Ms Ho Pei Yuen Rena, Ms Ho Wan Jing Nellie and Ms Lee Lay Choo have experience specifically in the carpet trade. A brief description of the background of each Director is presented in the "Board of Directors" section of this annual report.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	There were no incoming Directors during the course of the financial year. 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.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	There were no incoming Directors during the course of the financial year. Newly appointed Directors to the Board will undergo an orientation programme and will be provided with materials to help them familiarise themselves with the business and governance practices of the Company. 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. The Directors may also attend appropriate courses, conferences and seminars at the Company's expenses.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	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 and the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. Each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Group's affairs.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF **CORPORATE GOVERNANCE 2012**

Guideline	Questions	How has the Company complied?
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	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 has met its performance objectives for FY2015.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes, half of the Board is made up of Independent Directors.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no such Directors.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	There are no such Directors.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?																																								
Disclosure on Remuneration																																										
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	A breakdown, showing the level and mix of each Director's remuneration for FY2015 is as follows: <table><tr><th>Name of Director</th><th>Director's fee</th><th>Salary, CPF and allowance</th><th>Performance related bonus</th><th>Total</th></tr><tr><th>Up to S\$250,000</th><th>(%)</th><th>(%)</th><th>(%)</th><th>(%)</th></tr><tr><td>Ho D'Orville Raymond</td><td>100.0</td><td>–</td><td>–</td><td>100.0</td></tr><tr><td>Ho Pei Yuen Rena</td><td>–</td><td>87.6</td><td>12.4</td><td>100.0</td></tr><tr><td>Ho Wan Jing Nellie</td><td>–</td><td>87.8</td><td>12.2</td><td>100.0</td></tr><tr><td>Lee Lay Choo</td><td>–</td><td>87.5</td><td>12.5</td><td>100.0</td></tr><tr><td>Ng Tiang Hwa</td><td>100.0</td><td>–</td><td>–</td><td>100.0</td></tr><tr><td>Chow Wen Kwan Marcus</td><td>100.0</td><td>–</td><td>–</td><td>100.0</td></tr></table> The remuneration of each Director and Executive Officer is not fully disclosed as the Board is of the view that full disclosure is not in the best interests of the Company, having taken into consideration the sensitive nature of the matter and the competitive business environment the Group operates in.	Name of Director	Director's fee	Salary, CPF and allowance	Performance related bonus	Total	Up to S\$250,000	(%)	(%)	(%)	(%)	Ho D'Orville Raymond	100.0	–	–	100.0	Ho Pei Yuen Rena	–	87.6	12.4	100.0	Ho Wan Jing Nellie	–	87.8	12.2	100.0	Lee Lay Choo	–	87.5	12.5	100.0	Ng Tiang Hwa	100.0	–	–	100.0	Chow Wen Kwan Marcus	100.0	–	–	100.0
Name of Director	Director's fee	Salary, CPF and allowance	Performance related bonus	Total																																						
Up to S\$250,000	(%)	(%)	(%)	(%)																																						
Ho D'Orville Raymond	100.0	–	–	100.0																																						
Ho Pei Yuen Rena	–	87.6	12.4	100.0																																						
Ho Wan Jing Nellie	–	87.8	12.2	100.0																																						
Lee Lay Choo	–	87.5	12.5	100.0																																						
Ng Tiang Hwa	100.0	–	–	100.0																																						
Chow Wen Kwan Marcus	100.0	–	–	100.0																																						

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?																								
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	A breakdown, showing the level and mix of each Executive Officer's remuneration for FY2015 is as follows: <table><tr><th>Name of Executive Officer[#]</th><th>Salary, CPF and allowance</th><th>Performance related bonus</th><th>Total</th></tr><tr><td>Up to \$250,000</td><td>(%)</td><td>(%)</td><td>(%)</td></tr><tr><td>Tay Twan Lee</td><td>88.1</td><td>11.9</td><td>100.0</td></tr><tr><td>Bernard Neoh Teck Wei*</td><td>73.0</td><td>27.0</td><td>100.0</td></tr><tr><td>Ng Hui Hsien[^]</td><td>93.1</td><td>6.9</td><td>100.0</td></tr><tr><td>Sherina Low Yeen Mei</td><td>88.4</td><td>11.6</td><td>100.0</td></tr></table> [#] There were only three Executive Officers during FY2015. [*] Bernard Neoh Teck Wei has resigned from his role as the Chief Financial Officer on 31 July 2015. [^] Ng Hui Hsien was appointed as the Financial Controller on 16 September 2015. The remuneration of each Director and Executive Officer is not fully disclosed as the Board is of the view that full disclosure is not in the best interests of the Company, having taken into consideration the sensitive nature of the matter and the competitive business environment the Group operates in. The aggregate total remuneration paid to or accrued to the Executive Officers amounted to \$371,000 for FY2015.	Name of Executive Officer [#]	Salary, CPF and allowance	Performance related bonus	Total	Up to \$250,000	(%)	(%)	(%)	Tay Twan Lee	88.1	11.9	100.0	Bernard Neoh Teck Wei*	73.0	27.0	100.0	Ng Hui Hsien [^]	93.1	6.9	100.0	Sherina Low Yeen Mei	88.4	11.6	100.0
Name of Executive Officer [#]	Salary, CPF and allowance	Performance related bonus	Total																							
Up to \$250,000	(%)	(%)	(%)																							
Tay Twan Lee	88.1	11.9	100.0																							
Bernard Neoh Teck Wei*	73.0	27.0	100.0																							
Ng Hui Hsien [^]	93.1	6.9	100.0																							
Sherina Low Yeen Mei	88.4	11.6	100.0																							
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Save that (i) Ho Pei Yuen Rena and Ho Wan Jing Nellie are siblings, (ii) Tay Twan Lee is the spouse of Ho Wan Jing Nellie and (iii) Lui Oi Kheng, the controlling shareholder of the Company, is the mother of Ho Pei Yuen Rena and Ho Wan Jing Nellie, there is no employee of the Group who is an immediate family member of the Directors or CEO.																								

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	The review of the remuneration of the Executive Directors and Executive Officers 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 Executive Officers are adequately but not excessively remunerated. The Company does not have any employee share scheme or other long-term employee incentive scheme. The performance conditions of the Executive Directors and Executive Officers were achieved for FY2015.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	The Board recognises the importance of unhindered flow of information for the Board to discharge its duties effectively. The Executive Directors and management furnish the Board, and where appropriate each Director regularly 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.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	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.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	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 and internal control systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group as at 31 December 2015. The Board has received assurance from the CEO and the Financial Controller that: (a) the financial records have been properly maintained and the financial statements for FY2015 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.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	During FY2015, the aggregate amount of fees paid or payable to the external auditor for the audit and non-audit services amounted to \$58,600 and \$3,800 respectively. The external auditor had not supplied a substantial volume of non-audit services to the Company during FY2015. Nonetheless, 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.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	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, Chapter 50, 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 and press releases. 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: • Information deemed to be price-sensitive is disseminated without delay via announcements and/or press releases on SGXNET; • Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and • Operate an open policy with regard to investors' enquiries.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable as the Board is recommending dividends for FY2015.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2015

The directors present their statement to the members together with the audited financial statements of SMJ International Holdings Ltd. (the "Company") and its subsidiary corporation ("the Group") for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 50 to 100 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 2015 and the financial performance, changes in equity and 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:

Ho D'Orville Raymond
Ho Pei Yuen Rena
Ho Wan Jing Nellie
Lee Lay Choo
Ng Tiang Hwa
Chow Wen Kwan Marcus

Arrangements to enable directors to acquire shares and 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 2015

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 director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2015	At 1.1.2015 or date of appointment if later	At 31.12.2015	At 1.1.2015 or date of appointment if later
Company				
(No. of ordinary shares)				
Ho Pei Yuen Rena	12,800,000	12,800,000	—	—
Ho Wan Jing Nellie	12,800,000	12,800,000	—	—
Lee Lay Choo	3,200,000	3,200,000	—	—

The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

Share Options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporation.

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

There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2015

Audit Committee

The Audit Committee (the "AC") comprises three members, all of whom are non-executive directors.

The members of the Audit Committee at the end of the financial year and at the date of the statement were as follows:

Ho D'Orville Raymond	Independent director, Chairman
Ng Tiang Hwa	Independent director
Chow Wen Kwan Marcus	Independent director

The Audit Committee 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.

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 auditors, 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 Singapore Financial Reporting Standards, concerns and issues arising from its audits including any matters which the auditor may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- (c) review the periodic consolidated financial statements comprising the profit and loss statements 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 auditors;
- (f) consider the appointment or re-appointment of the external auditor;

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2015

Audit Committee (continued)

- (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 reported 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 re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2015

Independent Auditor

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

On behalf of the directors

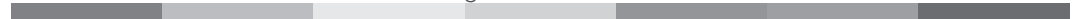
Ho Pei Yuen Rena
Director

Lee Lay Choo
Director

15 March 2016

INDEPENDENT AUDITOR'S REPORT

to the Members of SMJ International Holdings Ltd.



Report on the Financial Statements

We have audited the accompanying financial statements of SMJ International Holdings Ltd. (the "Company") and its subsidiary corporation (the "Group") set out on pages 50 to 100, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

to the Members of SMJ International Holdings Ltd.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

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 the subsidiary corporation incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Philip Tan Jing Choon
Appointed since financial year ended 31 December 2014

Singapore
15 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Revenue	4	20,729	20,228
Other income	5	155	97
Other gains and losses	6	84	(2)
Expenses			
– Changes in inventories		(357)	(233)
– Purchases of inventories		(12,862)	(11,566)
– Depreciation	16	(101)	(50)
– Employee compensation	7	(2,809)	(2,562)
– Finance	8	(64)	(64)
– Freight and transportation		(576)	(524)
– Installation		(886)	(749)
– Other	9	(2,327)	(2,663)
Total expenses		(19,982)	(18,411)
Profit before income tax		986	1,912
Income tax expense	10	(121)	(326)
Total comprehensive income, representing net profit		865	1,586
Total comprehensive income attributable to:			
Equity holders of the Company		865	1,586
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	11	1.11	2.03

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

BALANCE SHEETS

As at 31 December 2015

		Group		Company	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	7,358	8,591	2,862	2,188
Trade and other receivables	13	7,521	6,320	71	55
Inventories	14	4,445	4,802	–	–
		19,324	19,713	2,933	2,243
Non-current assets					
Investment property	15	2,801	1,685	–	–
Property, plant and equipment	16	295	157	–	–
Investment in subsidiary corporation	17	–	–	3,500	3,500
		3,096	1,842	3,500	3,500
Total assets		22,420	21,555	6,433	5,743
LIABILITIES					
Current liabilities					
Trade and other payables	18	2,651	2,024	60	53
Current income tax liabilities		63	414	–	–
Borrowings	19	2,567	2,428	–	–
Deferred government grant	20	57	16	–	–
		5,338	4,882	60	53
Non-current liabilities					
Deferred income tax liabilities	21	29	9	–	–
Total liabilities		5,367	4,891	60	53
NET ASSETS		17,053	16,664	6,373	5,690
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	6,365	6,365	6,365	6,365
Retained profits/ (accumulated losses)		10,688	10,299	8	(675)
Total equity		17,053	16,664	6,373	5,690

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the Financial Year Ended 31 December 2015

	Note	Attributable to equity holders of the Company		
		Share capital \$'000	Retained profits \$'000	Total equity \$'000
2015				
Beginning of financial year		6,365	10,299	16,664
Total comprehensive income for the year		–	865	865
Dividend relating to 2014 paid	24	–	(476)	(476)
End of financial year		6,365	10,688	17,053
2014				
Beginning of financial year		3,500	8,713	12,213
Issue of shares pursuant to the Listing	22(d)	3,920	–	3,920
Placement and listing expenses	22(e)	(1,055)	–	(1,055)
Total comprehensive income for the year		–	1,586	1,586
End of financial year		6,365	10,299	16,664

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Net profit		865	1,586
Adjustments for:			
– Income tax expense	10	121	326
– Depreciation	16	101	50
– Gain on disposal of property, plant and equipment	6	(7)	(15)
– Property, plant and equipment written off		–	1
– Placement and listing expenses charged to income statement	9	–	446
– Interest income	5	(72)	(25)
– Finance expenses	8	64	64
		1,072	2,433
Change in working capital:			
– Inventories		357	233
– Trade and other receivables		(1,203)	(339)
– Trade and other payables		627	(169)
– Deferred government grant		41	16
Cash generated from operations		894	2,174
Income tax paid		(452)	(566)
Net cash provided by operating activities		442	1,608
Cash flows from investing activities			
Additions to property, plant and equipment	16	(239)	(176)
Additions to investment property	15	(1,116)	(638)
Interest received		74	4
Proceeds from the disposal of property, plant and equipment		7	15
Net cash used in investing activities		(1,274)	(795)
Cash flows from financing activities			
Gross proceeds pursuant to the listing	22(d)	–	3,920
Placement and listing expenses paid	22(d)	–	(1,501)
Proceeds from borrowings		9,474	7,689
Repayment of borrowings		(9,335)	(7,741)
Interest paid		(64)	(64)
Dividends paid to equity holders of the Company	24	(476)	–
Fixed deposits with maturity more than three months		(3,500)	–
Net cash (used in)/provided by financing activities		(3,901)	2,303
Net (decrease)/increase in cash and cash equivalents		(4,733)	3,116
Cash and cash equivalents			
Beginning of financial year		8,591	5,475
End of financial year	12	3,858	8,591

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

1 General information

1.1 The Company

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 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115.

The principal activity of the Company is investment holding. The principal activity of the subsidiary corporation is described in Note 17 to the financial statements.

1.2 Restructuring exercise

The Group was formed through the following exercise (the "Restructuring Exercise") which involved acquisitions and rationalisation of the corporate and shareholding structure for the purposes of the initial public offering of ordinary shares of the Company on the Catalist. Pursuant to the Restructuring Exercise, the Company became the holding corporation of the Group. The Restructuring Exercise involved the following steps:

(a) Incorporation of the Company

The Company was incorporated in Singapore on 31 December 2013 under the Singapore Companies Act as a private company limited by shares with an issued and paid-up share capital of \$100 comprising 100 ordinary shares held by Lui Oi Kheng (55 shares), Ho Pei Yuen Rena (20 shares), Ho Wan Jing Nellie (20 shares) and Tay Twan Lee (5 shares) respectively (collectively known as the "Subscriber Shares").

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

1 General information (continued)

1.2 Restructuring exercise (continued)

- (b) *Share swaps between the original shareholders of the subsidiary corporation for the shares in the Company to acquire SMJ Furnishings (S) Pte. Ltd. ("SMJ Furnishings")*

Pursuant to a restructuring agreement dated 16 May 2014 (the "Restructuring Agreement") entered into between our Company and the existing shareholders of SMJ Furnishings, namely Lui Oi Kheng (50%), Ho Pei Yuen Rena (20%), Ho Wan Jing Nellie (20%) and Lee Lay Choo (10%), the Company acquired the entire issued and paid-up share capital of SMJ Furnishings for an aggregate consideration of \$3,500,000, which was determined based on the amount of issued and paid-up share capital of SMJ Furnishings as at 16 May 2014. The consideration was satisfied by the allotment and issuance of 100 new Shares (before the subdivision) credited as fully paid, by the Company to the existing shareholder of SMJ Furnishings.

Upon the completion of the Restructuring Agreement, SMJ Furnishings became a wholly-owned subsidiary corporation of the Company.

- (c) *Subdivision of shares*

On 2 June 2014, each share in the issued and paid-up share capital of the Company was subdivided into 320,000 shares. Upon completion of the Subdivision, the Company's issued and paid-up capital comprised of 64,000,000 shares.

The Restructuring Exercise as described in Note 1.2(b) involved companies which are under common control since all the entities which took part in the Restructuring Exercise were controlled by the same control parties before and immediately after the Restructuring Exercise. Lui Oi Kheng, Ho Pei Yuen Rena and Ho Wan Jing Nellie holds 90% equity interest in SMJ Furnishings and 92.5% equity interest in the Company, hence are regarded as the controlling parties of SMJ Furnishings and of the Company. Accordingly, the Restructuring Exercise has been accounted for using merger accounting in accordance with Recommended Accounting Practice 12 *Merger Accounting for Common Control Combinations for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005* ("RAP 12").

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS 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.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group assesses its roles as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Distribution sales*

Distribution sales refer to wholesale of carpets to dealers, carpet importers and carpet installation companies. Revenue from sale of carpets is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, and generally coincides with their delivery and acceptance by customers.

(b) *Contract sales*

Contract sales refer to supply and delivery of carpets which includes the project management work, by handling the installation of these carpets on site for its customers. Revenue is recognised upon delivery of carpet and installation service rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.3 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 asset are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.4 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 over 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 but are considered an impairment indicator of the asset transferred. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiary corporations (continued)*

(ii) *Acquisitions (continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previous equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions (continued)

- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporation is taken to merger reserve.

(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 "Investment in subsidiary corporation" for the accounting policy on investment in subsidiary corporation in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.4 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.

2.5 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	10 years

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation (continued)

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.

(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 and losses".

2.6 Borrowings costs

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

2.7 Investment properties

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.7 Investment properties (continued)

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. Investment properties under construction are 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 an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.8 Investment in subsidiary corporation

Investment in subsidiary corporation is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investment, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.9 Impairment of non-financial assets

Property, plant and equipment

Investment properties

Investment in subsidiary corporation

Property, plant and equipment, investment properties and investment in subsidiary corporation 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 cash-generating units ("CGU") to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

Property, plant and equipment
Investment properties
Investment in subsidiary corporation (continued)

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, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed 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 amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) Classification (continued)

At the end of 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 balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 13) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.10 Financial assets (continued)

(e) *Impairment*

The Group assesses at each balance sheet 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.12 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.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporation's borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.13 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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.15 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.

2.16 Leases

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.

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.18 Income taxes (continued)

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 investment in subsidiary corporation, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.19 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.

2.20 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) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.21 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 financial statements are presented in Singapore Dollars ("SGD"), which is the functional currency of the Company.

(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. 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.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains and losses".

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.21 Currency translation (continued)

(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.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 Segment reporting

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

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2 Significant accounting policies (continued)

2.24 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.

2.25 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

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.

3.1 Critical accounting estimates and assumptions

(a) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of trade receivables at the end of financial year were \$7,054,000 (2014: \$5,797,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

3 Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(a) Impairment of loans and receivables (continued)

If the net present values of estimated cash flows had been higher/lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group would have been lower/higher by \$705,000 (2014: \$580,000).

(b) Net realisable value of inventories

A review is made periodically on inventory for obsolete and excess inventory and declines in net realisable value below cost and a write down is recorded against the carrying amount of inventories for any such obsolescence, excess and declines. The review requires management to consider the future demand for the inventories. The realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of write-down include ageing analysis and future demand on the respective carpets. In general, such an evaluation process requires significant judgement and affects the carrying amount of the inventories at the end of the respective financial years. Possible changes in these estimates could result in revisions to the stated value of the inventories but these changes would not arise from the assumptions or other sources of estimation uncertainty at the end of the financial years.

The carrying amount of inventories at the end of the financial year was \$4,445,000 (2014: \$4,802,000).

4 Revenue

	Group	
	2015	2014
	\$'000	\$'000
Distribution sales	11,292	10,848
Contract sales	9,437	9,380
	20,729	20,228

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

5 Other income

	Group	
	2015	2014
	\$'000	\$'000
Sundry income	74	72
Interest income – bank deposits	72	25
Government grant (Note 20)	9	–
	155	97

6 Other gains and losses

	Group	
	2015	2014
	\$'000	\$'000
Gain on disposal of property, plant and equipment	7	15
Currency exchange gains/(losses) - net	77	(17)
	84	(2)

7 Employee compensation

	Group	
	2015	2014
	\$'000	\$'000
Wages and salaries	2,314	2,185
Employer's contribution to defined contribution plan including Central Provident Fund	292	257
Other short-term benefits	203	120
	2,809	2,562

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

8 Finance expenses

	Group	
	2015	2014
	\$'000	\$'000
Interest expense – trust receipts	64	64

9 Other operating expenses

	Group	
	2015	2014
	\$'000	\$'000
Allowance for impairment – trade receivables (Note 27(b)(ii))	–	64
Auditors' remuneration		
– Fees on audit services paid/payable to auditor of the Company		
– current year	69	50
– under provision in prior year	16	–
Bank charges	40	37
Bad debts written off (Note 27(b)(iii))	58	5
Commission and agency fees	137	172
Entertainment	34	39
Insurance	114	67
Professional fees ⁽¹⁾	280	645
Printing, stationery and postages	97	101
Rental expense on operating leases	797	811
Repair and maintenance	299	287
Sampling and pasting charges	87	1
Telecommunication	36	35
Travelling and transportation	169	203
Utilities	22	26
Other	72	120
	2,327	2,663

(1) Included in the professional fees are placement and listing expenses of approximately \$nil (2014: \$446,000) (Note 22(e)).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

10 Income taxes

Income tax expense

	Group	
	2015 \$'000	2014 \$'000
Tax expense attributable to profit is made up of:		
– Profit for the financial year		
Current income tax	63	414
Deferred income tax (Note 21)	20	–
– Under/(over) provision in prior financial years:		
Current income tax	38	(88)
	121	326

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

	Group	
	2015 \$'000	2014 \$'000
Profit before tax	986	1,912
Tax calculated at tax rate of 17% (2014: 17%)	168	325
Effects of:		
– tax exemptions and incentives	(158)	(38)
– expenses not deductible for tax purposes	74	127
– income not subject to tax	(1)	–
– under/(over) provision of tax in prior financial years	38	(88)
Tax charge	121	326

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

11 Earnings per share

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

	Group	
	2015	2014
Net profit attributable to equity holders of the Company (\$'000)	865	1,586
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	78,000	78,000
Basic and diluted (cents per share)	1.11	2.03

There were no dilutive potential ordinary shares during the financial year.

12 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	1,358	8,591	362	2,188
Bank deposits	6,000	–	2,500	–
	7,358	8,591	2,862	2,188

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

	Group	
	2015	2014
	\$'000	\$'000
Cash and cash equivalents (as above)	7,358	8,591
Less: Bank deposits with maturity more than three months	(3,500)	–
Cash and cash equivalents per consolidated statement of cash flows	3,858	8,591

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

13 Trade and other receivables

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables – non-related parties	7,105	5,861	–	–
Less: Allowances for impairment (Note 27(b)(ii))	(51)	(64)	–	–
Trade receivables – net	7,054	5,797	–	–
Advances to employees	75	7	–	–
Deposits	14	150	–	–
Interest income receivable	22	21	12	–
Prepayments	356	345	59	55
	7,521	6,320	71	55

14 Inventories

	Group	
	2015 \$'000	2014 \$'000
Finished goods	4,445	4,802

The cost of inventories recognised as an expense in profit or loss amounted to \$13,219,000 (2014: \$11,799,000).

15 Investment property

	Group	
	2015 \$'000	2014 \$'000
Cost		
Beginning of financial year	1,685	1,047
Additions	1,116	638
End of financial year	2,801	1,685

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

15 Investment property (continued)

At the balance sheet date, the detail of the Group's investment property is as follows:

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

(1) The property has been granted the Temporary Occupation Permit ("TOP") on September 2015

The investment property is leased to a non-related party under operating lease with effect from 6 March 2016 for a period of one year with an option to renew for a further one year.

Fair value hierarchy – Recurring fair value measurements

Description	Fair value measurements using		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1) \$'000	(Level 2) \$'000	(Level 3) \$'000
31 December 2015			
– Condominium	–	3,198	–

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.

The fair value of the investment property was measured based on the highest and best use method to reflect the actual market circumstances as of the end of financial year. The fair value was based on comparison with market evidence of recent transaction prices for similar properties at the same location obtained from the Urban Redevelopment Authority ("URA").

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

16 Property, plant and equipment

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
2015					
<i>Cost</i>					
Beginning of financial year	90	215	455	27	787
Additions	183	–	56	–	239
Disposals	–	–	(42)	–	(42)
End of financial year	273	215	469	27	984
<i>Accumulated depreciation</i>					
Beginning of financial year	87	212	318	13	630
Depreciation charge	59	1	38	3	101
Disposals	–	–	(42)	–	(42)
End of financial year	146	213	314	16	689
Net book value					
End of financial year	127	2	155	11	295
2014					
<i>Cost</i>					
Beginning of financial year	89	215	429	37	770
Additions	6	–	170	–	176
Disposals	–	–	(144)	–	(144)
Written off	(5)	–	–	(10)	(15)
End of financial year	90	215	455	27	787
<i>Accumulated depreciation</i>					
Beginning of financial year	87	211	421	19	738
Depreciation charge	5	1	41	3	50
Disposals	–	–	(144)	–	(144)
Written off	(5)	–	–	(9)	(14)
End of financial year	87	212	318	13	630
Net book value					
End of financial year	3	3	137	14	157

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

17 Investment in subsidiary corporation

	Group	
	2015	2014
	\$'000	\$'000
Equity investment at cost	3,500	3,500

The Group had the following subsidiary corporation as at 31 December 2015 and 2014:

Name	Principal activity	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group	
			2015 %	2014 %
SMJ Furnishings (S) Pte Ltd ⁽¹⁾	General wholesale trade of carpets and furnishings material	Singapore	100	100

(1) Audited by Nexia TS Public Accounting Corporation

18 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Trade payables – non-related parties	1,826	1,074	–	–
Other payables – non-related parties	341	278	28	–
Accruals for operating expenses	484	672	32	53
	2,651	2,024	60	53

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

19 Borrowings

	Group	
	2015	2014
	\$'000	\$'000
<i>Current</i>		
Bank borrowings – trust receipts	2,567	2,428

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group	
	2015	2014
	\$'000	\$'000
6 months or less	2,567	2,428

(a) Security granted

Financial year ended 31 December 2015 and 2014

Bank borrowings of the subsidiary corporation are guaranteed and indemnified for \$7,130,000 by the Company.

20 Deferred government grant

	Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	16	–
Amount received from SPRING Singapore	50	16
Recognised in profit and loss during the financial year (Note 5)	(9)	–
End of financial year	57	16

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

21 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 before and after offsetting, are shown on the balance sheet as follows:

	Group	
	2015	2014
	\$'000	\$'000
Deferred income tax liabilities, representing accelerated tax depreciation		
– To be settled after one year	29	9

Movement in deferred income tax account is as follows:

	Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	9	9
Tax charge		
– to profit or loss (Note 10)	20	–
End of financial year	29	9

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

22 Share capital

Group and Company	Number of shares '000	Issued and paid-up share capital \$'000
2015		
Beginning and end of financial year	78,000	6,365
2014		
Issue of shares at date of incorporation ^(a)	*	*
Shares issuance pursuant to the Restructuring Exercise ^(b)	*	3,500
	*	3,500
Subdivision of shares pursuant to Restructuring Exercise ^(c)	64,000	3,500
Issue of shares pursuant to the listing ^(d)	14,000	3,920
Placement and listing expenses ^(e)	—	(1,055)
End of financial year	78,000	6,365

* Balance less than 1,000

- (a) The Company was incorporated on 31 December 2013 with a paid-up capital of \$100 comprising of 100 ordinary shares at the date of incorporation.
- (b) 100 ordinary shares were issued pursuant to the Restructuring Exercise to acquire SMJ Furnishings (S) Pte. Ltd. for an aggregate consideration of \$3,500,000 (Note 1.2(b)).
- (c) On 2 June 2014, 200 ordinary shares in the share capital of the Company were subdivided into 64,000,000 ordinary shares.
- (d) On 26 June 2014, the Company issued 14,000,000 new shares at \$0.28 per share as placement in connection with the listing and raised gross proceeds of \$3,920,000. The net proceeds received from the listing amounted to \$2,419,000, after deducting placement and listing expenses of the Company of \$1,501,000 paid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

22 Share capital (continued)

- (e) During the financial year ended 31 December 2014, placement and listing expenses incurred amounted to \$1,501,000. Included in the placement and listing expenses were professional fee paid/payable to the independent reporting auditors of the Company amounting to approximately \$180,000 in respect to the professional services rendered in connection with the Company's listing.

Placement and listing expenses of \$1,055,000 which were directly attributed to the issuance of new shares were deducted against the share capital of the Company. The remaining balance of \$446,000 was charged to profit or loss (Note 9).

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. The newly issued shares rank pari passu in all respects with the previously issued shares.

23 Retained profits

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

	Company	
	2015	2014
	\$'000	\$'000
Beginning of financial year	(675)	–
Net profit/(loss)	1,159	(675)
Dividends paid (Note 24)	(476)	–
End of financial year	8	(675)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

24 Dividends

	Group	
	2015	2014
	\$'000	\$'000
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of previous financial year of 0.61 (2014: \$nil) cents per share	476	–

At the Annual General Meeting on 8 April 2016, a final dividend of 0.33 cents per share amounting to a total of \$259,600 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2016.

25 Contingencies

(a) Contingent liabilities

- (i) Contingent liabilities, of which the probability of settlement is remote at the balance sheet date, are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Performance guarantees	564	840

- (ii) During the financial year, the Company has issued corporate guarantees amounting to \$7,130,000 to a bank for borrowings of its subsidiary corporation. These bank borrowings of the subsidiary corporation amounted to \$2,567,000 (2014: \$2,428,000) at the balance sheet date.

The Company has evaluated the fair values of the corporate guarantees and the consequential liabilities derived from its guarantee to the bank with regards to the subsidiary corporation are minimal. The subsidiary corporation for which the guarantee was provided is in favourable equity position and is profitable, with no default in the payment of borrowings and credit facilities.



NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

25 Contingencies (continued)

(a) Contingent liabilities (continued)

- (iii) During the financial year ended 31 December 2014, the subsidiary corporation of the Group issued a letter of demand to one of its customers for overdue receivables of approximately \$23,000. Subsequent to the issuance of demand letter, the customer replied and claimed that defective carpets were delivered and installed.

Based on the Writ of Summons filed on 16 December 2014, the customer is required to satisfy the claim or enter an appearance within 8 days from the date of the writ being served. There was no response from the customer within the stipulated date and a default judgment was awarded to the subsidiary corporation of the Group.

On 22 January 2015, an application to set aside judgment was filed by the customer. The customer has also sought a counterclaim of \$146,500 for rectification works as a result of defective carpets installed. The directors, based on the advice of their legal counsel, are of the opinion that the charges and suits against the subsidiary corporation are without merit and hence no provision has been made in the financial statements.

On 8 March 2016, the matters have been amicably settled between the parties. The subsidiary corporation of the Group and customer have reached a full and final settlement of all claims and counterclaims between the parties. As part of the Settlement, the customer will pay to the subsidiary corporation of the Group a sum of \$16,000 (the "Settlement Sum") in 2 installments. Following this, the customer will discontinue the suit.

26 Commitments

(a) Capital commitments

Capital expenditures contracted at the balance sheet date but not recognised in the financial statements, are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Investment property	478	1,594

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

26 Commitments (continued)

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

The Group leases office and warehouse spaces 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:

	Group	
	2015 \$'000	2014 \$'000
Not later than one year	832	837
Between one and five years	1,115	1,947
	1,947	2,784

27 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, liquidity risk and capital 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 Group may use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures.

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.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Executive Directors. Regular reports are also submitted to the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(a) Market risk

(i) Currency risk

The Group operates in Singapore but regularly transacts in currencies other than its functional currency due to the wide geographical spread of sales. Currency risk arises in the Group when transactions are denominated in foreign currencies such as United States Dollars ("USD").

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

	SGD \$'000	USD \$'000	Total \$'000
<u>At 31 December 2015</u>			
Financial assets			
Cash and cash equivalents	6,894	464	7,358
Trade and other receivables	4,577	2,588	7,165
	11,471	3,052	14,523
Financial liabilities			
Trade and other payables	1,195	1,456	2,651
Borrowings	–	2,567	2,567
	1,195	4,023	5,218
Net financial assets/(liabilities)	10,276	(971)	9,305
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	–	(971)	(971)
<u>At 31 December 2014</u>			
Financial assets			
Cash and cash equivalents	8,413	178	8,591
Trade and other receivables	4,951	1,024	5,975
	13,364	1,202	14,566
Financial liabilities			
Trade and other payables	955	1,069	2,024
Borrowings	–	2,428	2,428
	955	3,497	4,452
Net financial assets/(liabilities)	12,409	(2,295)	10,114
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	–	(2,295)	(2,295)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company is not exposed to currency risk as all its financial assets and liabilities as at 31 December 2015 and 2014 are denominated in Singapore Dollars.

If the USD change against the SGD by 7.4% (2014: 4.6%) with all other variables including tax rate being held constant, the effects arising from the net financial liability position will be as follows:

	Increase/(decrease)	
	Profit after tax	
	2015	2014
	\$'000	\$'000
USD against SGD		
– Strengthened	(60)	(88)
– Weakened	60	88

(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 does not have any 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.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in USD. If the USD interest rates had been higher/lower by 0.50% (2014: 0.50%) with all other variables including tax rate being held constant, the impact to profit after tax as a result of higher/lower interest expense on these borrowings is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that 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:

	Group	
	2015	2014
	\$'000	\$'000
Corporate guarantees provided to bank on subsidiary corporation's borrowings	7,130	7,130

The trade receivables are largely corporate companies and comprise 3 debtors (2014: 3 debtors) that individually represented 6% – 22% (2014: 5% – 19%) of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(b) Credit risk (continued)

The credit risk of trade receivables based on the information provided to key management is as follows:

	Group	
	2015	2014
	\$'000	\$'000
<u>By geographical areas</u>		
Hong Kong	42	15
Indonesia	811	567
Malaysia	283	1,130
Singapore	4,118	3,581
Philippines	1,578	356
Other countries	222	148
	7,054	5,797

(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 and are not re-negotiated during the financial years ended 31 December 2015 and 2014.

(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:

	Group	
	2015	2014
	\$'000	\$'000
Past due less than 3 months	3,062	3,470
Past due over 3 months	1,636	1,559
	4,698	5,029

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(b) Credit risk (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:

	Group	
	2015 \$'000	2014 \$'000
<i>Trade receivables</i>		
Gross amount	51	64
Less: Allowance for impairment	(51)	(64)
	<u>-</u>	<u>-</u>
Beginning of financial year	64	-
Allowance made (Note 9)	-	64
Allowance utilised	(13)	-
End of financial year (Note 13)	<u>51</u>	<u>64</u>

An allowance for impairment for trade receivables amounting to \$nil (2014: \$64,000) and a write-off of certain trade receivables amounting to \$58,000 (2014: \$5,000) 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 (Note 9).

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities (Note 19). 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(c) Liquidity risk (continued)

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 \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000
<u>Group</u>			
At 31 December 2015			
Trade and other payables	2,651	–	–
Borrowings	2,567	–	–
At 31 December 2014			
Trade and other payables	2,024	–	–
Borrowings	2,428	–	–
<u>Company</u>			
At 31 December 2015			
Other payables	60	–	–
Financial guarantee contracts	2,567	–	–
At 31 December 2014			
Other payables	53	–	–
Financial guarantee contracts	2,428	–	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27 Financial risk management (continued)

(d) Capital risk (continued)

Management monitors capital based on gearing ratio which has been unchanged from 2011, and the Board of Directors monitors the Group's equity ratio on a periodic basis. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group	
	2015 \$'000	2014 \$'000
Net debt/(assets)	(2,140)	(4,139)
Total equity	17,053	16,664
Total capital	14,913	12,525
Gearing ratio	n/m	n/m

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

(e) Fair value measurements

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amount of current borrowings approximate their fair value.

(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:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loans and receivables	14,523	14,566	2,874	2,188
Financial liabilities at amortised cost	5,218	4,452	60	53

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

28 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:

Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2015 \$'000	2014 \$'000
<u>Directors</u>		
Wages and salaries	553	535
Employer's contribution to defined contribution plan, including Central Provident Fund	43	39
	596	574
<u>Other key management personnel</u>		
Wages and salaries	329	345
Employer's contribution to defined contribution plan, including Central Provident Fund	42	37
	371	382
	967	956

29 Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors for the purpose of resource allocation and assessment of the Group's performance.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

29 Segment information (continued)

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

(i) Distribution sales

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

(ii) Contract sales

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

(a) Geographical information

The Company is headquartered and has operations in Singapore.

The Group's revenue is mainly derived from the following geographical areas:

	2015 \$'000	2014 \$'000
<u>Distribution sales</u>		
Brunei	163	310
Indonesia	1,236	1,580
Malaysia	914	1,773
Saudi Arabia	811	171
Singapore	2,980	3,566
Philippines	4,489	2,861
Other countries	699	587
	11,292	10,848
<u>Contract sales</u>		
Singapore	9,437	9,380
	20,729	20,228

Information of major customer

Revenue of approximately \$4,489,000 (2014: \$2,861,000) is derived from a single external customer at the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

30 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are effective for the accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted:^{*}

Effective for annual periods beginning on or after 1 January 2016

- FRS 114 *Regulatory Deferral Accounts*
- Amendments to FRS 1 *Disclosure Initiative*
- Amendments to FRS 27 *Equity Method in Separate Financial Statements*
- Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*
- Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*
- Improvements to FRSs (November 2014)
 - Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*
 - Amendments to FRS 107 *Financial Instruments: Disclosures*
 - Amendment to FRS 19 *Employee Benefits*
 - Amendment to FRS 34 *Interim Financial Reporting*

Effective for annual periods beginning on or after 1 January 2018

- FRS 115 *Revenue from Contracts with Customers*
- FRS 109 *Financial Instruments*

Effective date: to be determined*

- Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

^{*} The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (ASC) in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

31 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 15 March 2016.

STATISTICS OF SHAREHOLDINGS

as at 4 March 2016

SHARE CAPITAL

Issued and fully paid capital – S\$7,420,100
Total number of shares in issue – 78,000,000
Number of treasury shares – Nil

Class of shares – Ordinary shares
Voting rights – 1 vote per share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 25.37% of the issued ordinary shares of the Company were held in the hands of the public as at 4 March 2016 and therefore Rule 723 of the Catalist Rules is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	4	1.91	3,100	0.00
1,001 – 10,000	62	29.52	427,000	0.55
10,001 – 1,000,000	137	65.24	11,765,900	15.09
1,000,001 and above	7	3.33	65,804,000	84.36
TOTAL	210	100.00	78,000,000	100.00

STATISTICS OF SHAREHOLDINGS

as at 4 March 2016

TWENTY LARGEST SHAREHOLDERS

S/N	Name	Number of Shares	%
1	Lui Oi Kheng	28,960,000	37.13
2	Ho Pei Yuen Rena	12,800,000	16.41
3	Ho Wan Jing Nellie	12,800,000	16.41
4	Hafary Holdings Limited	3,780,000	4.85
5	Lee Lay Choo	3,200,000	4.10
6	UOB Kay Hian Private Limited	2,135,000	2.74
7	MayBank Kim Eng Securities Pte. Ltd.	2,129,000	2.73
8	Raffles Nominees (Pte) Limited	884,800	1.13
9	Tay Hua Hui or Yeo Boon Kiah	598,000	0.77
10	Julia Tan Ching Hua (Julia Chen Qinghua)	500,000	0.64
11	DBS Nominees (Private) Limited	326,000	0.42
12	Chng Lay Guat	300,000	0.38
13	Low Kok Ann	300,000	0.38
14	Toh Hong Khoon	295,000	0.38
15	Lui Wing Loon	280,000	0.36
16	Oh Eng Bin (Hu Rongming)	239,000	0.31
17	Tan Chay Long	230,000	0.29
18	Lim Boon Hwee	220,000	0.28
19	Teo Kye Hwee Tony	217,000	0.28
20	Loke Wee Choong	200,000	0.26
TOTAL		70,393,800	90.25

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lui Oi Kheng ⁽¹⁾	28,960,000	37.13	—	—
Ho Pei Yuen Rena ^{(1), (2)}	12,800,000	16.41	—	—
Ho Wan Jing, Nellie ^{(1), (2)}	12,800,000	16.41	—	—

Notes:

(1) Lui Oi Kheng is the mother of Ho Pei Yuen Rena and Ho Wan Jing, Nellie.

(2) Ho Pei Yuen Rena and Ho Wan Jing, Nellie are sisters.

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 1 Science Park Drive, Level 1, Newton Room, Singapore 118221 on Friday, 8 April 2016 at 10.10 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 2015 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To approve the payment of a final (tax exempt one-tier) dividend of 0.33 cent per ordinary share for the financial year ended 31 December 2015. **(Resolution 2)**
3. To approve the payment of Directors' fees of \$100,000 for the financial year ending 31 December 2016, to be paid half-yearly in arrears. **(Resolution 3)**
4. To re-elect Ho D'Orville Raymond, a Director retiring pursuant to Regulation 107 of the Company's Constitution.
(see explanatory note 1) **(Resolution 4)**
5. To re-elect Ho Pei Yuen Rena, a Director retiring pursuant to Regulation 107 of the Company's Constitution.
(see explanatory note 2) **(Resolution 5)**
6. To re-appoint Nexia TS Public Accounting Corporation as auditor of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

7. That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual ("Catalist Rules"), the Directors be authorised and empowered to:
 - (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF **ANNUAL GENERAL MEETING**

- (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,

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 one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares) (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 fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) (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 total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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)*
8. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary

24 March 2016
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Mr Ho D'Orville Raymond will, upon re-election as a Director of the Company, remain as the Chairman of the Board and the Audit Committee and a member of the Nominating and Remuneration Committees of the Company, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.
2. Ms Ho Pei Yuen Rena will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee of the Company.
3. The Ordinary Resolution 7 proposed in item 7 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), of which up to 50% may be issued other than on a pro rata basis to shareholders of the Company.

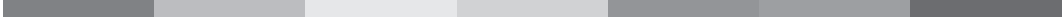
Notes:

- (i) A shareholder of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
- (ii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.
- (iii) The instrument appointing a proxy, duly executed, must be deposited at the Company's registered office at 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115 not less 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.

NOTICE OF ANNUAL GENERAL MEETING



Sponsor Statement:

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

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

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

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SMJ INTERNATIONAL HOLDINGS LTD.

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

IMPORTANT:

This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

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

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

*and/or (delete as appropriate)

Name	NRIC/Passport 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 1 Science Park Drive, Level 1, Newton Room, Singapore 118221 on Friday, 8 April 2016 at 10.10 a.m. and at any adjournment thereof.

☐	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.
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No.	Resolutions	For	Against
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements together with the Independent Auditor's Report thereon		
2.	To approve the payment of a final (tax exempt one-tier) dividend of 0.33 cent per ordinary share		
3.	To approve the payment of Directors' fees of \$100,000 for the financial year ending 31 December 2016, to be paid half-yearly in arrears		
4.	To re-elect Ho D'Orville Raymond as a Director		
5.	To re-elect Ho Pei Yuen Rena as a Director		
6.	To re-appoint Nexia TS Public Accounting Corporation as the auditor and to authorise the Directors to fix its remuneration		
7.	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 _____ 2016

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

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

* Delete where inapplicable



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 Futures Act, Cap. 289), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A shareholder of the Company entitled to attend and vote at the AGM of the Company may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115 not less than 48 hours before the time appointed for the AGM.
5. Where a member appoints more than one proxy, he/she shall specify the number of shares to be represented by each proxy, failing which, the appointment shall be deemed to be in the alternative.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notorially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
8. A corporation which is a member 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 Section 179 of the Companies Act, Chapter 50 of Singapore.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 24 March 2016.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ho D'Orville Raymond
(Independent Non-executive Chairman)

Ho Pei Yuen Rena
(Executive Director and Chief Executive Officer)

Ho Wan Jing Nellie
(Executive Director and Deputy Chief Executive Officer)

Lee Lay Choo
(Executive Director and Chief Operating Officer)

Ng Tiang Hwa
(Independent Director)

Chow Wen Kwan Marcus
(Independent Director)

AUDIT COMMITTEE

Ho D'Orville Raymond (Chairman)
Ng Tiang Hwa
Chow Wen Kwan Marcus

REMUNERATION COMMITTEE

Ng Tiang Hwa (Chairman)
Ho D'Orville Raymond
Chow Wen Kwan Marcus

NOMINATING COMMITTEE

Chow Wen Kwan Marcus (Chairman)
Ho D'Orville Raymond
Ho Pei Yuen Rena

COMPANY SECRETARY

Wee Woon Hong, LLB (Hons)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SPONSOR

Hong Leong Finance Limited
16 Raffles Quay
#40-01A Hong Leong Building
Singapore 048581

AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Director-in-charge:
Philip Tan Jing Choon
(Appointed since the financial year ended
31 December 2014)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

31 Jurong Port Road
#02-20 Jurong Logistics Hub
Singapore 619115



PREMIER CARPET SPECIALIST

SMJ INTERNATIONAL HOLDINGS LTD.

31 Jurong Port Road
South Wing # 02-20
Jurong Logistics Hub
Singapore 619115

T (65) 6261-1212

F (65) 6261 6512

E sales@smjf.com.sg

