



SMJ INTERNATIONAL HOLDINGS LTD.
(Incorporated in the Republic of Singapore on 31 December 2013)
(Company Registration Number: 201334844E)

OFFER DOCUMENT DATED 20 JUNE 2014

(Registered by the Singapore Exchange Securities Trading Limited acting as agent on behalf of the Monetary Authority of Singapore on 20 June 2014)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser(s).

Hong Leong Finance Limited (the "Sponsor") has made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares (the "Shares") in the capital of SMJ International Holdings Ltd. (the "Company") already issued (including the Vendor Shares (as defined herein)) and the new Shares (the "New Shares") which are the subject of the Placement (as defined herein) on Catalist. The dealing in and quotation of the Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the SGX-ST Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This Placement is made in or accompanied by this Offer Document that has been registered by the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore (the "Authority"). We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that the Company is suitable to be listed on Catalist and complies with the rules of the SGX-ST Listing Manual (as defined herein). Neither the Authority nor the SGX-ST has, in any way, considered the merits of the Shares or units of Shares being offered for investment.

The registration of this Offer Document by the SGX-ST does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with.

Acceptance of applications will be conditional upon the issue of the New Shares and the listing and quotation of all our existing issued Shares (including the Vendor Shares) and the New Shares on Catalist. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, and you will not have any claims against us, and the Sponsor, Issue Manager and Placement Agent (as defined herein)

After the expiration of six months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any securities, on the basis of this Offer Document; and no officer or equivalent person or promoter of the Company will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this Offer Document.

Investing in the Shares involves risks which are described in the "RISK FACTORS" section of this Offer Document.

**PLACEMENT OF 20,240,000 SHARES COMPRISING
14,000,000 NEW SHARES AND 6,240,000 VENDOR SHARES
AT S\$0.28 FOR EACH SHARE,
PAYABLE IN FULL ON APPLICATION.**

Sponsor, Issue Manager and Placement Agent



HONG LEONG
FINANCE

HONG LEONG FINANCE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 196100003D)

ABOUT SMJ INTERNATIONAL HOLDINGS LTD.

- One of the leading premier carpet specialists serving the commercial and institutional sectors in Asia
- Sell and distribute globally a wide range of premier carpets marketed under proprietary “SMJ” brand
- Appointed supplier for “Shaw Contract Group”* range of carpets in Singapore
- Established reputation and track record of more than 25 years

*US brand by Shaw Industries - a member of Berkshire Hathaway Inc.

MORE THAN
260
DISTRIBUTORS
in more than 20 countries

80
DESIGNS
UP TO
400
DIFFERENT COLORS

WAREHOUSE
OCCUPYING
42,614
sqf

COMPETITIVE STRENGTHS

WIDE CARPET SELECTION AND SHORT TURNAROUND TIME

- A large warehouse occupying 42,614 sqf to stock a wide variety of carpet tiles and broadloom carpets
- 80 designs of carpets in up to 400 different colours
- Real-time inventory management system reduces turnaround time (next working day for local and within seven working days for overseas)

STRONG MANAGEMENT TEAM ASSISTED BY EXPERIENCED SALES AND PROJECT TEAMS

- CEO, Deputy CEO and COO have 55 years of cumulative experience in carpet industry
- Management, sales and project teams have deep knowledge of products
- Management also attends overseas trade fairs and product training conducted by Shaw Industries regularly

PROPRIETARY “SMJ” BRAND OF CARPETS WELL-RECOGNISED IN SINGAPORE AND OVERSEAS

- “SMJ” brand marketed since 1996 and export markets developed for more than 15 years

- Well-recognised for quality and reliability
- Overseas markets served by global distribution network of more than 260 distributors in over 20 countries

LONG STANDING RELATIONSHIP WITH SHAW INDUSTRIES

- Appointed authorised supplier for high-end “Shaw Contract Group” of carpets since 1992
- Regular joint promotional and marketing efforts for new carpet launches with Shaw Industries
- Leverage on training and technical knowledge provided by Shaw Industries which enhances competitive position

STRONG WORKING RELATIONSHIP WITH THIRD PARTY MANUFACTURERS

- Strong working relationships (Over a period of 5-13 years) with third party manufacturers that manufacture “SMJ” branded carpets
- Able to supply good quality carpets at competitive cost
- Third party manufacturers’ research and development teams support development of new concepts and ideas of carpets

PROSPECTS

STATE OF ECONOMIES IN SINGAPORE AND SOUTHEAST ASIA REGION

- Dependent on perceived economic conditions
- Spending budget of businesses and organisations will remain relatively constant compared to past years

CONTINUOUS SUPPLY OF COMMERCIAL SPACE IN SINGAPORE

- Based on first half 2014 Government Land Sales Programme, sites can yield up to 193,000 sqm gross floor area:
 - Confirm list: 5,000 sqm floor area
 - Reserve list: 188,000 sqm floor area
- Various opportunities arising from commercial developments
- Pipeline supply of commercial space coupled with general optimism on global growth would translate into positive impact

POTENTIAL IN EXPORT MARKETS

- Expanding and strengthening geographical coverage will drive growth of sales of proprietary “SMJ” brand of carpets
- Exported to overseas markets through global distribution networks
- Recognise market potential
 - Intend to grow distribution network into new emerging markets such as Myanmar

BUSINESS STRATEGIES AND FUTURE PLANS

EXPANDING AND STRENGTHENING GEOGRAPHICAL COVERAGE

- Serve potential overseas customers in Contract Sales business
- Maximise potential by growing our distribution networks

EXPANDING PRODUCT RANGE AND SERVICES THROUGH ACQUISITIONS, JOINT VENTURES AND/OR STRATEGIC ALLIANCES

- Explore opportunities in other products and services
- New products and services can leverage on existing sales and distribution network
- Explore other suitable acquisitions and joint ventures

IMPROVING INVENTORY MANAGEMENT SYSTEM AND LOGISTICS SUPPORT TO CATER FOR EXPANDING PRODUCT RANGE

- Monitor and manage inventory efficiently with expanded range of products offered
- Expand fleet of delivery trucks to ensure the ability to fulfill customers' orders is not compromised



PROPOSED DIVIDENDS

We intend to recommend and distribute dividends of 30% of our profit after tax to our shareholders for FY2014 and FY2015

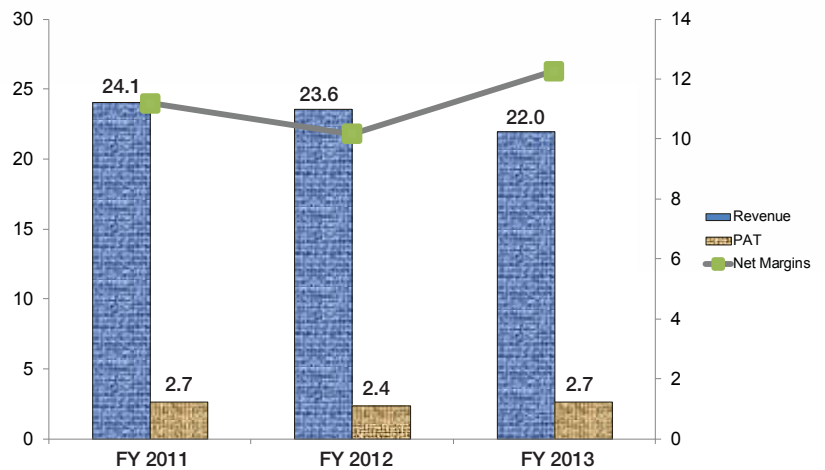
TO BECOME A **ONE-STOP** OFFICE FURNISHING SOLUTION PROVIDER IN THE REGION



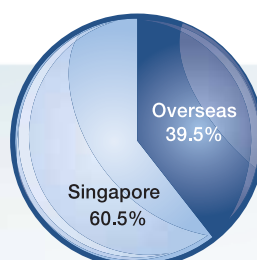
FINANCIAL HIGHLIGHTS

S\$'million

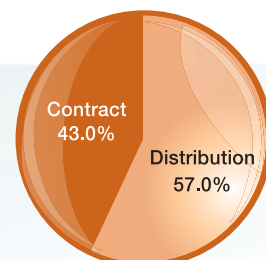
Net margin %



FY2013
BY LOCATION



FY2013
BY SEGMENT



CONTENTS

	PAGE
CORPORATE INFORMATION	4
DEFINITIONS	5
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	11
SELLING RESTRICTIONS	13
DETAILS OF THE PLACEMENT	
LISTING ON CATALIST.....	14
INDICATIVE TIMETABLE FOR LISTING	18
OFFER DOCUMENT SUMMARY	
OVERVIEW OF OUR GROUP	19
FINANCIAL HIGHLIGHTS.....	20
THE PLACEMENT	22
PLAN OF DISTRIBUTION	23
USE OF PROCEEDS FROM THE PLACEMENT AND EXPENSES INCURRED	24
MANAGEMENT AND PLACEMENT ARRANGEMENTS	26
RISK FACTORS	28
ISSUE STATISTICS	37
DILUTION	39
CAPITALISATION AND INDEBTEDNESS	41
DIVIDEND POLICY	43
SUMMARY OF OUR FINANCIAL INFORMATION	44
MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION	
OVERVIEW	46
REVIEW OF PAST PERFORMANCE	49
REVIEW OF BALANCE SHEET	52
LIQUIDITY AND CAPITAL RESOURCES.....	53
CAPITAL EXPENDITURES, DIVESTMENTS, COMMITMENTS AND CONTINGENT LIABILITIES.....	57
SEASONALITY	58
INFLATION.....	58
FOREIGN EXCHANGE EXPOSURE.....	58
SIGNIFICANT ACCOUNTING POLICY CHANGES	59

CONTENTS

GENERAL INFORMATION ON OUR GROUP	
SHARE CAPITAL	60
RESTRUCTURING EXERCISE	62
GROUP STRUCTURE	63
OUR SUBSIDIARY	63
SHAREHOLDERS.....	64
VENDORS.....	65
MORATORIUM	66
HISTORY	67
BUSINESS	
BUSINESS OVERVIEW	70
OUR PRODUCTS AND BUSINESS PROCESS.....	72
SALES AND MARKETING.....	74
QUALITY ASSURANCE.....	76
PRODUCT WARRANTY AND AFTER SALES SERVICE	76
MAJOR CUSTOMERS.....	76
MAJOR SUPPLIERS.....	77
CREDIT MANAGEMENT	79
RESEARCH AND DEVELOPMENT	80
INTELLECTUAL PROPERTY	80
INVENTORY MANAGEMENT	81
LICENCES, PERMITS, APPROVALS AND CERTIFICATIONS.....	82
PRODUCTION FACILITY.....	83
PROPERTIES AND FIXED ASSETS.....	83
STAFF TRAINING	84
INSURANCE	84
CORPORATE SOCIAL RESPONSIBILITY	85
COMPETITION	85
COMPETITIVE STRENGTHS.....	85
PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS	
PROSPECTS	87
TREND INFORMATION	88
ORDER BOOK	89
BUSINESS STRATEGIES AND FUTURE PLANS.....	89
GOVERNMENT REGULATIONS	91
EXCHANGE CONTROLS.....	95
DIRECTORS, EXECUTIVE OFFICERS AND STAFF	
MANAGEMENT REPORTING STRUCTURE	96
DIRECTORS	97
EXECUTIVE OFFICERS.....	100
STAFF	101

CONTENTS

REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES....	102
SERVICE AGREEMENTS.....	103
CORPORATE GOVERNANCE.....	104
BOARD PRACTICES.....	107
INTERESTED PERSON TRANSACTIONS	
PAST TRANSACTIONS	108
PRESENT AND ON-GOING TRANSACTIONS	108
REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS	109
POTENTIAL CONFLICTS OF INTERESTS	
INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS OR THEIR ASSOCIATES ..	111
INTERESTS OF EXPERTS	111
INTERESTS OF SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT.....	111
CLEARANCE AND SETTLEMENT.....	112
GENERAL AND STATUTORY INFORMATION.....	113
APPENDIX A	
INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013.....	A-1
APPENDIX B	
SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY	B-1
APPENDIX C	
DESCRIPTION OF OUR SHARES.....	C-1
APPENDIX D	
TAXATION	D-1
APPENDIX E	
TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS.....	E-1

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)
COMPANY SECRETARIES	:	Wee Woon Hong, LLB (Hons) Yao Enci Eunice, LLB (Hons)
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	:	31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT	:	Hong Leong Finance Limited 16 Raffles Quay #01-05 Hong Leong Building Singapore 048581
INDEPENDENT AND REPORTING AUDITORS	:	Nexia TS Public Accounting Corporation Public Accountants and Chartered Accountants 100 Beach Road #30-00 Shaw Tower Singapore 189702 Director-in-charge: Philip Tan Jing Choon (A member of the Institute of Singapore Chartered Accountants)
SOLICITORS TO THE PLACEMENT	:	Opal Lawyers LLC 30 Raffles Place #19-04 Chevron House Singapore 048622
RECEIVING BANKER	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street OCBC Centre Singapore 049513
PRINCIPAL BANKER	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street OCBC Centre Singapore 049513
VENDORS	:	Lui Oi Kheng 18A Parkstone Road Singapore 437675 Tay Twan Lee c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115

DEFINITIONS

In this Offer Document and the accompanying Application Forms, unless the context otherwise requires, the following definitions apply throughout where the context so admits:-

Companies within our Group

“Company” : SMJ International Holdings Ltd.

“Group” : Our Company and our subsidiary

“SMJ Furnishings” : SMJ Furnishings (S) Pte Ltd

Other Corporations and Agencies

“Authority” : The Monetary Authority of Singapore

“BCA” : Building and Construction Authority

“CDP” : The Central Depository (Pte) Limited

“Formosa FCFC” : Formosa FCFC Carpet Corporation

“IRAS” : Inland Revenue Authority of Singapore

“ISO” : International Organisation for Standardisation

“MOM” : Ministry of Manpower

“SCCS” : Securities Clearing & Computer Services (Pte) Ltd

“SGX-ST” : Singapore Exchange Securities Trading Limited

“Shanghai Jia Nai Rong” : Shanghai Jia Nai Rong Industry and Commerce Development Co., Ltd

“Shaw Industries” : Shaw Industries, Inc.

“SMJ Malaysia” : SMJ Furnishings (M) Sdn. Bhd.

“SMJ Philippines” : SMJ Furnishings Philippines Inc.

*“Sponsor”, “Issue Manager”,
“Placement Agent” or “HLF”* : Hong Leong Finance Limited

“Taiwan Formosa Group” : Formosa Plastics Corporation and its subsidiaries

“Voxflor” : Voxflor Industrial Park Co., Ltd. (formerly known as Jiangxi Huateng Carpet Industrial Park Co., Ltd.)

“Weihai Shanhua” : Weihai Shanhua Premier Carpets Co Ltd

General

“Application Forms” : The printed application forms to be used for the purpose of the Placement and which form part of this Offer Document

“Application List” : The list of applications for the subscription and/or purchase of the Placement Shares

DEFINITIONS

- “Articles of Association”* : The articles of association of our Company
- “Associate”* : (a) in relation to any director, CEO, substantial shareholder or controlling shareholder (being an individual) means:-
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more of the aggregate of the nominal amount of all the voting shares;
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Associated Company”* : In relation to a corporation, means:-
- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate of the nominal amount of all the voting shares; or
 - (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
- “Audit Committee”* : The audit committee of our Company as at the date of this Offer Document, unless otherwise stated
- “Audited Combined Financial Statements”* : The Independent and Reporting Auditor’s Report on the Audited Combined Financial Statements for the Financial Years Ended 31 December 2011, 2012 and 2013 as set out in Appendix A of this Offer Document
- “Board” or “Board of Directors”* : The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated
- “business trust”* : Has the same meaning as in Section 2 of the Business Trusts Act (Chapter 31A) of Singapore
- “Catalist”* : The sponsor-supervised listing platform of the SGX-ST
- “Catalist Rules”* : Any or all of the rules in the Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as may be amended, varied or supplemented from time to time
- “CEO”* : Chief Executive Officer

DEFINITIONS

<i>“CFO”</i>	:	Chief Financial Officer
<i>“Companies Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as may be amended, varied or supplemented from time to time
<i>“Contract Sales”</i>	:	This refers to the source of revenue stream arising mainly from sales to property developers, contractors, established business owners or interior design consultants, which involve the supply and installation of carpets usually for offices, convention halls, hotels, cinemas, hospitals and institutions
<i>“Controlling Shareholder”</i>	:	A person who has an interest in our Shares of an aggregate of not less than 15% of the total votes attached to all our Shares, or in fact exercises control over our Company
<i>“COO”</i>	:	Chief Operating Officer
<i>“CPF”</i>	:	Central Provident Fund
<i>“Directors”</i>	:	The directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Distribution Sales”</i>	:	This refers to the source of revenue stream arising mainly from sales to carpet dealers and carpet installers on a wholesale basis
<i>“DPS”</i>	:	Dividend per Share
<i>“entity”</i>	:	Includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust
<i>“EPS”</i>	:	Earnings per Share
<i>“Executive Directors”</i>	:	The executive Directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Executive Officers”</i>	:	The executive officers of our Group as at the date of this Offer Document, unless otherwise stated
<i>“FY”</i>	:	Financial year ended or ending 31 December, as the case may be
<i>“GST”</i>	:	Goods and Services Tax
<i>“Independent Directors”</i>	:	The non-executive independent Directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Latest Practicable Date”</i>	:	26 May 2014, being the latest practicable date prior to the lodgement of this Offer Document with the SGX-ST acting as agent on behalf of the Authority
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as may be amended, varied or supplemented from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“MNCs”</i>	:	Multi-national corporations
<i>“NAV”</i>	:	Net assets value

DEFINITIONS

<i>“New Shares”</i>	:	The 14,000,000 new Shares for which our Company invites applications to subscribe, pursuant to the Placement, subject to and on the terms and conditions of this Offer Document
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Non-Executive Director”</i>	:	The non-executive Director of our Company (including Independent Directors) as at the date of this Offer Document, unless otherwise stated
<i>“NTA”</i>	:	Net tangible assets (after non-controlling interests)
<i>“Offer Document”</i>	:	This offer document dated 20 June 2014 issued by our Company in respect of the Placement
<i>“PAT”</i>	:	Profit after tax
<i>“PBT”</i>	:	Profit before tax
<i>“PER”</i>	:	Price earnings ratio
<i>“periods under review”</i>	:	The period which comprises FY2011, FY2012 and FY2013
<i>“Placement”</i>	:	The placement by the Placement Agent of the Placement Shares on behalf of our Company and the Vendors for subscription and/or purchase at the Placement Price, subject to and on the terms and conditions of this Offer Document
<i>“Placement Price”</i>	:	S\$0.28 for each Placement Share
<i>“Placement Shares”</i>	:	The 20,240,000 Placement Shares which are the subject of the Placement comprising 14,000,000 New Shares and 6,240,000 Vendor Shares
<i>“PRC”</i>	:	The People’s Republic of China, excluding Hong Kong Special Administrative Region and Macau Special Administrative Region for the purposes of this Offer Document
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken in connection with the Placement, which is described in the “Restructuring Exercise” section of this Offer Document
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP, but does not include a securities sub-account
<i>“Service Agreements”</i>	:	The service agreements entered into between our Company and our Executive Directors, Rena Ho, Nellie Ho and Lee Lay Choo, which are described in the “Service Agreements” section of this Offer Document
<i>“SFA”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, varied or supplemented from time to time
<i>“SGXNET”</i>	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies

DEFINITIONS

“Shareholders”	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of our Company
“Sub-Division”	:	The sub-division of 200 Shares in the capital of our Company into 64,000,000 Shares which is described in the “Share Capital” section of this Offer Document
“Substantial Shareholder”	:	A person who has an interest in the Shares, total votes attached to which is not less than 5.0% of the total votes attached to all the voting shares in our Company
“USA”	:	United States of America
“Vendors”	:	Lui Oi Kheng and Tay Twan Lee
“Vendor Shares”	:	The 6,240,000 Shares owned by the Vendors for which the Vendors invite applications to purchase on the terms and subject to the conditions set out in this Offer Document

Currencies, Units and Others

“S\$” and “cents”	:	Singapore dollar and cent, respectively
“US\$”	:	United States dollar
“sq ft”	:	Square feet
“sq m”	:	Square metre
“%”	:	Percentage
“nm”	:	Not meaningful

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document and/or the Application Forms to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or any statutory modification thereof and used in this Offer Document and the Application Forms shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA or any statutory modification thereof, as the case may be.

Any reference in this Offer Document and/or the Application Forms to Shares being allotted and/or allocated to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day in this Offer Document and/or the Application Forms shall be a reference to Singapore time, unless otherwise stated.

Any reference to “we”, “us”, “our”, “ourselves” or their other grammatical variations thereof in this Offer Document is a reference to our Company, our Group or any member of our Group as the context requires.

DEFINITIONS

Any discrepancies in the tables included herein between the listed amounts and the total thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Any reference to "Peter Ho" in this Offer Document is a reference to Ho Siew Yee, Peter.

Any reference to "Rena Ho" in this Offer Document is a reference to Ho Pei Yuen Rena.

Any reference to "Nellie Ho" in this Offer Document is a reference to Ho Wan Jing, Nellie.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our or the Vendors' behalf that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these forward-looking statements by terms such as "expects", "believes", "plans", "intends", "estimates", "anticipates", "may", "will", "would" and "could" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:-

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends;
- (d) anticipated expansion plans; and
- (e) other matters discussed in this Offer Document regarding matters that are not historical fact,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:-

- (a) changes in political, social, economic and stock or securities market conditions and the regulatory environment in the countries in which we conduct business;
- (b) changes in currency exchange or interest rates;
- (c) our anticipated growth strategies and expected growth;
- (d) changes in the availability and prices of products we sell;
- (e) changes in customer preference;
- (f) changes in competitive conditions and our ability to compete under these conditions;
- (g) changes in our future capital needs and the availability of financing and capital to fund these needs;
- (h) the factors which are described in the "Risk Factors" section of this Offer Document; and
- (i) other factors beyond our control.

All forward-looking statements made by or attributable to us, or persons acting on our or the Vendors' behalf, contained in this Offer Document are expressly qualified in their entirety by such factors.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from those expected, expressed or implied by the forward-looking statements in this Offer Document, we advise you not to place undue reliance on those statements which apply only as at the date of this Offer Document. Neither our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent nor any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements. Further, our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent disclaim any responsibility to update any of those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We are, however, subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Placement, we become aware of (a) a false or misleading statement in this Offer Document; (b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance has arisen since the Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority and would have been required by Section 243 of the SFA to be included in this Offer Document, if it had arisen before this Offer Document was lodged, and that is materially adverse from the point of view of an investor, we (and on behalf of the Vendors) may, in consultation with the Sponsor, Issue Manager and Placement Agent, lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority.

SELLING RESTRICTIONS

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the lodgement and/or registration of this Offer Document in Singapore in order to permit a public offering of the Placement Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Placement Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by us, the Vendors, the Sponsor, Issue Manager and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendors, the Sponsor, Issue Manager and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

DETAILS OF THE PLACEMENT

LISTING ON CATALIST

The Sponsor has made an application to the SGX-ST for permission to deal in, and for quotation of, all our existing issued Shares already issued (including the Vendor Shares) and the New Shares which are the subject of the Placement on Catalist. The dealing in, and quotation for, our Shares (including the Vendor Shares) and the New Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. Applicants should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with their professional adviser(s).

The Placement is made in or accompanied by this Offer Document that has been registered by the SGX-ST acting as agent on behalf of the Authority. We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed on Catalist and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares being offered for investment.

The registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority does not imply that the SFA, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, has been complied with.

Acceptance of applications will be conditional upon the issue of New Shares and the listing and quotation of all our existing issued Shares (including the Vendor Shares) and the New Shares. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, and you will not have any claims against us, the Vendors, the Sponsor, Issue Manager and Placement Agent.

After the expiration of six months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of our Shares, on the basis of this Offer Document.

We are subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Placement, we become aware of:-

- (a) a false or misleading statement in this Offer Document;
- (b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since this Offer Document was lodged which would have been required by Section 243 of the SFA to be included in this Offer Document, if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, we (and on behalf of the Vendors) may lodge a supplementary or replacement offer document pursuant to Section 241 of the SFA.

DETAILS OF THE PLACEMENT

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for and/or purchase the Placement Shares and:-

- (a) where the Placement Shares have not been issued and/or transferred to the applicants, we (and on behalf of the Vendors) shall either:-
 - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to withdraw their applications, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and we (and on behalf of the Vendors) shall, within seven days from the date of lodgement of the supplementary or replacement offer document, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or

- (b) where the Placement Shares have been issued and/or transferred to the applicants, we and the Vendors shall either:-
 - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to return to us and/or the Vendors the Placement Shares which they do not wish to retain title in, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us and/or the Vendors the Placement Shares which they do not wish to retain title in; or
 - (iii) treat the issue and/or transfer of the Placement Shares as void, in which case the issue and/or transfer shall be deemed void and we (and on behalf of the Vendors) shall within seven days from the date of lodgement of the supplementary or replacement offer document, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this, whereupon we (and on behalf of the Vendors) shall, within seven days from the receipt of such notification, return to him all monies paid by him on account of his application for those Placement Shares.

DETAILS OF THE PLACEMENT

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) to return the Placement Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this and return all documents, if any, purporting to be evidence of title to those Placement Shares, to us, whereupon we (and on behalf of the Vendors) shall, within seven days from the receipt of such notification and documents, if any, return to him all monies paid by him for those Placement Shares, and the issue and/or transfer of those Placement Shares shall be deemed to be void.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances issue a stop order (the "Stop Order") to our Company, directing that no or no further Shares to which this Offer Document relates, be allotted or issued or transferred. Such circumstances will include a situation where this Offer Document (i) contains any statement or matter which, in the Authority's opinion, is false or misleading (ii) omits any information that should have been included in it under the SFA, or (iii) does not, in the Authority's opinion, comply with the requirements of the SFA.

In the event that the Authority issues a Stop Order and applications to subscribe for and/or purchase the Placement Shares have been made prior to the Stop Order, then:-

- (a) where the Placement Shares have not been issued and/or transferred to the applicants, the applications for the Placement Shares shall be deemed to have been withdrawn and cancelled and our Company (and on behalf of the Vendors) shall, within 14 days from the date of the Stop Order, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or
- (b) where the Placement Shares have been issued and/or transferred to the applicants, the issue and/or transfer of the Placement Shares shall be deemed to be void and our Company (and on behalf of the Vendors) shall, (i) if no documents purporting to evidence title to those Placement Shares have been issued and/or transferred to the applicants, within seven days from the date of the Stop Order, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares, or (ii) if documents purporting to evidence title to those Placement Shares have been issued and/or transferred to the applicants, within seven days from the date of the Stop Order, inform the applicants to return such documents to our Company within 14 days from that date and within seven days from the date of receipt of such documents or the date of the Stop Order, whichever is the later, return the applicants all monies the applicants have paid on account of their applications for the Placement Shares.

Where monies are to be returned to applicants for the Placement Shares, it shall be paid to the applicants without any interest or share of revenue or benefit arising therefrom at the applicants' own risk, and the applicants will not have any claim against our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent.

This Offer Document has been seen and approved by our Directors and the Vendors, and they individually and collectively accept full responsibility for the accuracy of the information given in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the facts stated and the opinions, intentions and expectations expressed in this Offer Document are true, fair and accurate and not misleading in all material respects as at the date of this Offer Document, (ii) there are no material facts the omission of which would make any statement in this Offer Document misleading, and (iii) this Offer Document constitutes a full and true disclosure of all material facts about the Placement, our Group and our Shares.

Neither our Company, the Vendors, the Sponsor, Issue Manager, and Placement Agent nor any other parties involved in the Placement is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser regarding an investment in our Shares.

DETAILS OF THE PLACEMENT

The Placement Shares are offered for subscription and/or purchase solely on the basis of the information contained and the representations made in this Offer Document.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Placement and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the Sponsor, Issue Manager and Placement Agent. Neither the delivery of this Offer Document and the Application Forms nor any document relating to the Placement shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiary or in any statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, we will promptly make an announcement of the same to the SGX-ST and if required under the SFA, a supplementary or replacement offer document will be issued and made available to the public after a copy thereof has been lodged with the SGX-ST acting as agent on behalf of the Authority. All applicants should take note of any such announcement, and/or supplementary or replacement offer document and, upon the release of such an announcement, and/or supplementary or replacement offer document, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiary.

This Offer Document has been prepared solely for the purpose of the Placement and may not be relied upon by any persons other than the applicants in connection with their applications for the Placement Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Offer Document may be obtained on request, subject to availability, during office hours from:-

HONG LEONG FINANCE LIMITED

16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581

An electronic copy of this Offer Document is also available on the SGX-ST website at <http://www.sgx.com>.

The Application List will open immediately upon registration of this Offer Document by the SGX-ST acting as agent of the Authority and will remain open until 12.00 noon on 25 June 2014 or for such further period or periods as our Directors and the Vendors may, in consultation with the Sponsor, Issue Manager and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for applications to subscribe for and/or purchase the Placement Shares are set out in Appendix E of this Offer Document.

DETAILS OF THE PLACEMENT

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for your reference:-

Indicative Date and Time	Event
25 June 2014, 12.00 noon	Close of Application List
30 June 2014, 9.00 a.m.	Commence trading on a “ready” basis
3 July 2014	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 25 June 2014, the date of admission of our Company to Catalist is 30 June 2014, the SGX-ST’s shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 30 June 2014.

The Placement will be open from 20 June 2014 (immediately upon registration of this Offer Document) to 12.00 noon on 25 June 2014.

The above timetable and procedures may be subject to such modification as the SGX-ST may in its discretion decide, including the commencement date of trading on a “ready” basis.

In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same:-

- (i) through a SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>; and
- (ii) in major English language newspaper(s) in Singapore.

We will provide details of the results of the Placement (including the level of subscription for the Placement Shares), as soon as practicable after the closure of the Application List through the channels described in (i) and (ii) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Placement Shares, without assigning any reason therefor, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allotment and/or allocation, due consideration will be given to the desirability of allotting and/or allocating the Placement Shares to a reasonable number of applicants with a view to establish an adequate market for our Shares.

Investors should consult the SGX-ST announcement of the “ready” trading date on the internet (at the SGX-ST website <http://www.sgx.com>) or newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

OFFER DOCUMENT SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Offer Document. As it is a summary, it does not contain all the information that potential investors should consider before investing in the Shares of our Company. Potential investors should read this entire Offer Document carefully, especially the matters set out in the “Risk Factors” section of this Offer Document, before deciding to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Company was incorporated in Singapore on 31 December 2013 under the Companies Act as a private company limited by shares under the name of “SMJ International Holdings Pte. Ltd.”. On 28 May 2014, our Company was converted into a public company limited by shares and our name was changed to “SMJ International Holdings Ltd.”.

Our Business

We specialise in the sale and distribution of a wide range of premier carpets marketed under our proprietary “SMJ” brand through our global distribution networks of more than 260 carpet dealers, carpet importers and carpet installation companies in over 20 countries mainly in Asia. In addition, we are appointed by Shaw Industries as the authorised supplier for its “Shaw Contract Group” range of carpets in Singapore. “Shaw Contract Group” is an American brand of carpets which offers both carpet tiles and broadloom carpets in different designs and colours appealing to the segment of the market which seeks for higher end range of carpets and has a higher spending budget.

Our customers include Apple South Asia Pte. Ltd., The Hong Kong and Shanghai Banking Corporation Limited, DBS Bank Ltd., Obayashi Corporation and Cisco System (USA) Pte Ltd. Please refer to the “Our Products and Business Process – Our Carpet Supply and Installation Projects” section of this Offer Document for the details of projects completed for such customers.

Our Directors believe that we are one of the leading premier carpet specialists serving the commercial and institutional sectors in Asia with an established reputation and track record of more than 25 years. Over the years, we have built a good reputation based on our service quality, efficiency, reliability and competitive pricing.

We are differentiated from our competitors as we maintain a ready supply of carpets in a variety of designs and colours in our Singapore warehouse for sale to our customers. Our carpet stocks comprise both carpet tiles and broadloom carpets. This enables us to fulfil our customers’ requirements without incurring the usual time needed for production and shipment of such carpets from overseas. At the Latest Practicable Date, our Singapore warehouse maintains approximately 80 different designs of carpets in up to 400 different colours.

At the Latest Practicable Date, we collaborate with five regular third party carpet manufacturers operating in the PRC and Taiwan, which will produce both carpet tiles and broadloom carpets according to our requested designs, colours and specifications and are marketed for sale under our proprietary “SMJ” brand.

Further details are set out in the “Business Overview” section of this Offer Document.

Our Competitive Strengths

Our Directors believe our competitive strengths are as follows:-

- Abilities to provide wide selection of carpets and fulfil customers’ order within short turnaround time
- Strong management team assisted by experienced sales and project teams with deep product knowledge
- Our proprietary “SMJ” brand of carpets is well-recognised in Singapore and overseas, supported by global distribution network of more than 260 distributors in over 20 countries

OFFER DOCUMENT SUMMARY

- Long standing relationship with our major supplier, Shaw Industries
- Strong working relationship with third party carpet manufacturers

Further details are set out in the “Competitive Strengths” section of this Offer Document.

Our Business Strategies and Future Plans

Our business strategies and future plans are as follows:–

- Expanding and strengthening our geographical coverage
- Expanding our product range and services through acquisitions, joint ventures and/or strategic alliances
- Improving our inventory management system and logistics support to cater for our expanding product range

Further details are set out in the “Business Strategies and Future Plans” section of this Offer Document.

Where you can find us

Both our principal place of business and registered office are located at 31 Jurong Port Road, #02-20 Jurong Logistics Hub, Singapore 619115. Our telephone and facsimile numbers are (65) 6261 1212 and (65) 6261 6512 respectively. Our Company Registration Number is 201334844E. Our internet address is www.smjf.com.sg. **Information contained in our website does not constitute part of this Offer Document.**

FINANCIAL HIGHLIGHTS

You should read the following summary financial information in conjunction with the full text of this Offer Document, including the Audited Combined Financial Statements and the “Management’s Discussion and Analysis of Results of Operations and Financial Position” section of this Offer Document.

Selected items from the Combined Statements of Comprehensive Income ⁽¹⁾

(\$S'000)	← Audited →		
	FY2011	FY2012	FY2013
Revenue	24,088	23,614	22,026
PBT	3,122	2,806	3,226
PAT	2,655	2,395	2,732
EPS (cents) ⁽²⁾	4.15	3.74	4.27
EPS (fully diluted) (cents) ⁽³⁾	3.40	3.07	3.50

Selected items from the Combined Balance Sheet ⁽⁴⁾

(\$S'000)	Audited As at 31 December 2013
Current assets	16,470
Non-current assets	1,079
Current liabilities	5,327
Non-current liabilities	9
Total equity	12,213
NTA per Share (cents) ⁽⁵⁾	19.08

OFFER DOCUMENT SUMMARY

Notes:-

- (1) Our combined statements of comprehensive income for the periods under review have been prepared on the basis that our Group had been in existence throughout the periods under review.
- (2) For comparative purposes, EPS for the periods under review have been computed based on the PAT and our pre-Placement share capital of 64,000,000 Shares.
- (3) For comparative purposes, EPS for the periods under review have been computed based on the PAT and our post-Placement share capital of 78,000,000 Shares.
- (4) Our combined balance sheet as at 31 December 2013 has been prepared on the basis that our Group has been in existence on this date.
- (5) The NTA per Share as at 31 December 2013 has been computed based on our pre-Placement share capital of 64,000,000 Shares.

THE PLACEMENT

- Issue size** : 20,240,000 Placement Shares comprising 14,000,000 New Shares and 6,240,000 Vendor Shares. The New Shares, which form part of the Placement, will, upon issue and allotment, rank *pari passu* in all respects with the existing issued Shares.
- Placement Price** : S\$0.28 for each Placement Share.
- The Placement** : The Placement comprises an offering by the Placement Agent on behalf of our Company and the Vendors of 20,240,000 Placement Shares at the Placement Price by way of placement, subject to and on the terms and conditions of this Offer Document.
- Purpose of the Placement** : Our Directors believe that the listing of our Company and the quotation of our Shares on Catalist will enhance our public image locally and internationally and enable us to tap the capital markets to fund our business growth. The Placement will also provide members of the public, our business associates and employees, and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
- Listing status** : Our Shares will be quoted on Catalist in Singapore dollars, subject to admission of our Company to Catalist and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST.
- Risk factors** : Investing in our Shares involves risks which are described in the “Risk Factors” section of this Offer Document.

PLAN OF DISTRIBUTION

The Placement Price is determined by us and the Vendors in consultation with the Sponsor, Issue Manager and Placement Agent after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Placement Shares determined through a book-building process. The Placement Price is the same for all the Placement Shares and is payable in full on application.

Placement Shares

Application for the Placement Shares may only be made by way of Placement Shares Application Forms. The terms, conditions and procedures for applications are described in Appendix E of this Offer Document.

Subscribers and/or purchasers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Placement Price (plus GST thereon, if applicable) to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent.

None of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Placement Shares in the Placement. None of the members of our Company's management or employees intends to subscribe for and/or purchase more than 5.0% of the Placement Shares in the Placement.

To the best of our knowledge and belief, we are not aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Placement Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5.0% of the Placement Shares. If such person(s) were to make an application for more than 5.0% of the Placement Shares pursuant to the Placement and are subsequently allotted and/or allocated such number of Shares, we will make the necessary announcements at the appropriate time. The final allotment and/or allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in the Catalist Rules.

No Shares shall be allotted and/or allocated on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

USE OF PROCEEDS FROM THE PLACEMENT AND EXPENSES INCURRED

The net proceeds raised from the Placement (comprising the New Shares and the Vendor Shares), after deducting the estimated expenses in relation to the Placement of approximately S\$1.6 million, will be approximately S\$4.1 million. We will not receive any of the proceeds from the Vendor Shares sold by the Vendors in the Placement. The net proceeds attributable to the Vendors from the sale of the Vendor Shares, after deducting the Vendors' share of the estimated expenses of approximately S\$35,000, will be approximately S\$1.7 million.

The net proceeds to be raised by our Company from the issue of the New Shares, after deducting our share of the estimated expenses of approximately S\$1.5 million, are approximately S\$2.4 million.

The allocation of each principal intended use of proceeds and the estimated listing expenses is set out below:-

	S\$'000	As a Percentage of Gross Proceeds from the Placement (%)
Use of proceeds		
Business expansion through acquisitions, joint ventures and/or strategic alliances	1,500	38.3
Improving inventory management system and logistics support	340	8.7
Marketing and business development	250	6.3
General working capital	313	8.0
Net proceeds	2,403	61.3
Expenses to be borne by our Company ⁽¹⁾		
Listing and processing fees	34	0.9
Professional fees and expenses ⁽²⁾	1,235	31.5
Placement commission and brokerage	78	2.0
Miscellaneous expenses	170	4.3
Gross proceeds from the issue of New Shares	3,920	100.0

Notes:-

(1) Of the total estimated listing expenses to be borne by our Company of approximately S\$1.5 million, approximately S\$1.4 million will be capitalised against share capital and the balance of the estimated listing expenses will be charged to profit or loss.

(2) This includes the sponsor fee, audit fee, legal fee and consultancy fee.

Save for the placement commission and brokerage which will be borne by our Company and the Vendors in proportion in which the number of Placement Shares offered by each of them bears to the total number of Placement Shares, all other listing expenses will be borne by our Company.

In the reasonable opinion of our Directors, there is no minimum amount which must be raised from the Placement.

Please refer to the "Business Strategies and Future Plans" section of this Offer Document for further details on our future plans.

Pending the deployment of the net proceeds as aforesaid, the funds will be placed in short-term deposits with financial institutions and/or used to invest in short-term money market instruments as our Directors may deem appropriate.

USE OF PROCEEDS FROM THE PLACEMENT AND EXPENSES INCURRED

We will make periodic announcements on the use of the net proceeds from the issue of the New Shares as and when the funds are materially disbursed, and provide a status report on the use of the proceeds in our annual report.

In the event that any part of our proposed uses of the net proceeds from the issue of the New Shares does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other purposes and/or hold such funds on short-term deposits for so long as our Directors deem it to be in the interest of our Company and our Shareholders, taken as a whole. Any change in the use of the net proceeds will be subject to the Catalist Rules and appropriate announcements will be made by our Company on SGXNET.

MANAGEMENT AND PLACEMENT ARRANGEMENTS

Pursuant to a full sponsorship and management agreement dated 20 June 2014 (the "Management Agreement") entered into between our Company, the Vendors and HLF, our Company and the Vendors have appointed HLF as introducing sponsor to manage the Placement and HLF will receive a fee from our Company for such services rendered in connection with the Placement.

Pursuant to the placement agreement dated 20 June 2014 (the "Placement Agreement") entered into between our Company, the Vendors and HLF as the Placement Agent, HLF has agreed to subscribe for and/or purchase, or procure subscribers and/or purchasers for the Placement Shares at the Placement Price for a placement commission of 2.0% of the aggregate Placement Price for the total number of Placement Shares, payable by our Company and the Vendors in the proportion in which the Placement Shares are offered by our Company and the Vendors. HLF may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Placement Price (plus GST thereon, if applicable) to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent.

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted by our Company within the two years preceding the date of this Offer Document or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company and our subsidiary.

If there shall have been, since the date of the Management Agreement and prior to the close of the Application List:-

- (a) any breach of the warranties or undertakings by our Company or the Vendors in the Management Agreement which comes to the knowledge of HLF; or
- (b) any occurrence of certain specified events which comes to the knowledge of HLF; or
- (c) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Company or of our Group as a whole; or
- (d) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive in Singapore or elsewhere (whether or not having the force of law) and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST or relevant authorities elsewhere, in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere; or
- (e) any change, or any development involving a prospective change, in local, national or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition of any moratorium, suspension or restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise, adverse changes in foreign exchange controls in Singapore and overseas or any combination of any such changes or developments or crisis, or any deterioration of any such conditions); or
- (f) any imminent threat or occurrence of any local, national or international outbreak or escalation of hostilities, insurrection, terrorist attacks or armed conflict (whether or not involving financial markets) in any jurisdiction; or
- (g) any regional or local outbreak of disease that may have an adverse effect on the financial markets; or
- (h) any other occurrence of any nature whatsoever,

MANAGEMENT AND PLACEMENT ARRANGEMENTS

which has resulted or is in the reasonable opinion of the Sponsor likely to result in a material adverse fluctuation or material adverse conditions in the stock market in Singapore or overseas; or is likely to materially prejudice the success of the Placement; or it becoming impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated under the Management Agreement or the Placement; or the business, trading position, operations or prospects of our Group being materially and adversely effected; results or is likely to result in the issue of a notice of refusal to an admission of our Company to Catalist by the SGX-ST to the Sponsor at any point prior to listing of our Shares; or makes it uncommercial or otherwise contrary to or outside the usual commercial practices in Singapore for the Sponsor to observe or perform or be obliged to observe or perform the terms of the Management Agreement, the Sponsor may at any time prior to the close of the Application List rescind or terminate the Management Agreement.

The Sponsor may terminate the Management Agreement if:-

- (a) at any time up to the close of the Application List, a notice of refusal to an admission to Catalist is issued by the SGX-ST to the Sponsor; or
- (b) at any time after the registration of this Offer Document with the SGX-ST but before the close of the Application List, our Company (and on behalf of the Vendors) fails and/or neglects to lodge a supplementary or replacement offer document (as the case may be) if we become aware of:-
 - (i) a false or misleading statement in this Offer Document;
 - (ii) an omission from this Offer Document of any information that should have been included in it under the SFA; or
 - (iii) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority and would have been required by the SFA to be included in this Offer Document if it had arisen before this Offer Document was lodged,
that is materially adverse from the point of view of an investor; or
- (c) the Shares have not been admitted to Catalist on or before 30 June 2014 (or such other date as our Company, the Vendors and the Sponsor may agree).

The obligations under the Placement Agreement are conditional upon the Management Agreement not being determined or rescinded pursuant to the provisions of the Management Agreement. In the case of the non-fulfilment of any of the conditions in the Management Agreement or the release or discharge of the Sponsor from its obligations under or pursuant to the Management Agreement, the Placement Agreement shall be terminated and the parties shall be released from their respective obligations under the Placement Agreement.

In the event that the Management Agreement and/or the Placement Agreement is terminated, our Directors and the Vendors reserve the right, at their absolute discretion, to cancel the Placement.

Save as disclosed above, we and the Vendors do not have any material relationship with the Sponsor, Issue Manager and Placement Agent.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following risk factors and all other information contained in this Offer Document before deciding to invest in our Shares. To the best of our Directors' and the Vendors' knowledge and belief, all risk factors which are material to investors in making an informed judgement of our Group have been set out below. If any of the following considerations, uncertainties or material risks develop into actual events, our business, financial position and/or results of operations could be materially and adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in our Shares.

This Offer Document also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Offer Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may be affected by the loss of distributorship for “Shaw Contract Group” brand

Our Group is the authorised supplier for the “Shaw Contract Group” brand of carpets in Singapore since 1992. The sales of “Shaw Contract Group” brand of carpets accounted for 17.9%, 30.8% and 24.3% of our total inventory sold for FY2011, FY2012 and FY2013 respectively while our purchases of carpets under the “Shaw Contract Group” brand accounted for 25.0%, 42.9% and 28.7% of our total purchases for FY2011, FY2012 and FY2013 respectively. Our rights to supply “Shaw Contract Group” brand of carpets are granted by Shaw Industries who is one of our major suppliers and information of our Group's purchases from Shaw Industries is set out in the “Major Suppliers” section of this Offer Document. There is no assurance that Shaw Industries would continue to appoint our Group as its authorised supplier in Singapore in the future. In the event such rights to supply “Shaw Contract Group” brand of carpets are terminated and we are not able to find suitable or timely replacements, our business and financial performance will be adversely affected.

Our business is dependent on the goodwill in our proprietary “SMJ” brand and third party brand

Our business is dependent on the goodwill of our proprietary “SMJ” brand, as well as, the third party “Shaw Contract Group” brand. Maintaining our reputation for supplying good quality carpets is important to enable us to maintain our existing customer base and increase our new customers. Any negative publicity and/or any failure to maintain our reputation and the goodwill associated with these brands that we market and sell carpets under may tarnish the goodwill and the commercial value of our proprietary “SMJ” brand name which we have established with our customers. This may materially and adversely affect our business and financial performance. In addition, it is possible that our competitors may distribute products or adopt trade names that are similar to ours and our suppliers notwithstanding that our and our suppliers' trademarks have been registered in Singapore. Please refer to the “Intellectual Property” section of this Offer Document for further details of our trademark. It is also possible that we or our suppliers may not be able to completely prevent an infringement of our or our suppliers' intellectual property rights. In any of such events, the goodwill generated by our or our suppliers' brand name may be eroded and our business will be adversely affected.

We may be adversely affected if there is a mismatch between our inventory acquisition and our expected market demand

The nature of our business requires us to invest in and keep a substantial and varied stock of carpets in order to meet the needs of our diverse customer base at short notice. Our customers' requirements are difficult to predict and are not made in accordance with any fixed or long term contracts. As at 31 December 2013, the total cost of our inventory is approximately S\$5.0 million, which accounted for approximately 30.6% of our current assets. At the Latest Practicable Date, our Singapore warehouse maintains approximately 80 different designs of carpets in up to 400 different colours. Over the periods under review, our stock turnover period ranged from 137 to 152 days in our warehouse. The longer our stock remains unsold, the higher our holding costs of inventory. If we fail to anticipate the needs of our customers accurately or if we manage our inventory levels inefficiently, we may accumulate large amounts of slow moving inventory. Further, any mismanagement of inventory may lead to cash flow

RISK FACTORS

shortages while any mismanagement of freight and transportation costs incurred for the purchase and sale of inventory may lead to higher cost of purchase of inventories and thereby negatively impacting our business, profitability and financial position.

We have written off slow moving inventories of approximately S\$58,000 as at FY2013. Our revenue depends largely on the range and variety of carpets that we are able to offer our customers. Customers' preferences for particular designs of carpets may change and may result in different market trends emerging. Some of our carpets may be subject to impairment over the years in the event of changes in consumer preferences and trends in the designs which render certain range of our carpet stocks to be obsolete or lacking in appeal to consumers. As a result of such events, our financial position and performance will be adversely affected.

Our business and financial performance will be affected by any increase in rental charges or the failure to procure the renewal of existing lease

Currently, our office, showroom and warehouse are housed in leased premises. The total rental expenses of our Group which include the rental and service charges for our office, showroom and warehouse amounted to S\$792,066, S\$930,588 and S\$1,022,956 in FY2011, FY2012 and FY2013 respectively. The tenure of our lease for our office, showroom and warehouse will expire on 31 March 2015 with an option to renew for a further term of three years at revised terms to be mutually agreed. We generally commence negotiations for a new lease about six months prior to the expiry of the existing lease. The new lease agreement is usually signed within one month of the expiry of the existing lease. Upon the expiry of such lease, the lessor has the right to review and alter the terms and conditions of the lease. We face the risk of increase in rental charges or the inability to renew the lease on terms and conditions which are favourable to us. Any increase in the rental charges or changes in terms and conditions that are unfavourable to us would inevitably increase our operating expenses, thus affecting our profitability. In addition, failure to procure the renewal of lease or premature termination of the lease by the lessor in accordance with the termination clauses of the existing lease agreement may result in losses and disruptions to our business, and our financial performance will be adversely affected.

We may be affected by economic downturns, reduction in renovation and furnishings spending budget and uncertain global economic outlook

The industry that we operate in has historically been subject to the spending budget of businesses and organisations as well as cyclical economic downturns which affect the continuous supply of commercial space in Singapore, thereby negatively impacting our sales, gross margins and profitability. Our business is therefore dependent on such supply of commercial space in Singapore and spending budget for renovations and furnishings as our products are mainly used in the office and commercial space. An economic slowdown would generally lead to a decrease in the supply of commercial space and number of renovation and furnishings projects, which we rely on for our sales. Revenue from our Contract Sales business accounted for 45.4%, 46.0% and 43.0% of our revenue in FY2011, FY2012 and FY2013 respectively. As we have not entered into long term contracts with any of our customers, in the event of a contraction in the supply of commercial space in Singapore or slowdown in renovation and furnishing activities of the office and commercial space, our business and financial performance will be adversely affected.

Generally, consumers may also be reluctant to spend on renovation or furnishings if they lack confidence in the economy. There is no assurance that consumer spending will remain buoyant or that demand for our carpets will remain at current level. Specifically, consumer spending is affected by a number of factors, including actual and perceived economic conditions, inflation, unemployment rate, demand for better quality of work environment, interest rates, and availability of credit in the markets where our carpets are sold. Any significant and adverse change to the aforesaid factors could reduce the level of consumer spending and hence, demand for our carpets.

Due to uncertainties in the global markets, it is difficult to predict how our markets and businesses may be affected by the global markets, in particular our Distribution Sales which are carried out through our network of more than 260 carpet dealers, carpet importers and carpet installation companies in Singapore and over 20 countries mainly in Asia. Accordingly, these situations could potentially present risks to our Company, including an increase in interest expenses on our bank borrowings or reduction of

RISK FACTORS

the amount of banking facilities currently available to us, thereby materially and adversely affecting our business operations and future financial performance. Given the uncertainties as to the future economic outlook, there is no assurance that we will be able to maintain or continue to grow our revenue and profits, or that we will be able to react promptly to any change in economic conditions. In the event that we fail to react promptly to the changing economic conditions, our performance and profitability could be adversely affected.

We are dependent on key personnel for our continued success

Our success to date has been largely attributable to the efforts of our key management led by our Executive Directors, namely Rena Ho, Nellie Ho and Lee Lay Choo who are supported by our Executive Officers and experienced sales and project teams. Each of our Executive Directors has more than 10 years of experience in the carpet industry. Our continued success is dependent to a large extent, on our ability to retain the services of our management team, who are responsible for our day-to-day operations and the implementation of the business strategy and corporate development of our Group as well as our experienced sales and project teams with deep product knowledge. The loss of the services of any of our key personnel without suitable replacements may have an adverse impact on our business operations and the future growth of our Group. Please refer to the “Directors, Executive Officers and Staff” section of this Offer Document for details of the qualifications and working experience of our management team.

Failure to keep abreast of changes in consumer preferences will adversely affect sales

The demand for carpet is susceptible to changes in consumer preferences and trends in the design of carpet, or other substitute materials or stones. Such changes in demand or preference are difficult to predict accurately. Our continued growth and success are dependent on our ability to launch new range of carpets with unique designs at competitive prices, as well as the popularity of and customer demand for our carpets. Shifts in customer preferences away from our range of carpet will affect our business and profitability. Our business and financial performance will be adversely affected in the event that we are unable to respond promptly and appropriately to the changing requirements of our customers or if our carpet design or styles do not satisfy changing consumer preferences.

We rely on third party carpet manufacturers for our products

We collaborate with five regular third party carpet manufacturers in the PRC and Taiwan to produce all our carpets marketed under our proprietary “SMJ” brand. The use of third party carpet manufacturers to produce carpets for our sale does not guarantee products of acceptable quality as we do not have direct control over the manufacturing process. In addition, there can be no assurance that there will not be a disruption in the supply of products from these manufacturers, and in the event of such disruption, we may not be able to source for suitable alternative manufacturers on a timely basis. The failure of any third party carpet manufacturers to perform or the loss of any third party carpet manufacturers whom we generally do not enter into long term or exclusive agreements could have a material adverse effect on our business and financial performance.

We are exposed to foreign exchange transaction risks

Our revenue is predominantly denominated in S\$ which constituted approximately 71.5%, 76.5% and 74.6% of our revenue for FY2011, FY2012 and FY2013 respectively. Our purchases are predominantly denominated in US\$ which constituted approximately 99.2%, 97.4% and 99.4% of our purchases for FY2011, FY2012 and FY2013 respectively. Purchases made in US\$ include carpet tiles and broadloom carpets under the “Shaw Carpet Group” brand and our third party carpet manufacturers. Foreign exchange risks arise mainly from a mismatch between the currency of our sales and the currency of our purchases. We may suffer foreign currency losses if there are significant adverse fluctuations in currency exchange rates between the time of our purchases and payments in foreign currencies and the time of our sales and receipts. This may adversely affect our financial results. In FY2011 and FY2012, our net foreign exchange gains were approximately S\$1,000 and S\$126,000 respectively while in FY2013, our net foreign exchange losses were approximately S\$45,000. We do not currently have any formal policy for hedging against foreign exchange exposure. Please refer to the “Foreign Exchange Exposure” section of this Offer Document for further details.

RISK FACTORS

We may be subject to legal suits if we infringe third party intellectual property rights

We market and sell carpets under our proprietary brand known as “SMJ” and a third party brand known as “Shaw Contract Group”. If these brands or their products carry designs that are similar or identical to registered trademarks belonging to any other third party whom we may not be aware of, we may be sued for infringement of their trademarks. Even if the trademarks or designs were not registered, we may still be liable under an action for passing off if these third parties are able to prove their interests in such trademarks or designs. Generally, we may not have recourse against our suppliers, its distributors or suppliers in claims for infringement of intellectual property rights. If we are being sued for trademark infringement or in an action of passing off, we may be liable for damages and incur legal costs, which if substantial, will have an adverse effect on our financial performance.

We may be unable to retain the loyalty of our end-users or secure new projects

Our high performance carpet typically has a product life cycle of approximately 10 years. There is no assurance that our end-users will remain as repeat customers when replacing their existing carpet after the carpet is worn out or damaged. As we are operating in a highly competitive industry, there is no assurance that we would be able to retain the loyalty of our end-users and ensure that they will continue to support and use our products. In the event that we are not able to retain the loyalty of our end-users, our business and performance may be adversely affected.

It is crucial for the continued success of our business that we manage to continuously secure new projects of a high value since most of our Contract Sales are project-based. We typically source for our projects through requests for quotation and referrals from our customers who are satisfied with our products and services. Generally, we maintain regular contacts with architects and designers who are instrumental in recommending our products to their end-users in the course of their design and selection of suppliers and sub-contractors during their renovation and furnishings projects. Notwithstanding so, there is no assurance that our Group will be able to secure new and lucrative projects on a regular basis through our participation in tenders or our customers will continue to refer new projects to us. In addition, our resources are limited and we will not be able to participate in tenders for projects which may generate lucrative profit margins if we do not have the capacity to undertake the work. If we are unable to secure new and lucrative projects, our business and financial performance will be materially and adversely affected.

We are exposed to fluctuations in prices of raw materials

The main raw materials used in the manufacture of carpets are nylon and polypropylene fibres. The prices of these raw materials, being petroleum-based, will increase when there is an increase in crude oil prices. As such, any major upward trend in the prices of such raw materials would increase the costs of our inventory and correspondingly increase the amount of working capital required for our business. In the event that such increase in prices results in a substantial increase in working capital, and we are unable to fund such increase, our business and financial performance will be adversely affected.

Our business may be affected by competition with existing industry players and new entrants

We operate in a highly competitive industry and our success depends to a large extent on our ability to compete effectively against other players within the industry and respond in an effective and timely manner to cope with changing market conditions and trends. There is no assurance that we will be able to compete effectively with existing industry players or new entrants. Should our existing or new competitors offer products and services similar to ours at a lower cost or engage in aggressive pricing in order to increase or gain market share, our revenue may decline if we are not able to match such lower pricing. As a result, such competitive pressures could result in a negative impact on our pricing (thus eroding our profit margins), erode our market share or make it more difficult for us to achieve any significant market penetration. In the event we are unable to compete effectively with our existing and future competitors and adapt quickly to changing market conditions and trends, our business and financial performance will be adversely affected. Please refer to the “Competition” section of this Offer Document for further details of our competitors.

RISK FACTORS

Disputes, claims and variation orders can erode our Group's profitability

We may be involved from time to time in disputes with various parties in the course of our business. These parties include suppliers, sub-contractors and other partners. These disputes may lead to legal and other proceedings which may incur substantial costs to the extent that we are unable to recover such costs from our suppliers, sub-contractors and other partners, and the diversion of our management's resources and attention. During the course of a project, the project owner may request our Group to perform additional works which are not specified in the original contract or to carry out variations to the specifications stipulated in the original contract. At times, the parties may agree that variation orders be performed before the costs for such additional works are finalised between the parties. Hence, the final values of such variation orders may be subject to dispute by the project owner. Our Group's earnings will be adversely affected if we are required to bear any part of the variation costs.

We will be liable to pay liquidated damages in the event of delay in the completion of projects

Our Group may be liable to pay liquidated damages in the event of any delays in the completion of a project within the specified date of completion as provided in the contract. The quantum of liquidated damages payable is normally stated in the contracts. However, our Group would not be liable for liquidated damages and may be granted an extension of completion time if the delay is caused by external factors that are beyond our control. While we have the right to claim against our suppliers, sub-contractors and other partners should the delay in the completion of the project be attributable to their fault, there is no assurance that we can make such claim successfully. There can be no assurance that there will not be any delays in existing and future projects which we undertake resulting in the payment of liquidated damages to the extent that we are unable to recover such costs from our suppliers, sub-contractors and other partners which could have a material impact on our financial performance and financial condition.

We may require additional funding for our future growth

Although we have identified our future growth plans as set out in the "Business Strategies and Future Plans" section of this Offer Document, the proceeds from the Placement may not be sufficient to cover the estimated costs to implement all these plans. Under such circumstance, we may need to obtain debt or equity financing to implement these growth opportunities. Additional debt and/or equity financing may result in dilution to our Shareholders. If such financing does not generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our Share price.

Additional debt financing may, apart from increasing interest expense and gearing, result in all or any of the following:-

- limit our ability to pay dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital and other requirements; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

There is no assurance that we will be able to obtain additional debt and/or financing on terms that are acceptable to us or at all. Any inability to secure additional debt and/or financing may materially and adversely affect our business, implementation of our business strategies and future plans and results of operations.

RISK FACTORS

There is no assurance that our expansion plans will be successful

In order to grow our business, we intend to expand in accordance with our future plans as set out in the “Business Strategies and Future Plans” section of this Offer Document, which include expanding our business through acquisitions, joint ventures and/or strategic alliances in businesses that are complementary to our business. Participation in strategic alliances, acquisitions, or joint ventures similarly involves risks, including but not limited to, difficulties in integrating management, operations, services, products and personnel. The successful integration of such growth strategies depends on our ability to identify suitable partners and the successful integration of operations. There can be no assurance that we will be able to execute such growth strategies successfully. Should any of the aforesaid events occur, our profitability may be adversely affected.

We are exposed to credit risks of our customers

Our financial position and profitability is dependent on the credit-worthiness of our customers. If there are any unforeseen circumstances affecting our customers’ ability or willingness to pay our fees, we may experience defaults in payment which will adversely affect our financial position and profitability. Please refer to the “Credit Management” section of this Offer Document for more details.

We may be affected by major or sustained disruptions to our operations

In the event of any major or sustained disruptions or any outbreak of fire, flood or any other natural disasters which results in significant damage to our premises, our operations may be adversely affected. For instance, in the event that our office and warehouse experience downtime, we may not be able to deliver the required goods to our customers. In such an event, the confidence of our customers may drop and our business and financial position may be adversely affected.

Our business is dependent on the services of our sub-contractors

We engage sub-contractors to provide installation works for our Contract Sales projects. These sub-contractors are selected based on, *inter alia*, our past working experience with them, and their competitiveness in terms of pricing, quality and ability to meet the stipulated timelines. We cannot ensure that the services rendered by these sub-contractors will be satisfactory or that they will continue to meet our requirements for quality. In the event of any loss or damage which arises from the default of the sub-contractors engaged by us, we will nevertheless be liable for our sub-contractors’ default. Furthermore, these sub-contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they contracted for, thus delaying the completion of or failing to complete our Contract Sales projects, resulting in additional costs to us or exposing us to the risk of liquidated damages. Any of these factors could have a material adverse effect on our business, financial condition and operating results.

We may face rising labour costs and labour shortage

Our ability to meet our labour requirements may be subject to numerous external factors, including the availability of a sufficient number of suitable persons in the relevant job segment, prevailing labour costs including wage rates and applicable levies, demographics, and health and insurance costs. In addition, any changes to the labour laws in Singapore in the form of stricter qualifying criteria and salary thresholds for foreign workers, and increases in foreign worker levies and foreign workers’ accommodation costs may result in an increase in our labour-related costs.

Our growth plans may require us to hire new employees in the future. As we face competition for labour, we may have to increase wages and employee benefits to attract and retain qualified personnel or risk considerable employee turnover. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to execute our growth strategy and our business, financial position and results of operations may be adversely affected.

RISK FACTORS

Potential loss of L4 status

Our Group is registered with BCA as a L4 contractor under the workhead of SY06 - Finishing and Building Products which allows our Group to tender for public sector contracts of up to S\$6.5 million. To maintain our Group's existing L4 status, our Group has to, among other requirements, maintain a track record of S\$2.5 million (contract value of awarded projects) for the past three years. In the event that the L4 status cannot be maintained, our Group will not be able to tender for public sector contracts of value up to S\$6.5 million. This will have an adverse impact on our Group's financial performance.

Our insurance coverage may not be adequate

We maintain workmen's or work injury compensation insurance, public liability insurance and fire insurance. We also maintain insurance policies which cover personal accident, hospitalisation and surgery for our employees. We have also taken up keyman insurance for our Executive Directors and Business Director. However, in the event that the amount of such claims exceed the coverage of the insurance policies which we have taken up, we may be liable for shortfalls of the amounts claimed. We are not insured against business interruption. If such events were to occur, our business, financial performance and financial position may be materially and adversely affected. Please refer to the "Insurance" section of this Offer Document for further details.

We may be affected by an outbreak of communicable diseases

In recent years, the outbreak of various communicable diseases such as the recent cases of Middle East Respiratory Syndrome reported in the Arabian Peninsula and the avian influenza have resulted in global economic and social uncertainties. The occurrence of such events may result in us reducing our marketing efforts in the affected countries which may in turn have an adverse impact on our revenue. In addition, as we obtain most of our products from overseas suppliers, if the manufacturing facilities or employees of our suppliers are affected by any of the aforesaid events, it may interrupt the supply of our products, thereby causing our business and financial performance to be adversely affected.

Terrorist attacks, armed conflicts and increased hostilities could adversely affect our financial performance

Terrorist attacks, armed conflicts, increased hostilities and other acts of violence or war around the world may adversely affect the regional and global financial markets. The occurrence of any of these events may result in a loss of business confidence, which could potentially lead to an economic recession and have an adverse effect on our business, results of operations and financial condition. There can be no guarantee that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Investments in securities quoted on Catalist involve a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST

We have made an application for our Shares to be admitted to Catalist, a listing platform primarily designed for fast growing and emerging or smaller companies (to which a higher investment risk tends to be attached as compared to larger or more established companies). An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST. Pursuant to the Catalist Rules, we are required to, among other things, retain a sponsor at all times after our admission to Catalist. In particular, unless approved by the SGX-ST, the Sponsor must act as our continuing sponsor for at least three years after the admission of our Company to Catalist. In addition, we may be delisted in the event that we do not have a sponsor for more than three continuous months. There is no guarantee that following the expiration of the three-year period, the Sponsor will continue to act as our sponsor or that we are able to find a replacement sponsor within the three-month period. Should such risks materialise, we may be delisted.

RISK FACTORS

Future sales or issuance of our Shares could materially and adversely affect our Share price

Any future sale of our Shares can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Placement, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the “Moratorium” section of this Offer Document, there are no restrictions imposed on our Substantial Shareholders in relation to disposal of their shareholdings.

Our Controlling Shareholders will retain significant control over our Group after the Placement which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Placement, our Controlling Shareholders, namely Lui Oi Kheng, Rena Ho and Nellie Ho, will collectively own approximately 69.9% of our Company’s post-Placement share capital. As a result, they will be able to exercise significant influence over matters requiring Shareholders’ approval, including the election of directors and the approval of significant corporate transactions. Our Controlling Shareholders will also effectively have veto power with respect to any Shareholders’ action or approval requiring a majority vote except where they are required by the Catalist Rules or other applicable regulations to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may benefit the Shareholders.

There is no prior market for our Shares and the Placement may not result in an active or liquid market for our Shares

Prior to this Placement, there has been no public market for our Shares. Although we have made an application to the SGX-ST to list our Shares on Catalist, there is no assurance that an active trading market for our Shares will develop or if developed, be sustained after the Placement. There is also no assurance that the market price for our Shares will not decline below the Placement Price. The market price of our Shares could be subject to significant fluctuations as investors’ sentiments may be affected by external factors such as the outbreak of war, escalation of hostilities or outbreak of infectious diseases (whether in Singapore or elsewhere). Other factors including the liquidity of our Shares in the market, differences between our actual financial or operating results and those expected by investors and analysts, the general market conditions and broad market fluctuations may also result in significant fluctuations in the market price of our Shares.

We may experience fluctuations in our operating results

We may experience fluctuations in our operating results caused by any factor which is beyond our control. Hence, our Group’s operating results in a particular period may fluctuate in comparison to an earlier comparable period, which may not fall within the expectations of stock market analysts or investors. This in turn could have an impact on the trading price of our Shares. Our past operating results may not be indicative of our future financial performance.

Our Share price may fluctuate following the Placement

The market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- (a) variations in our operating results;
- (b) changes in securities analysts’ recommendations, perceptions or estimates of our financial performance;
- (c) changes in market valuations and share prices of companies with business similar to that of our Company that may be listed in Singapore;
- (d) announcements by us of significant acquisitions, strategic alliances or joint ventures;
- (e) fluctuations in stock market prices and volume;

RISK FACTORS

- (f) our involvement in material litigation;
- (g) additions or departures of key personnel;
- (h) success or failure of our management in implementing business and growth strategies; and
- (i) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors.

New investors will incur immediate dilution and may experience further dilution

Our Placement Price of 28.00 cents per Share is substantially higher than our NTA per Share of 18.73 cents (based on the NTA as referred to in the “Dilution” section of this Offer Document and as adjusted for the net proceeds from the issue of New Shares). If we were liquidated immediately following the Placement, each investor subscribing for and/or purchasing the Placement Shares would receive less than the price he paid for the Shares. Please refer to the “Dilution” section of this Offer Document for further details.

Negative publicity may materially and adversely affect the price of our Shares

Negative publicity involving our Group, any of the Directors or Substantial Shareholders of our Company may materially and adversely affect the market perception or the share performance of our Company, whether or not it is justified. Some examples are unsuccessful attempts in joint ventures, takeovers or involvement in insolvency proceedings.

The actual performance of our Company may differ materially from the forward-looking statements in this Offer Document

This Offer Document contains forward-looking statements, which are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside our control. Furthermore, our revenue and financial performance are dependent on a number of external factors, including demand for our services which may decrease for various reasons, such as increased competition within the industry or changes in applicable laws and regulations. We cannot assure you that these assumptions will be realised and our actual performance will be as projected.

We may not be able to pay dividends in the future

Our ability to declare dividends to our Shareholders will depend on our future financial performance and distributable reserves of our Company, which, in turn, depends on us successfully implementing our strategies and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of our services and other factors specific to our industry or specific projects, many of which are beyond our control. As such, there is no assurance that our Company will be able to pay dividends to our Shareholders after the completion of the Placement, including the Proposed Dividends as defined and described in the “Dividend Policy” section of this Offer Document. In the event that any company in our Group enters into any loan agreements in the future, covenants therein may also limit when and how much dividends we can declare and pay.

Foreign Shareholders may not be able to participate in future rights issue or certain other equity issues of our Shares

In the event that we elect to conduct a rights issue or certain other equity issues, we may be subject to regulatory procedures to be followed in making such rights available to our existing Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them. Accordingly, as a result of such regulatory constraints, foreign holders of our Shares may be unable to participate in future offerings of our Shares and may experience dilution of their shareholdings.

ISSUE STATISTICS

PLACEMENT PRICE 28.00 cents

NTA

NTA per Share based on the audited combined balance sheet of our Group as at 31 December 2013:-

(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Placement share capital of 64,000,000 Shares 19.08 cents

(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Placement share capital of 78,000,000 Shares 18.73 cents

Premium of Placement Price over the NTA per Share based on the audited combined balance sheet of our Group as at 31 December 2013:-

(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Placement share capital of 64,000,000 Shares 46.75%

(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Placement share capital of 78,000,000 Shares 49.49%

Dividends

Historical DPS based on the special interim dividends in the audited combined financial statements of our Group for FY2013 ⁽¹⁾ and the pre-Placement share capital of 64,000,000 Shares 4.69 cents

Historical DPS based on the net PAT in the audited combined statement of comprehensive income of our Group for FY2013 and the pre-Placement share capital of 64,000,000 Shares, assuming that the recommendation to distribute 30.0% of our PAT attributable to Shareholders and the Service Agreements had been in place from the beginning of FY2013 1.16 cents

EPS

Historical net EPS of our Group for FY2013 based on our Company's pre-Placement share capital of 64,000,000 Shares 4.27 cents

Historical net EPS of our Group for FY2013 based on our Company's pre-Placement share capital of 64,000,000 Shares, assuming that the Service Agreements had been in place from the beginning of FY2013 3.87 cents

PER

Historical PER based on the historical net EPS of our Group for FY2013 and our Company's pre-Placement share capital of 64,000,000 Shares 6.56 times

Historical PER based on the historical net EPS of our Group for FY2013, assuming that the Service Agreements had been in place from the beginning of FY2013 7.24 times

ISSUE STATISTICS

Net Cash Flow from Operations ⁽²⁾

Historical net cash flow from operations per Share for FY2013 based on our Company's pre-Placement share capital of 64,000,000 Shares 3.42 cents

Historical net cash flow from operations per Share for FY2013 based on our Company's pre-Placement share capital of 64,000,000 Shares, assuming that the Service Agreements had been in place from the beginning of FY2013 3.02 cents

Price to Net Cash Flow from Operations Ratio

Placement Price to historical net cash flow from operations per Share for FY2013 based on our Company's pre-Placement share capital of 64,000,000 Shares 8.19 times

Placement Price to historical net cash flow from operations per Share for FY2013, assuming that the Service Agreements had been in place from the beginning of FY2013 9.27 times

Market Capitalisation

Our market capitalisation based on the Placement Price and our Company's post-Placement share capital of 78,000,000 Shares S\$21.84 million

Notes:-

- (1) Save for the special interim dividends, there was no final dividend declared by our Company in respect of FY2013. Please refer to the "Dividend Policy" section of this Offer Document for further details.
- (2) Net cash flow from operations is defined as net cash generated from operating activities as referred to in the Audited Combined Financial Statements set out in Appendix A of this Offer Document.

DILUTION

Dilution is the amount by which the Placement Price to be paid by investors for our Placement Shares (“New Investors”) exceeds the NTA per Share immediately after the Placement. Our audited NTA per Share as at 31 December 2013 before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company’s pre-Placement share capital of 64,000,000 Shares, was 19.08 cents.

Taking into account the 14,000,000 New Shares at the Placement Price in connection with the Placement, our NTA per Share after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company’s post-Placement share capital of 78,000,000 Shares, would be 18.73 cents. This represents an immediate decrease in NTA per Share of 0.35 cents to our existing Shareholders and an immediate dilution in NTA per Share of 9.27 cents to our New Investors.

The following table illustrates such dilution on a per Share basis as at 31 December 2013:-

	Cents
Placement Price	28.00
NTA per Share as at 31 December 2013	19.08
Decrease in NTA per Share attributable to existing Shareholders	0.35
NTA per Share after the Placement ⁽¹⁾	18.73
Dilution in NTA per Share to New Investors	9.27

Note:-

- (1) The computed NTA per Share after the Placement does not take into account our actual financial performance from 1 January 2014. Depending on our actual financial results, our NTA per Share may be higher or lower than the above computed NTA.

The following table shows the average effective cost per Share paid by our existing Shareholders for Shares acquired by them during the period of three years prior to the date of lodgement of this Offer Document and the price per Share to be paid by our New Investors pursuant to the Placement:-

	Number of Shares Acquired	Total Consideration (S\$)	Average Effective Cost per Share (cents)
Existing Shareholders			
Lui Oi Kheng ^{(1),(4)}	33,600,000	1,750,055 ⁽⁵⁾	5.21
Rena Ho ^{(1),(2)}	12,800,000	700,020	5.47
Nellie Ho ^{(1),(2),(3)}	12,800,000	700,020	5.47
Lee Lay Choo	3,200,000	888,000 ⁽⁶⁾	27.75
Tay Twan Lee ^{(3),(4)}	1,600,000	5	nm
New Investors	14,000,000	3,920,000	28.00

Notes:-

- (1) Lui Oi Kheng is the mother of Rena Ho and Nellie Ho.
- (2) Rena Ho and Nellie Ho are sisters.
- (3) Tay Twan Lee is the spouse of Nellie Ho.
- (4) Lui Oi Kheng and Tay Twan Lee are selling 4,640,000 and 1,600,000 Vendor Shares, respectively. Please refer to the “Vendors” section of this Offer Document for further details.

DILUTION

- (5) In August 2013, 1,400,000 ordinary shares in the share capital of SMJ Furnishings were transmitted to our Controlling Shareholder, Lui Oi Kheng following the demise of our late founder, Peter Ho, pursuant to the provisions of his Will. The total consideration for arriving at the effective cost per Share includes the sum of all consideration paid by the late Peter Ho and Lui Oi Kheng for 1,750,000 ordinary shares in the share capital of SMJ Furnishings.
- (6) In February 2014, our Controlling Shareholder, Lui Oi Kheng sold 350,000 ordinary shares in the share capital of SMJ Furnishings to our Executive Director and COO, Lee Lay Choo at the price of S\$888,000 which was agreed upon on a willing-buyer-willing-seller basis and fully paid.

Save as disclosed above and in the “Restructuring Exercise” and “Share Capital” sections of this Offer Document, none of our Directors, Substantial Shareholders or their Associates has acquired any Shares during the period of three years prior to the date of lodgement of this Offer Document.

CAPITALISATION AND INDEBTEDNESS

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 30 April 2014:-

- (a) based on the unaudited combined statements of financial position of our Group as at 30 April 2014; and
- (b) as adjusted for the net proceeds from the issue of the New Shares.

You should read this in conjunction with the Audited Combined Financial Statements and the “Management’s Discussion and Analysis of Results of Operations and Financial Position” section of this Offer Document.

(\$'000)	As at 30 April 2014	
	Actual	As adjusted for the net proceeds from the issue of the New Shares
Cash and cash equivalents	4,477	6,880
Indebtedness		
Current		
- secured and guaranteed	1,685	1,685
- secured and non-guaranteed	-	-
- unsecured and guaranteed	-	-
- unsecured and non-guaranteed	-	-
	1,685	1,685
Non-current		
- secured and guaranteed	-	-
- secured and non-guaranteed	-	-
- unsecured and guaranteed	-	-
- unsecured and non-guaranteed	-	-
	-	-
Total indebtedness	1,685	1,685
Total shareholders’ equity	12,811	15,214
Total capitalisation and indebtedness	14,496	16,899

There were no material changes in our total capitalisation and indebtedness from 30 April 2014 to the Latest Practicable Date, save for the scheduled monthly repayments of our borrowings (trust receipts) and changes in our retained earnings arising from the day-to-day operations in the ordinary course of business.

CAPITALISATION AND INDEBTEDNESS

Borrowings

Details of our borrowings and indebtedness as at 31 December 2013 are as follows:-

Financial Institution	Type of Facilities	Amount of Facilities Granted (S\$'000)	Amount Utilised / Owing (S\$'000)	Amount Unutilised (S\$'000)	Securities
Oversea-Chinese Banking Corporation Limited	Overdraft	1,800	–	1,800	(i) Deed of guarantee and indemnity for S\$7,350,000 from Lui Oi Kheng, Rena Ho, Nellie Ho and Lee Lay Choo
	Letter of credit (including trust receipts, draft loans, shipping guarantee/airway bills and bankers guarantee)	5,000	3,195	1,805	(ii) Open legal mortgage over the properties held by Lui Oi Kheng at No. 151 Chin Swee Road, #07-11 and #07-13 Manhattan House, Singapore 169876
	Foreign exchange forward contract	3,000	–	3,000	
Total		9,800	3,195	6,605	

As at 31 December 2013, we had outstanding trade finance amounts relating to trust receipts with Oversea-Chinese Banking Corporation Limited of approximately S\$2.48 million and included in the total amount utilised/owing, there were letters of guarantee issued of approximately S\$0.72 million. Please refer to the “Capital Expenditures, Divestments, Commitments and Contingent Liabilities” section of this Offer Document for more details.

The effective interest rate charged by the financial institution for the trust receipts facilities was at 2.5% plus Singapore Interbank Offered Rate per annum or such other rate as the financial institution may from time to time determine. The commission for the letters of guarantee was at 0.7% per annum.

To the best of our Directors’ knowledge, as at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments by our Shareholders.

Save as aforesaid and as disclosed in the “Liquidity and Capital Resources” section of this Offer Document, our Group does not have any material unused sources of liquidity.

Please refer to the “Interested Person Transactions” section of this Offer Document for more details of the guarantees provided by our Executive Directors and Controlling Shareholder.

DIVIDEND POLICY

Our subsidiary, SMJ Furnishings had declared a one-tier tax-exempt final dividend amounting to S\$525,000 and S\$1,000,000 in respect of FY2011 and FY2012 respectively, to its then shareholders. It had further declared a one-tier tax-exempt special interim dividend of S\$3,000,000 in aggregate in respect of FY2013 to its then shareholders. Save for the special interim dividend, there was no final dividend declared by our subsidiary, SMJ Furnishings, in respect of FY2013.

Save as disclosed above, no dividends has been declared or paid by our Company or subsidiary during the periods under review.

We do not have a fixed dividend policy. However, we intend to recommend and distribute dividends of 30% of our PAT to Shareholders for FY2014 and FY2015 ("Proposed Dividends"), subject to the factors outlined below. Investors should note that the foregoing statement on the Proposed Dividends is merely a statement of our present intention and shall not constitute a legal binding obligation of our Company or legally binding statement in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion. Investors should not treat the Proposed Dividends as an indication of our Group's future dividend policy. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends. The form, frequency and amount of future dividends on our Shares will depend on our earnings, financial position, results of operations, cash flow, capital needs, the terms of the borrowing arrangements (if any), plans for expansion and other factors which our Directors may deem appropriate (the "Dividend Factors").

Subject to our Articles of Association and in accordance with the Companies Act, our Company may declare an annual final dividend subject to the approval of our Shareholders in a general meeting but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to our Articles of Association and in accordance with the Companies Act, our Directors may also from time to time declare an interim dividend without the approval of our Shareholders. Our Company must pay all dividends out of our profits. For information relating to taxes payable on dividends, please refer to the "Taxation" section in Appendix D of this Offer Document.

All dividends are paid pro-rata among the Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Notwithstanding the foregoing, the payment by our Company to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge our Company from any liability to that Shareholder in respect of that payment.

The amount of dividends declared and paid by us should not be taken as an indication of the dividends payable in the future. No inference shall or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends in any of the periods discussed. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future. The form, frequency and amount of future dividends will depend on the Dividend Factors.

SUMMARY OF OUR FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the full text of this Offer Document, including the Audited Combined Financial Statements set out in Appendix A of this Offer Document.

Combined Statements of Comprehensive Income ⁽¹⁾

(\$'000)	← Audited →		
	FY2011	FY2012	FY2013
Revenue	24,088	23,614	22,026
Other income/(losses) - net	1	164	(11)
Changes in inventories	(478)	(629)	(111)
Expenses			
- Purchases of inventories	(14,009)	(13,873)	(12,625)
- Depreciation	(73)	(58)	(52)
- Employee compensation	(2,236)	(2,379)	(2,259)
- Finance	(35)	(31)	(57)
- Freight and transportation	(1,342)	(1,308)	(670)
- Installation	(958)	(804)	(798)
- Other	(1,836)	(1,890)	(2,217)
Total expenses	(20,967)	(20,972)	(18,789)
Profit before income tax	3,122	2,806	3,226
Income tax expense	(467)	(411)	(494)
Total comprehensive income, representing net profit	2,655	2,395	2,732
Total comprehensive income attributable to:			
Equity holders of the Company	2,655	2,395	2,732
EPS (cents) ⁽²⁾	4.15	3.74	4.27 ⁽⁴⁾
EPS (fully diluted) (cents) ⁽³⁾	3.40	3.07	3.50 ⁽⁴⁾

Notes:-

- (1) Our combined statements of comprehensive income for the periods under review have been prepared on the basis that our Group had been in existence throughout the periods under review.
- (2) For comparative purposes, EPS for the periods under review have been computed based on the PAT and our pre-Placement share capital of 64,000,000 Shares.
- (3) For comparative purposes, EPS for the periods under review have been computed based on the PAT and our post-Placement share capital of 78,000,000 Shares.
- (4) Had the Service Agreements been in place with effect from 1 January 2013, the PAT for FY2013 would have been approximately S\$2,478,000, and the EPS and EPS (fully diluted) would be 3.87 cents and 3.18 cents, respectively.

SUMMARY OF OUR FINANCIAL INFORMATION

Combined Balance Sheet ⁽¹⁾

(\$'000)	Audited As at 31 December 2013
ASSETS	
Current assets	
Cash and cash equivalents	5,475
Trade and other receivables	5,960
Inventories	5,035
	16,470
Non-current assets	
Investment property	1,047
Property, plant and equipment	32
	1,079
Total assets	17,549
LIABILITIES	
Current liabilities	
Trade and other payables	2,193
Current income tax liabilities	654
Borrowings	2,480
	5,327
Non-current liability	
Deferred income tax liabilities	9
Total liabilities	5,336
NET ASSETS	12,213
EQUITY	
Capital and reserves attributable to equity holders of the Company	
Share capital	3,500
Retained profits	8,713
Total equity	12,213
NTA per Share (cents) ⁽²⁾	19.08

Notes:-

- (1) Our combined balance sheet as at 31 December 2013 has been prepared on the basis that our Group has been in existence on this date.
- (2) The NTA per Share as at 31 December 2013 has been computed based on our pre-Placement share capital of 64,000,000 Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion of our results of operations and financial position has been prepared by our management and should be read in conjunction with the Audited Combined Financial Statements. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the "Risk Factors" section of this Offer Document. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Vendors, the Sponsor, Issue Manager, and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" section of this Offer Document for further details.

OVERVIEW

We specialise in the sale and distribution of a wide range of premier carpets marketed under our proprietary "SMJ" brand through our global distribution networks of more than 260 carpet dealers, carpet importers and carpet installation companies in over 20 countries mainly in Asia. In addition, we are appointed by Shaw Industries as the authorised supplier for its "Shaw Contract Group" range of carpets in Singapore. "Shaw Contract Group" is an American brand of carpets which offers both carpet tiles and broadloom carpets in different designs and colours appealing to the segment of the market which seeks for higher end range of carpets and has a higher spending budget.

Our customers include Apple South Asia Pte. Ltd., The Hong Kong and Shanghai Banking Corporation Limited, DBS Bank Ltd., Obayashi Corporation and Cisco System (USA) Pte Ltd. Please refer to the "Our Products and Business Process – Our Carpet Supply and Installation Projects" section of this Offer Document for the details of projects completed for such customers.

Our Directors believe that we are one of the leading premier carpet specialists serving the commercial and institutional sectors in Asia with an established reputation and track record of more than 25 years. Over the years, we have built a good reputation based on our service quality, efficiency, reliability and competitive pricing.

We are differentiated from our competitors as we maintain a ready supply of carpets in a variety of designs and colours in our Singapore warehouse for sale to our customers. Our carpet stocks comprise both carpet tiles and broadloom carpets. This enables us to fulfil our customers' requirements without incurring the usual time needed for production and shipment of such carpets from overseas. At the Latest Practicable Date, our Singapore warehouse maintains approximately 80 different designs of carpets in up to 400 different colours.

At the Latest Practicable Date, we collaborate with five regular third party carpet manufacturers operating in the PRC and Taiwan, which will produce both carpet tiles and broadloom carpets according to our requested designs, colours and specifications and are marketed for sale under our proprietary "SMJ" brand.

Please refer to the "Business Overview" section of this Offer Document for further details.

Revenue

Our revenue is categorised into:-

- (a) Distribution Sales; and
- (b) Contract Sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Distribution Sales are mainly sales to carpet dealers and carpet installers on wholesale basis. Contract Sales are mainly sales to property developers, contractors, established business owners or interior design consultants, which involve the supply and installation of carpets usually for offices, convention halls, hotels, cinemas, hospitals and institutions.

Revenue from Distribution Sales accounted for 54.6%, 54.0% and 57.0% of our revenue in FY2011, FY2012 and FY2013 respectively whereas Contract Sales accounted for 45.4%, 46.0% and 43.0% of our revenue in FY2011, FY2012 and FY2013 respectively.

Distribution Sales were generated by our sales and marketing personnel, as well as, from enquiries from recurring and new customers. Typically, our Contract Sales were either awarded directly by customers or through invitation to tender from property developers, contractors, established business owners or interior design consultants.

Revenue from Distribution Sales is recognised upon delivery to and acceptance by our customers when significant risks, rewards and control have been transferred. As for Contract Sales which involves the supply and installation of carpets, revenue is recognised only upon delivery of the carpets and completion of the installation.

Our revenue for the periods under review is denominated in either Singapore dollar or United States dollar.

The major factors that affect our revenue include:-

- (a) state of the economies in Singapore and Southeast Asia region;
- (b) continuous supply of commercial space in Singapore;
- (c) potential in export markets and the general economic climate which our customers operate in;
- (d) maintain a high level of carpet stocks collection in wide variety of colours and designs;
- (e) ability to fulfil customer's order within a short turnaround time;
- (f) strong management team assisted by experienced sales and project teams with deep product knowledge; and
- (g) our ability to maintain good working relationships with our suppliers and customers.

Other income/(losses) - net

Other income comprised net gains/(losses) on foreign currency translation, government grants and recovered bad debts previously written off.

Changes in inventories

This represents the changes in the level of inventories held by us at the end of each financial year.

Purchases of inventories

Purchases of inventories are mainly the cost of purchase of carpets and carpet accessories from our suppliers.

Factors affecting our cost of purchase of inventories include:-

- (a) our ability to source and purchase quality carpets at competitive prices to meet our customers' demands;
- (b) our ability to maintain good working relationships with our suppliers;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

- (c) the fluctuations of currency exchange rate between United States dollar and Singapore dollar; and
- (d) our ability to implement inventory management control and manage the freight and transportation cost, finance cost and logistic cost.

Depreciation expense

Depreciation expense relates to the depreciation of property, plant and equipment over the assets' useful lives.

Employee compensation

Employee compensation comprises salaries, commission, allowances and bonuses, CPF contributions, foreign worker levies, medical and other welfare benefits accorded to the employees (including the Directors).

The main factors affecting our employee compensation are the supply and demand of experienced employees, changes in Singapore's labour policies and regulations such as CPF contributions and foreign workers' levies and quotas, and overall Singapore wages market trend.

Finance expense

Finance expense relates to the interest paid to a financial institution for trust receipts.

Freight and transportation expense

Freight and transportation expense relates to the freight charges, handling charges, carriage and transportation charges incurred for the purchase and sale of inventories during the financial year.

Installation expense

Installation expense relates to expenses incurred for the installation of carpets for our Contract Sales. We maintain close working relationship with several installation contractors and their rates are agreed upon prior to installation.

Other operating expenses

Other operating expenses comprise mainly rental expenses, selling and marketing expenses and general and administrative expenses.

Selling and marketing expenses relate to the marketing and promotion of our products whereas general and administrative expenses relate to insurance, repair and maintenance of our office, warehouse premises and equipment, utilities and professional fees.

Income tax expense

Income tax expense comprises mainly tax charges provided in respect of the assessable profits. The statutory income tax rate for Singapore was 17.0% during FY2011, FY2012 and FY2013.

Deferred income tax is provided on all timing differences arising from the tax bases of assets and liabilities and their carrying amounts in the financial statements including, *inter alia*, the timing differences between depreciation and capital allowance for qualifying property, plant and equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our Group's overall effective tax rates for FY2011, FY2012 and FY2013 were as follows:-

(S\$'000)	FY2011	FY2012	FY2013
Income tax expense	467	411	494
Profit before income tax	3,122	2,806	3,226
Effective income tax rate	15.0%	14.6%	15.3%
Prevailing statutory income tax rate	17.0%	17.0%	17.0%

The effective income tax rates under the periods under review were lower than the prevailing statutory income tax rate of 17.0% mainly due to Singapore income tax exemptions.

REVIEW OF PAST PERFORMANCE

	FY2011		FY2012		FY2013	
	S\$'000	%	S\$'000	%	S\$'000	%
Distribution Sales	13,141	54.6%	12,761	54.0%	12,560	57.0%
Contract Sales	10,947	45.4%	10,853	46.0%	9,466	43.0%
Total Revenue	24,088	100%	23,614	100%	22,026	100%

Geographically, our sales were generated from customers based in Singapore as well as overseas customers. The breakdown of revenue by geographical percentage is as follows:-

	FY2011	FY2012	FY2013
Distribution Sales			
- Singapore	17.0%	16.5%	17.5%
- Malaysia	9.1%	12.8%	13.7%
- Indonesia	8.4%	7.2%	9.6%
- Philippines	6.1%	6.8%	9.2%
- Brunei	1.3%	1.5%	1.4%
- Saudi Arabia	0.4%	2.9%	1.4%
- Brazil	6.5%	1.7%	nm
- Other countries	5.8%	4.6%	4.2%
	<u>54.6%</u>	<u>54.0%</u>	<u>57.0%</u>
Contract Sales			
- Singapore	45.4%	46.0%	43.0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Our proprietary "SMJ" brand carpet sales accounted for 82.1%, 69.2% and 75.7% of the inventory sold for FY2011, FY2012 and FY2013 respectively whereas third party brand sales accounted for 17.9%, 30.8% and 24.3% of the inventory sold for FY2011, FY2012 and FY2013 respectively.

FY2011 vs FY2012

Revenue

Our revenue decreased by approximately S\$0.5 million or 2.0%, from S\$24.1 million in FY2011 to S\$23.6 million in FY2012. This was mainly due to the decrease in Distribution Sales and Contract Sales of S\$0.4 million and S\$0.1 million respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Distribution Sales to Brazil decreased from 6.5% in FY2011 to 1.7% in FY2012 because of a reduction in demand in Brazil for SMJ's carpets and competition from local suppliers. However, the drop has been partially mitigated by an increase in Distribution Sales to countries like Malaysia and Saudi Arabia in FY2012. Distributors in Malaysia and Saudi Arabia have secured major projects, thus leading to an increase in sales. Sales revenue for Indonesia fell slightly from 8.4% in FY2011 to 7.2% in FY2012 due to lesser projects secured by our distributors. Distribution Sales to other countries also decreased from 5.8% in FY2011 to 4.6% in FY2012 due to reduction in market demand.

In FY2011, notable Contract Sales projects completed involved our customers such as Apple South Asia Pte. Ltd. and The Hong Kong and Shanghai Banking Corporation Limited whereas in FY2012 we have completed projects for our customers, DBS Bank Ltd., Obayashi Corporation and Cisco System (USA) Pte Ltd. Please refer to the "Our Products and Business Process – Our Carpet Supply and Installation Projects" section of this Offer Document for the details of projects completed for such customers.

Other income/(losses) - net

Other income increased by approximately S\$163,000, from S\$1,000 in FY2011 to S\$164,000 in FY2012. The increase was mainly due to the foreign currency exchange translation gain made from the favourable fluctuations of the United States dollar exchange rate against Singapore dollar, government grants received and recovery of certain bad debts previously written off.

Changes in inventories

The level of inventories decreased by approximately S\$0.6 million or 2.7% of the total revenue of FY2012. This was mainly due to inventory management control within the guidelines of an in-house inventory level.

Purchases of inventories

Purchases of inventories decreased by S\$0.1 million or 1.0%, from S\$14.0 million in FY2011 to S\$13.9 million in FY2012. This was mainly due to inventory management control within the guidelines of an in-house inventory level in which we manage our stocking program and indent inventory items.

The decrease in purchases of inventories was also in line with the decrease in revenue. Purchases of inventories comprised purchases of carpets and carpet accessories from our suppliers.

Depreciation expense

Depreciation expense remained relatively stable at S\$73,000 in FY2011 and S\$58,000 in FY2012.

Employee compensation

Employee compensation increased by approximately S\$0.1 million or 6.4%, from S\$2.2 million in FY2011 to S\$2.4 million in FY2012. This was mainly due to the increase in the CPF contribution rate effective only in the last quarter of FY2011. Our headcount remained fairly constant in both FY2011 and FY2012.

Finance expense

Finance expense remained stable at approximately S\$35,000 in FY2011 and S\$31,000 in FY2012. Finance expense relates to the interest paid to a financial institution for trade finance facility.

Freight and transportation expense

Freight and transportation expense remained relatively stable at approximately S\$1.3 million for both FY2011 and FY2012.

Installation expense

Installation expense decreased by approximately S\$0.2 million or 16.0%, from S\$1.0 million in FY2011 to S\$0.8 million in FY2012. This was mainly due to lower installation rates secured with carpet installation contractors for certain high value contracts.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Other operating expenses

Other operating expenses increased slightly by approximately S\$54,000 or 2.9%, from S\$1.8 million in FY2011 to S\$1.9 million in FY2012. This was mainly due to the increase in our rental expenses as a result of higher rental rate upon signing of the new lease in FY2012 of S\$0.2 million which was offset by the decrease in bad debts written off in FY2012 of S\$0.1 million.

Profit before income tax

As a result of the above, profit before income tax decreased by approximately S\$0.3 million or 10.1%, from S\$3.1 million in FY2011 to S\$2.8 million in FY2012.

FY2012 vs FY2013

Revenue

Revenue decreased by approximately S\$1.6 million or 6.7%, from S\$23.6 million in FY2012 to S\$22.0 million in FY2013. This was mainly due to the drop in Contract Sales and Distribution Sales of S\$1.4 million and S\$0.2 million respectively in FY2013, where in FY2012 we completed more high value contracts as compared to FY2013. In FY2013, notable Contract Sales projects completed involved our customers such as Apple South Asia Pte. Ltd. and Singapore Economic Development Board.

Distribution Sales to Brazil decreased from 1.7% in FY2012 to an insignificant percentage in FY2013 due to the reduction in demand in Brazil for SMJ's carpets and competition from local suppliers. The decrease in Distribution Sales to Saudi Arabia from 2.9% in FY2012 to 1.4% in FY2013 was also due to reduction in demand in Saudi Arabia for our products. However, Distribution Sales to Malaysia, Indonesia and Philippines increased in FY2013 as compared to FY2012 due to our distributors in those countries having secured major projects.

Other income/(losses) - net

Other income decreased by approximately S\$175,000 or 106.7%, from S\$164,000 in FY2012 to net loss of S\$11,000 in FY2013. The decrease was mainly due to the foreign currency exchange translation loss made from the unfavourable fluctuations of the United States dollar exchange rate against the Singapore dollar, government grants received in FY2012 and recovery of certain bad debts previously written off recovered in FY2012.

Changes in inventories

The level of inventories decreased by approximately S\$0.1 million or 0.5% of the total revenue of FY2013. This was mainly due to inventory management control to keep inventory level within the guidelines of an in-house inventory level. The Company also benefited from a shorter lead time between ordering and receiving goods from a major supplier due to the relocation of manufacturing facilities of the supplier, allowing the Company to hold less stock, yet still retaining their competitive strength in quick turnaround time for orders received.

Purchases of inventories

Purchases of inventories decreased by S\$1.3 million or 9.0%, from S\$13.9 million in FY2012 to S\$12.6 million in FY2013. This was mainly due to inventory management control within the guidelines of an in-house inventory level in which we manage our stocking program and indent inventory items.

The decrease in purchases of inventories was also in line with the decrease in revenue. Purchases of inventories comprised purchases of carpets and carpet accessories from our suppliers.

Depreciation expense

Depreciation expense remained stable at S\$58,000 in FY2012 and S\$52,000 in FY2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Employee compensation

Employee compensation decreased by approximately S\$0.1 million or 5.0%, from S\$2.4 million in FY2012 to S\$2.3 million in FY2013. This was mainly due to the net effect of the wages of our late founder no longer being included in the Group's payroll and the increase in wages of the employees.

Finance expense

Finance expense increased by approximately S\$26,000 or 83.9%, from S\$31,000 in FY2012 to S\$57,000 in FY2013.

Freight and transportation expense

Freight and transportation expense decreased by approximately S\$0.6 million or 48.8%, from S\$1.3 million in FY2012 to S\$0.7 million in FY2013. This was mainly due to lower freight expense as a result of the decrease in purchases of inventories, lower transportation expense incurred due to improved co-ordination of local deliveries of products to job sites and changes in the delivery terms of overseas customers.

Installation expense

Installation expense remained relatively stable at approximately S\$0.8 million for both FY2012 and FY2013, despite the decrease in Contract Sales. This was mainly due to higher rates per project being secured and paid to the installers in FY2013, which was the result of smaller deals done in FY2013.

Other operating expenses

Other operating expenses increased by S\$0.3 million or 17.3%, from S\$1.9 million in FY2012 to S\$2.2 million in FY2013. This was mainly due to the increase in transportation expenses, consultancy fees, rentals, advertisement, motor vehicles repair and maintenance.

Profit before income tax

As a result of the foregoing, profit before income tax increased in FY2013 by S\$0.4 million or 15.0%, from S\$2.8 million in FY2012 to S\$3.2 million in FY2013.

REVIEW OF BALANCE SHEET

Non-current assets

As at 31 December 2013

Our non-current assets comprise an investment property, computers, furniture and fittings, motor vehicles and office equipment. The investment property of S\$1.0 million is a freehold strata title condominium (Skyline Residences) which is under construction as at the Latest Practicable Date, with the estimated delivery date of vacant possession at no later than 1 October 2015.

As at 31 December 2013, our non-current assets amounted to S\$1.1 million, representing 6.1% of our total assets of S\$17.5 million.

Current assets

As at 31 December 2013

Our current assets amounted to approximately S\$16.5 million, representing 93.9% of our total assets of S\$17.5 million and comprised the following:-

- (i) Trade and other receivables of approximately S\$6.0 million, representing 36.2% of our current assets, which comprised mainly trade receivables of S\$5.3 million, advances to employees of S\$14,000, recoverable deposits of S\$17,000 and prepayments to suppliers and deferred initial public offering professional expenses of S\$0.6 million;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

- (ii) Cash and cash equivalents of approximately S\$5.5 million, representing 33.2% of our current assets; and
- (iii) Inventories of approximately S\$5.0 million, representing 30.6% of our current assets, which comprised carpets and carpet accessories.

Non-current liabilities

As at 31 December 2013

Our only non-current liability component is deferred income tax liability of S\$9,000.

Current liabilities

As at 31 December 2013

Our current liabilities amounted to approximately S\$5.3 million, representing 99.8% of our total liabilities of S\$5.3 million and comprised the following:-

- (i) Borrowings of approximately S\$2.5 million, representing 46.5% of our current liabilities, which comprised trust receipts from a financial institution for purchases of inventories financed by trade financing facility and has a credit term of up to 120 days;
- (ii) Trade and other payables of approximately S\$2.2 million, representing 41.2% of our current liabilities, which comprised mainly trade payables of S\$1.3 million relating to purchase of carpets from our suppliers, accruals for operating expenses of S\$0.7 million relating mainly to accrued employees' compensation and installation charges and other payables of S\$0.2 million in respect of GST payable; and
- (iii) Current income tax payables of approximately S\$0.6 million, representing 12.3% of our current liabilities relating to GST payable.

Please refer to the "Capitalisation and Indebtedness" section of this Offer Document for more details on our trust receipts.

Capital and reserves

As at 31 December 2013

Our capital and reserves comprise share capital and retained profits. Share capital remained constant at S\$3.5 million while the movements in retained profits were attributable to the profit after income tax and dividend declared for the financial year.

LIQUIDITY AND CAPITAL RESOURCES

Our operations have been funded through a combination of shareholders' equity (share capital and retained profits) and net cash generated from operating activities. Our principal uses of cash have been for working capital requirements, capital and investment expenditures.

As at 31 December 2013, our shareholders' equity amounted to S\$12.2 million, our net current assets amounted to S\$11.1 million and our net current ratio (defined as current assets divided by current liabilities) was 3.1 times.

As at the Latest Practicable Date, our unused sources of liquidity comprise S\$4.5 million in net cash surplus and S\$7.3 million of unused banking facilities. Please refer to the "Capitalisation and Indebtedness" section of this Offer Document for more details on our banking facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our Directors are of the reasonable opinion that, as at the date of lodgement of this Offer Document, after taking into consideration our present cash position and cash generated from our operations, the working capital available to us as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

The Sponsor is of the reasonable opinion, that after having made due and careful enquiry and after taking into account the cash flows generated from our Group's operations and existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

We set out below a summary of our Group's net cash flows for FY2011, FY2012 and FY2013. The following net cash flow summary should be read in conjunction with the full text of this Offer Document, including the Audited Combined Financial Statements set out in Appendix A of this Offer Document.

	← Audited →		
	FY2011	FY2012	FY2013
	S\$'000	S\$'000	S\$'000
Net cash generated from operating activities	2,594	2,422	2,186
Net cash used in investing activities	(784)	(327)	(6)
Net cash generated from/(used in) financing activities	400	(1,678)	(1,596)
Net increase in cash and cash equivalents	2,210	417	584
Cash and cash equivalents at the beginning of the financial year	2,264	4,474	4,891
Cash and cash equivalents at the end of the financial year	4,474	4,891	5,475

FY2011

Net cash generated from operating activities

In FY2011, we generated a net cash inflow of S\$3.2 million from operating activities before changes in working capital.

Our net working capital outflow amounted to approximately S\$0.2 million. The net working capital outflow was mainly due to a decrease in trade and other payables of S\$0.8 million as a result of faster repayment of amounts due to suppliers.

This was partially mitigated by the following:-

- (i) A decrease in inventories of S\$0.5 million arising mainly from the improvement of management of the inventory level; and
- (ii) A decrease in trade and other receivables of S\$0.1 million arising from faster collection of amounts due from customers.

In FY2011, we paid income tax of approximately S\$0.4 million.

Overall, our net cash flows from operating activities in FY2011 amounted to approximately S\$2.6 million.

Net cash used in investing activities

The net cash used in investing activities was mainly due to the progressive payments made to the developer of our investment property during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Net cash from financing activities

The net cash generated from financing activities was mainly due to the drawdown of S\$11.1 million and the repayment of S\$10.2 million from trust receipts with a financial institution. This was offset by the payment of dividends to shareholders of S\$0.5 million in June 2011.

Please refer to the "Capitalisation and Indebtedness" section of this Offer Document for more details on our trust receipts.

Net increase in cash and bank balances

At the end of FY2011, we recorded a net increase in cash and cash equivalents of S\$2.2 million which resulted in our financial year end balance of cash and cash equivalents increasing to S\$4.5 million.

FY2012

Net cash generated from operating activities

In FY2012, we generated a net cash inflow of S\$2.9 million from operating activities before changes in working capital.

Our net working capital outflow was of a negligible amount. The net working capital outflow was mainly due to:-

- (i) A decrease in trade and other payables of S\$0.6 million arising from faster repayment of amounts due to suppliers; and
- (ii) An increase in trade and other receivables of S\$6,000 arising from slower settlements in amounts due from customers.

This was partially mitigated by a decrease in inventories of S\$0.6 million arising mainly from the improvement in management of the inventory level.

In FY2012, we paid income tax of approximately S\$0.5 million.

Overall, our net cash flows from operating activities in FY2012 amounted to approximately S\$2.4 million.

Net cash used in investing activities

The net cash used in investing activities was mainly due to the progressive payments made to the developer of our investment property during the year.

Net cash used in financing activities

The net cash used in financing activities was mainly due to the drawdown of S\$8.5 million and the repayment of S\$9.7 million from trust receipts with a financial institution, and the payment of dividends to shareholders of S\$0.5 million which occurred over two periods in August and December 2012.

Please refer to the "Capitalisation and Indebtedness" section of this Offer Document for more details on our trust receipts.

Net increase in cash and cash equivalents

At the end of FY2012, we recorded a net increase in cash and cash equivalents of S\$0.4 million which resulted in our financial year end balance of cash and cash equivalents increasing to S\$4.9 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

FY2013

Net cash from operating activities

In FY2013, we generated a net cash inflow of S\$3.3 million from operating activities before changes in working capital.

Our net working capital outflow amounted to approximately S\$0.8 million. The net working capital outflow was mainly due to:-

- (i) An increase in trade and other receivables of S\$0.7 million arising from slower settlement in amounts due from customers; and
- (ii) A decrease in trade and other payables of S\$0.2 million arising from faster repayment of amounts due to suppliers.

This was partially mitigated by a decrease in inventories of S\$0.1 million arising mainly from the improvement in management of the inventory level.

In FY2013, we paid income tax of approximately S\$0.3 million.

Overall, our net cash flows from operating activities in FY2013 amounted to approximately S\$2.2 million.

Net cash from investing activities

The net cash used in investing activities was due to the purchase of property, plant and equipment during the year.

Net cash from financing activities

The net cash used in financing activities was mainly due to the drawdown of S\$9.5 million and the repayment of S\$7.5 million from trust receipts with a financial institution and the result of payment of dividends to shareholders of S\$3.6 million in December 2013.

Please refer to the "Capitalisation and Indebtedness" section of this Offer Document for more details on our trust receipts.

Net increase in cash and bank balances

At the end of FY2013, we recorded a net increase in cash and cash equivalents of S\$0.6 million which resulted in our financial year end balance of cash and cash equivalents increasing to S\$5.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

CAPITAL EXPENDITURES, DIVESTMENTS, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures and Divestments

Expenditures

Our capital and investment expenditures, divestments, commitments and contingent liabilities for the periods under review and from 1 January 2014 to the Latest Practicable Date are as follows:-

	FY2011 S\$'000	FY2012 S\$'000	FY2013 S\$'000	1 January 2014 to Latest Practicable Date S\$'000
Capital expenditures				
Computers	55	7	2	6
Furniture and fittings	–	–	1	–
Motor vehicles	–	–	–	–
Office equipment	1	1	3	–
	<u>56</u>	<u>8</u>	<u>6</u>	<u>6</u>
Investment expenditure				
Investment property ⁽¹⁾	<u>728</u>	<u>319</u>	<u>–</u>	<u>319</u>

Note:-

- (1) Pursuant to the sales and purchase agreement dated 11 August 2011, SMJ Furnishings has acquired a unit of freehold property known as Skyline Residences at the purchase price of S\$3,189,000. The property is still under construction as at the Latest Practicable Date and is scheduled to be completed no later than 1 October 2015.

Divestments

There were no capital or investment divestments during the periods under review. There were only fully depreciated computers and office equipment which were written off in FY2011 as they were no longer in use.

Capital Commitments

Investment property commitment

As at the Latest Practicable Date, the outstanding progress payments commitment to the developer of the freehold property known as Skyline Residences was S\$1,913,000 expected to be paid in FY2014 and FY2015 according to the sale and purchase agreement dated 11 August 2011.

A summary of all payments and outstanding amount payable in respect of the investment property can be found in the table below:-

Skyline Residences	S\$'000
Total cost of investment	3,279 ⁽¹⁾
Total amount paid as at the Latest Practicable Date	1,366
Amount outstanding	1,913

Note:-

- (1) This includes the purchase price and stamp duty.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

We intend to finance the investment property commitment by internally generated funds.

Save as disclosed above, as at the Latest Practicable Date, we do not have other material capital or investment commitment.

Operating Lease Commitment

As at 31 December 2013 and the Latest Practicable Date, we have operating lease payment commitments as follows:-

	As at 31 December 2013 S\$'000	As at Latest Practicable Date S\$'000
No later than one year	991	821
Later than one year but not later than five years	245	–
	<u>1,236</u>	<u>821</u>

Our operating lease commitments relate to rentals and service charges payable to the landlord of our office, warehouse and workers' accommodation.

Please refer to the "Properties and Fixed Assets" section of this Offer Document for more details on our operating lease commitments in respect of our operating leases for premises.

We intend to finance the payments of the operating lease commitments by internally generated funds.

Contingent liabilities

As at the Latest Practicable Date, the contingent liabilities in respect of letters of guarantee given to customers, our landlord and tax authorities in respect of contracts secured and services rendered amounted to approximately S\$0.5 million.

SEASONALITY

We generally do not experience any seasonality in the course of our business.

INFLATION

The performance of our Group was not materially impacted by inflation for FY2011, FY2012 and FY2013.

FOREIGN EXCHANGE EXPOSURE

Our reporting and functional currency is Singapore dollar as we transact predominantly in Singapore dollar. Other than Singapore dollar, we also transact in United States dollar mainly in export sales and import purchases.

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 translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in profit or loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

For FY2011, FY2012 and FY2013, the percentage of sales and purchases denominated in the various currencies are set out below:-

	FY2011	FY2012	FY2013
<p>% of sales denominated in</p>			
US\$	28.5	23.5	25.4
S\$	71.5	76.5	74.6
	100.0	100.0	100.0
<p>% of purchases denominated in</p>			
US\$	99.2	97.4	99.4
S\$	0.8	2.6	0.6
	100.0	100.0	100.0

We recorded currency translation gains/(losses) - net in the periods under review as follows:-

	FY2011	FY2012	FY2013
	S\$'000	S\$'000	S\$'000
Currency translation gains/(losses) - net	1	126	(45)
As a percentage of revenue	nm	0.5%	(0.2)%
As a percentage of profit before income tax	nm	4.5%	(1.4)%

We will be exposed to adverse fluctuations of the United States dollar against the Singapore dollar to the extent that our sales, purchases and purchases related expenses amounts are not matched in the same currency and the timing differences between invoicing and collections and/or payments. Such adverse fluctuations will adversely impact our profitability. Please refer to the "Risk Factors – We are exposed to foreign exchange transaction risks" section of this Offer Document for more details.

Currently we do not have any hedging policy with respect to the foreign currency exchange exposure as our Board is of the opinion that the exposure is insignificant and manageable. In the event that the risk becomes significant in the future, we will monitor closely and will consider hedging any material foreign exchange currency exposure should the need arise. Should the need arise, we may hedge our significant foreign currency denominated transactions in the future after taking into account the foreign currency exchange exposure, the exposure period and the hedging costs.

As at the Latest Practicable Date, we have a foreign exchange forward contract facility of S\$3.0 million that is unutilised. Please refer to the "Capitalisation and Indebtedness - Borrowings" section of this Offer Document for more details.

SIGNIFICANT ACCOUNTING POLICY CHANGES

There has been no significant change in the accounting policies of our Group in the periods under review. Please refer to the Audited Combined Financial Statements for details of our Group's accounting policies.

GENERAL INFORMATION ON OUR GROUP

SHARE CAPITAL

Our Company was incorporated in Singapore on 31 December 2013 under the Companies Act as a private company limited by shares under the name of “SMJ International Holdings Pte. Ltd.”. On 28 May 2014, our Company was converted into a public company limited by shares and our name was changed to “SMJ International Holdings Ltd.”.

As at the date of incorporation, the issued and paid-up share capital of our Company was S\$100 comprising 100 Shares which were held by Lui Oi Kheng, Rena Ho, Nellie Ho and Tay Twan Lee in the proportion of 55 Shares, 20 Shares, 20 Shares and 5 Shares respectively.

Pursuant to extraordinary general meetings held on 26 May 2014 and 2 June 2014, our then Shareholders approved, *inter alia*, the following:-

- (a) the allotment and issue of 100 Shares in the share capital of our Company pursuant to the Restructuring Exercise;
- (b) the sub-division of 200 Shares in the issued and paid-up capital of our Company into 64,000,000 Shares;
- (c) the conversion of our Company into a public company limited by shares and the consequential change of our name to “SMJ International Holdings Ltd.”;
- (d) the adoption of a new set of Articles of Association;
- (e) the issue of the New Shares pursuant to the Placement, which when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares;
- (f) the approval of the listing and quotation of all the issued Shares (including the Vendor Shares and the New Shares to be allotted and issued pursuant to the Placement) on Catalist; and
- (g) the authorisation for our Directors, pursuant to Section 161 of the Companies Act and the Catalist Rules to: (a)(i) issue (in addition to the New Shares) new Shares whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively “Instruments”) that might or would require new 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 new 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 this authorisation conferred may have ceased to be in force) issue new Shares in pursuance of any Instruments made or granted by the Directors while this authorisation was in force, provided that:-
 - (1) the aggregate number of new Shares (including new Shares to be issued in pursuance of the Instruments, made or granted pursuant to this authorisation) and Instruments to be issued pursuant to this authorisation shall not exceed 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of new Shares to be issued (including new Shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing Shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (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 new Shares (including new Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of new Shares that may be issued shall be based on the post-Placement issued share capital of our Company (excluding treasury shares), after adjusting for: (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities; (b)

GENERAL INFORMATION ON OUR GROUP

new Shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this authority; and (c) any subsequent bonus issue, consolidation or subdivision of Shares; and

- (3) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Company or (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

As at the date of this Offer Document, our Company has only one class of shares, being ordinary shares. The rights and privileges of our Shares are stated in our Articles of Association. There is no founder, management or deferred shares. No person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or our subsidiary.

As at the date of this Offer Document, the issued and paid-up share capital of our Company is S\$3,500,100 comprising 64,000,000 Shares. Upon the allotment and issue of the New Shares which are the subject of the Placement, the resultant issued and paid-up share capital of our Company will be S\$7,420,100 comprising 78,000,000 Shares.

Details of the changes in the issued and paid-up share capital of our Company since incorporation and immediately after the Placement are as follows:-

	Number of Shares	Resultant Issued and Paid-up Share Capital (S\$)
Issued and paid-up Shares as at our incorporation	100	100
Issue of Shares pursuant to the Restructuring Exercise	100	3,500,100
Sub-Division	64,000,000	3,500,100
Pre-Placement issued and paid-up share capital	64,000,000	3,500,100
Issue of New Shares pursuant to the Placement	14,000,000	3,920,000 ⁽¹⁾
Post-Placement issued and paid-up share capital	78,000,000	7,420,100 ⁽²⁾

Notes:-

- (1) Based on the gross proceeds from the issue of the New Shares pursuant to the Placement.
- (2) Before taking into account the capitalisation of approximately S\$1.4 million being a portion of the expenses incurred in relation to the Placement.

The Shareholders' equity of our Company as at the date of incorporation (being 31 December 2013), as adjusted for the Restructuring Exercise and after the Placement is set out below:-

	As at the Date of Incorporation (S\$)	After Adjusting for the Restructuring Exercise (S\$)	After the Placement (S\$)
Shareholders' equity			
Share capital	100	3,500,100	6,020,100
Accumulated profits	-	-	-
Total Shareholders' equity	100	3,500,100	6,020,100

GENERAL INFORMATION ON OUR GROUP

Sale of shares in SMJ Furnishings by Lui Oi Kheng to Lee Lay Choo

On 20 February 2014, our Controlling Shareholder, Lui Oi Kheng sold 350,000 ordinary shares in the share capital of SMJ Furnishings to our Executive Director and COO, Lee Lay Choo at the price of S\$888,000 which was agreed upon on a willing-buyer-willing-seller basis and fully paid. The shareholders of SMJ Furnishings following such share sale were as follows:-

Name	Number of Shares	Shareholding (%)
Lui Oi Kheng	1,750,000	50.0%
Rena Ho	700,000	20.0%
Nellie Ho	700,000	20.0%
Lee Lay Choo	350,000	10.0%
Total	3,500,000	100.0%

RESTRUCTURING EXERCISE

We undertook the following Restructuring Exercise to streamline and rationalise our Group structure in connection with the Placement:-

(a) Incorporation of our Company

Our Company was incorporated in Singapore on 31 December 2013 under the Companies Act as a private company limited by shares with an issued and paid-up share capital of \$100 comprising 100 Shares (before the Sub-Division) held by Lui Oi Kheng (55 Shares), Rena Ho (20 Shares), Nellie Ho (20 Shares) and Tay Twan Lee (5 Shares).

(b) Acquisition of SMJ Furnishings by our Company

Pursuant to a restructuring agreement dated 16 May 2014 (the "Restructuring Agreement") entered into between our Company and the then shareholders of SMJ Furnishings, namely Lui Oi Kheng (50%), Rena Ho (20%), Nellie Ho (20%) and Lee Lay Choo (10%), our Company acquired the entire issued and paid-up share capital of SMJ Furnishings for a consideration of S\$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 issue of 100 new Shares (before the Sub-Division) credited as fully paid, by our Company to the then shareholders of SMJ Furnishings as follows:-

Name	Number of Shares	Consideration (\$)
Lui Oi Kheng	50	1,750,000
Rena Ho	20	700,000
Nellie Ho	20	700,000
Lee Lay Choo	10	350,000
Total	100	3,500,000

Upon the completion of the Restructuring Agreement, SMJ Furnishings became our wholly-owned subsidiary.

GENERAL INFORMATION ON OUR GROUP

The resultant shareholding in our Company (after taking into account the 100 Shares held by Lui Oi Kheng, Rena Ho, Nellie Ho and Tay Twan Lee) before the Sub-Division was as follows:-

Name	Number of Shares	Shareholding (%)
Lui Oi Kheng	105	52.5
Rena Ho	40	20.0
Nellie Ho	40	20.0
Lee Lay Choo	10	5.0
Tay Twan Lee	5	2.5
Total	200	100.0

(c) Sub-Division

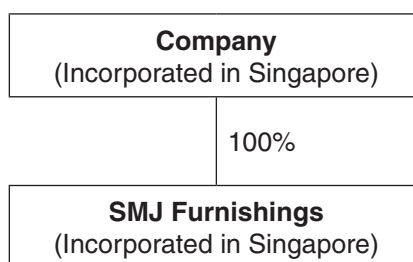
On 2 June 2014, our Shareholders approved the sub-division of 200 Shares in the capital of our Company into 64,000,000 Shares.

Following the completion of the Sub-Division, the shareholders of our Company were as follows:-

Name	Number of Shares	Shareholding (%)
Lui Oi Kheng	33,600,000	52.5
Rena Ho	12,800,000	20.0
Nellie Ho	12,800,000	20.0
Lee Lay Choo	3,200,000	5.0
Tay Twan Lee	1,600,000	2.5
Total	64,000,000	100.0

GROUP STRUCTURE

Our Group structure as at the date of this Offer Document is as follows:-



OUR SUBSIDIARY

The details of our subsidiary as at the date of this Offer Document are as follows:-

Name	Date and Place of Incorporation	Principal Place of Business and Principal Activity	Issued and Paid-up Share Capital	Equity Interest Held by Our Company
SMJ Furnishings	12 February 1988 Singapore	Supply and installation of carpet tiles and broadloom carpets	S\$3,500,000	100%

Our subsidiary is not listed on any stock exchange. We do not have any associated companies.

GENERAL INFORMATION ON OUR GROUP

SHAREHOLDERS

Our Shareholders and their respective shareholdings immediately before and after the Placement are set out below:-

	Before the Placement				After the Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Ho D'Orville Raymond	–	–	–	–	–	–	–	–
Rena Ho ^{(1),(2)}	12,800,000	20.0	–	–	12,800,000	16.4	–	–
Nellie Ho ^{(1),(2),(3)}	12,800,000	20.0	1,600,000	2.5	12,800,000	16.4	–	–
Lee Lay Choo	3,200,000	5.0	–	–	3,200,000	4.1	–	–
Ng Tiang Hwa	–	–	–	–	–	–	–	–
Chow Wen Kwan Marcus	–	–	–	–	–	–	–	–
Substantial Shareholder								
Lui Oi Kheng ⁽²⁾	33,600,000	52.5	–	–	28,960,000	37.1	–	–
Shareholder holding less than 5%								
Tay Twan Lee ⁽³⁾	1,600,000	2.5	–	–	–	–	–	–
Public	–	–	–	–	20,240,000	25.9	–	–
Total	<u>64,000,000</u>	<u>100.0</u>			<u>78,000,000</u>	<u>100.0</u> ⁽⁴⁾		

Notes:-

- (1) Rena Ho and Nellie Ho are sisters.
- (2) Lui Oi Kheng is the mother of Rena Ho and Nellie Ho.
- (3) Tay Twan Lee is our Executive Officer and is the spouse of our Executive Director, Nellie Ho. Nellie Ho is deemed to be interested in the Shares held by Tay Twan Lee.
- (4) The total shareholding percentage does not add up to 100.0%. The discrepancy between the listed amounts and the total thereof is due to rounding.

Save as disclosed above, there are no other relationships among our Directors and Substantial Shareholders.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the New Shares which are the subject of the Placement.

Save as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government.

There is no known arrangement, the operation of which may, at a subsequent date, result in a change in the control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between 1 January 2013 and the Latest Practicable Date.

GENERAL INFORMATION ON OUR GROUP

Significant Changes in the Percentage of Ownership

The significant changes in the percentage of ownership of our Company held by our Directors and Substantial Shareholders since 31 December 2013, being the date of incorporation of our Company and up to the Latest Practicable Date (assuming the Sub-Division has been completed) are as follows:-

	As at date of incorporation				As at Latest Practicable Date (Assuming the Sub-Division has been completed)			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Ho D'Orville Raymond	–	–	–	–	–	–	–	–
Rena Ho ^{(1),(2)}	20	20.0	–	–	12,800,000	20.0	–	–
Nellie Ho ^{(1),(2),(3)}	20	20.0	5	5.0	12,800,000	20.0	1,600,000	2.5
Lee Lay Choo	–	–	–	–	3,200,000	5.0	–	–
Ng Tiang Hwa	–	–	–	–	–	–	–	–
Chow Wen Kwan Marcus	–	–	–	–	–	–	–	–
Substantial Shareholder								
Lui Oi Kheng ⁽²⁾	55	55.0	–	–	33,600,000	52.5	–	–

Notes:-

- (1) Rena Ho and Nellie Ho are sisters.
- (2) Lui Oi Kheng is the mother of Rena Ho and Nellie Ho.
- (3) Nellie Ho is deemed to be interested in the Shares held by her spouse, Tay Twan Lee.

VENDORS

The name of the Vendors and the number of Vendor Shares which the Vendors will offer pursuant to the Placement are set out below:-

	Shares held immediately before the Placement		Vendor Shares offered pursuant to the Placement			Shares held immediately after the Placement	
	Number of Shares	% of pre-Placement share capital	Number of Shares	% of pre-Placement share capital	% of post-Placement share capital	Number of Shares	% of post-Placement share capital
Lui Oi Kheng ⁽¹⁾	33,600,000	52.5	4,640,000	7.3	5.9	28,960,000	37.1
Tay Twan Lee ⁽²⁾	1,600,000	2.5	1,600,000	2.5	2.1	–	–

Notes:-

- (1) Lui Oi Kheng is the mother of our Executive Directors, Rena Ho and Nellie Ho.
- (2) Tay Twan Lee is our Executive Officer and is the spouse of our Executive Director, Nellie Ho.

GENERAL INFORMATION ON OUR GROUP

MORATORIUM

Our Controlling Shareholders, namely Lui Oi Kheng, Rena Ho and Nellie Ho, who hold an aggregate of 54,560,000 Shares (representing 69.9% of our Company's issued share capital after the Placement), have each undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shareholdings in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares) for a period of six months commencing from the date of admission of our Company to Catalist, and for a period of six months thereafter, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, more than 50.0% of their respective original shareholdings in our Company.

Our shareholder, Lee Lay Choo who holds 3,200,000 Shares (representing 4.1% of our Company's issued share capital after the Placement), has also undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of her shareholding in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares) for a period of 12 months commencing from the date of admission of our Company to Catalist.

HISTORY

OUR HISTORY

Our Company was incorporated in Singapore under the Companies Act on 31 December 2013 under the name of “SMJ International Holdings Pte. Ltd.” as a private company limited by shares. In preparation for our listing, we undertook the Restructuring Exercise whereby our Company acquired the entire shareholding interests in SMJ Furnishings and became the holding company of our Group. On 28 May 2014, our Company was converted to a public limited company with our name being changed to SMJ International Holdings Ltd.. Please refer to the “Restructuring Exercise” section of this Offer Document for further details.

Our history can be traced back to 12 February 1988 when our late founder, Peter Ho founded the business to specialise in the supply and installation of carpet tiles and broadloom carpets in Singapore under our subsidiary, SMJ Furnishings. SMJ Furnishings was set up as a private company limited by shares under the Companies Act. Around the same time, SMJ Furnishings also supplied carpets to customers based in Malaysia and Indonesia.

In the early years after the set up of SMJ Furnishings, our late founder had observed that as Singapore’s economy develops, there would be a strong demand for good quality premier carpet tiles as the office and business environment becomes more sophisticated. To ensure that we are able to introduce and supply a suitable range of premier carpet tiles to our customers, we started sending our representatives to attend international carpet trade shows and fairs in the USA and Europe where we acquired knowledge of upcoming trends in carpet tile designs and innovation.

In 1992, after we have managed to establish ourselves as a significant player in the local market for the supply of carpets, we were appointed by Shaw Industries (a member of Berkshire Hathaway Inc.) as its authorised supplier in Singapore. Our first unit of rented warehouse was then located at 30 Jurong Port Road, Jalan Buroh Warehouse Complex. Due to the high demand for our products, we gradually expanded our warehousing space over the years and eventually consolidated our warehousing needs to a single and larger warehouse facility at 31 Jurong Port Road, Jurong Logistics Hub with a floor area of approximately 42,614 sq ft, which we continued to use until now.

In 1994, SMJ Furnishings received our “Major Exporter Scheme” status from the IRAS due to the high volume of export sales conducted by our Group. Please refer to the “Government Regulations” section of this Offer Document for further details on our “Major Exporter Scheme” status.

In 1996, we embarked on our corporate branding exercise where we selected a few designs of carpet tiles from third party carpet manufacturers and sold them under our proprietary “SMJ” brand. Since then, we have been marketing our proprietary “SMJ” brand as a brand of premier carpet. As part of our efforts to improve quality management processes, we obtained ISO 9000 certification from the Productivity and Standards Board in the same year. Currently, we no longer have such certification as we did not renew it subsequent to the expiry of the last valid certification. We obtained the bizSAFE Level 1 certification in 2010 and bizSAFE Level 3 certification in 2012.

As part of our late founder’s succession plan, our Executive Directors, namely Rena Ho and Nellie Ho, joined our Group in 1997 and 1999 respectively. Rena Ho started with sales administration and co-ordination for the local market, whereas Nellie Ho started with similar functions for the export market dealing with overseas customers. In 2002, Rena Ho and Nellie Ho were both appointed as executive directors of SMJ Furnishings to oversee the entire business of our Group under the guidance of our late founder.

In 1999, our late founder saw the market potential for premier carpet tiles in the neighbouring region as it began to recover from the Asian financial crisis where businesses around the region regained confidence. We began to actively develop our export sales business in Indonesia, followed by Malaysia. To penetrate deeper into these export markets, we attended overseas trade fairs and actively promoted and marketed our carpets to overseas carpet dealers, carpet importers and carpet installation companies which import higher quality carpets for domestic consumption of their local markets.

HISTORY

In 2000, we started another new initiative which led to the further expansion of our Group. We observed that there are some Asia based carpet manufacturers which are able to produce good quality carpet at competitive rates but lack sufficient branding to reach a larger market base. Our Group saw that as the opportunity to expand our proprietary “SMJ” brand and ventured into engaging Formosa Chemicals & Fibre Corporation, a member of the Taiwan Formosa Group, to manufacture carpets for our sale under our proprietary “SMJ” brand. Since then, we have gradually increased the export of carpets to the overseas markets under our proprietary “SMJ” brand. By working with third party carpet manufacturers, we were able to direct and control the manufacture of carpets based on designs and colours conceptualised by us according to our knowledge of the market trends and consumer needs as we market and sell our carpets. More importantly, working directly with third party carpet manufacturers has helped to lower our cost of sales, which in turn translates into cost savings for our customers in their purchase of high quality carpets. By 2008, we have further expanded our export business by working with four other third party carpet manufacturers on a regular basis.

In 2000, as part of our expansion plan to extend our reach to new export markets for our proprietary “SMJ” brand of carpets beyond our main export markets in Indonesia and Malaysia, our Group carried out an internal reorganisation exercise to rationalise and streamline our business activities, pursuant to which our sales department was re-organised into two business units to derive revenue from the different sources, namely: (i) Distribution Sales (from both local and overseas markets); and (ii) Contract Sales (from local market). Our services for installation of carpets are only available to our customers under the Contract Sales. With such reorganisation, we are able to allocate more financial and human resources to place more focus on expanding into new export markets efficiently. Through our efforts to expand our export sales globally, we have penetrated into new markets and exported our proprietary “SMJ” brand of carpets to Hong Kong, Philippines, Cambodia, India, Sri Lanka, Vietnam, Taiwan, Thailand, PRC, Brazil, Uruguay, Korea, Chile, Saudi Arabia, Australia and United Kingdom by the year of 2010.

In 2001, to accommodate the expansion in the size of our business and the increase in our staff strength, we consolidated and re-located our head office, corporate showroom and warehouse facility (with a floor area of approximately 47,727 sq ft) to 31 Jurong Port Road, Jurong Logistics Hub.

Our Group was upgraded to Grade L4 by the BCA under the workhead of SY06 - Finishing and Building Products since 2012, which allows us to tender for Singapore public sector projects with a contract value of up to S\$6.5 million. This has enabled us to secure larger contract value projects for our business in Contract Sales.

With Rena Ho, Nellie Ho and Lee Lay Choo having gradually taken over the entire management and operations of our Group, our late founder scaled back his daily involvement in our business operations in 2012, with Rena Ho taking over the overall management of our Group.

Our Group recognised the market potential in emerging countries such as Myanmar. In 2013, we made our first foray to Myanmar by making our first distribution sales to supply 60,300 sq ft of carpets for installation in a hospitality project in Myanmar.

Since our establishment in 1988, our Group has grown to become one of the largest premier carpet specialists in Asia. We have developed an established global distribution network into various countries which include our main export markets in Malaysia, Indonesia, Philippines, Hong Kong, PRC, Taiwan, Korea, Thailand, Vietnam, Brunei, India, Sri Lanka, United Arab Emirates, Saudi Arabia, Maldives, Brazil, Uruguay, Chile, Australia, Kuwait and United Kingdom. We have also leveraged on the vast geographical coverage of our export markets to promote the brand recognition for our proprietary “SMJ” brand of carpets through regular networking with key overseas customers during overseas tradeshows and functions, as well as providing constant updates on new launches of products marketed under our proprietary “SMJ” brand.

Through our emphasis on quality products and services, we have positioned ourselves as a premier

HISTORY

carpet specialist in Asia supplying high quality carpets. Our corporate clients today include private and government offices, business premises, educational institutions, banks, hospitals and hotels. Please refer to the “Business Overview” section of this Offer Document for further details. We were ranked as one of the top 500 small medium enterprises by DP Information Group and had been awarded the “Singapore SME 500” and “Singapore SME 1000” recognitions for nine consecutive years, since 2006 to 2014. Please refer to the “Awards” section of this Offer Document for further details.

AWARDS

Over the years, our subsidiary, SMJ Furnishings and late founder, Peter Ho, have received the following awards from various organisations:-

Award / Accreditation	Year	Awarded by
Singapore SME 500	2006 to 2010	DP Information Group
Singapore SME 1000	2011 to 2014	DP Information Group
Singapore Entrepreneurs' Award 2013 – Peter Ho	2013	Asia 1 Enrich Group Pte Ltd

BUSINESS

BUSINESS OVERVIEW

We specialise in the sale and distribution of a wide range of premier carpets through our global distribution network of more than 260 carpet dealers, carpet importers and carpet installation companies in Singapore and over 20 countries mainly in Asia. Our Directors believe that we are one of the leading premier carpet specialists serving the commercial and institutional sectors in Asia with an established reputation and track record of more than 25 years. Over the years, we have built a good reputation based on our service quality, efficiency, reliability and competitive pricing.

We are differentiated from our competitors as we maintain a ready supply of carpets in a variety of designs and colours in our Singapore warehouse for sale to our customers. Our carpet stocks comprise both carpet tiles and broadloom carpets. This enables us to fulfil our customers' requirements without incurring the usual time needed for production and shipment of such carpets from overseas. At the Latest Practicable Date, our Singapore warehouse maintains approximately 80 different designs of carpets in up to 400 different colours.

We sell and distribute our proprietary "SMJ" brand of carpets both in Singapore and overseas markets. At the Latest Practicable Date, we collaborate with five regular third party carpet manufacturers operating in the PRC and Taiwan, which will produce both carpet tiles and broadloom carpets according to our requested designs, colours and specifications and are marketed for sale under our proprietary "SMJ" brand. In addition, we are appointed by Shaw Industries as the authorised supplier for its "Shaw Contract Group" range of carpets in Singapore. "Shaw Contract Group" is an American brand of carpets which offers both carpet tiles and broadloom carpets in different designs and colours. These products appeal to the segment of the market which seeks for higher end range of carpets and has a higher spending budget. Although we have not entered into a written agreement with Shaw Industries, based on the working relationship and arrangement between Shaw Industries and our Group, our Directors believe that SMJ Furnishings is currently the exclusive supplier for the "Shaw Contract Group" range of carpets in Singapore.

We place advance orders and import carpets under both our proprietary "SMJ" brand and third party "Shaw Contract Group" brand, taking into account the prevailing market trends to maintain our stock levels in anticipation of market demands. This is our competitive edge as we can fulfil an order within the next day instead of having to wait for several weeks for production of carpets and shipment from their country of manufacture, especially if these carpets required by our customers are found amongst the stocks in our Singapore warehouse. We are also able to cater to customers' requirements for carpets with customised designs and colours to meet their needs in terms of corporate colours, logos or other design preferences.

We are able to supply carpets which have been certified as environmentally friendly products with green label certification. This is to meet the increasing trend of projects requiring green and eco-friendly products in line with the government initiatives to promote "green" or resource efficient buildings in Singapore.

Our head office and corporate showroom are located in Singapore at 31 Jurong Port Road, #02-20 Jurong Logistics Hub, Singapore 619115. We have a centralised warehousing facility located at 31 Jurong Port Road, #01-25/26/27/28/29/30 Jurong Logistics Hub, Singapore 619115 with a floor area of approximately 42,614 sq ft.

We derive our revenue mainly from the following two different sources of revenue streams:-

(a) Distribution Sales

In our Distribution Sales business, we sell and distribute mainly carpets under our proprietary brand known as "SMJ" in Singapore and to overseas markets through our global distribution networks in more than 20 countries mainly in Asia. These overseas markets include Malaysia, Indonesia, Philippines, Hong Kong, PRC, Taiwan, Korea, Thailand, Vietnam, Brunei, India, Sri Lanka, United Arab Emirates, Saudi Arabia, Maldives, Brazil, Uruguay, Chile, Australia, Kuwait and United Kingdom.

BUSINESS

Our customers in our Distribution Sales business are mainly carpet dealers, carpet importers and carpet installation companies which will make bulk purchases of carpets on a wholesale basis. They will in turn sell and distribute them primarily to a wide range of end-users in the commercial and institutional sectors including banks, hotels, offices and other premises.

Purchase orders of carpets are sent by our overseas customers to our Singapore office and stocks are then drawn from our Singapore warehouse for delivery and shipment to our overseas customers. Due to the wide variety of our carpet stocks in different designs and colours and our ability to fulfil orders within a short turnaround time without the need to wait for the manufacturing process (if the stocks are available in our Singapore warehouse), we gain a competitive edge over our peers in the marketplace. When overseas customers place orders with us, they will have the flexibility of selecting a varied range of designs and colours in different quantities among our available carpet stocks which are loaded into the same container for shipment to them, thereby maximising the efficiency and shipment charges involved in each transaction.

Due to our high volume of sales overseas, we were awarded the “Major Exporter Scheme” status. Please refer to the “Government Regulations” section of this Offer Document for further details on our “Major Exporter Scheme” status.

Revenue from our Distribution Sales business accounted for approximately 54.6%, 54.0% and 57.0% of our total revenue in FY2011, FY2012 and FY2013 respectively.

(b) Contract Sales

We are a one-stop premier carpet specialist for the Singapore market as we provide consultancy services by assisting our customers with the selection of suitable designs and colours at their project planning stage, after which we will procure, supply and deliver these carpets to the project sites, and will provide project management work by handling the installation of these carpets on site at their request.

We supply carpets under both our proprietary “SMJ” brand and third party “Shaw Contract Group” brand as part of the renovation and floor furnishing works required for either existing or new buildings in the commercial and institutional sectors under our business for Contract Sales. These commercial and institutional sectors include private and government offices, business premises, educational institutions, banks, hospitals and hotels. At the Latest Practicable Date, we do not supply carpets for residential use due to the small scale of such projects.

Our customers for the Contract Sales business are typically property developers of commercial buildings, professional firms such as architecture, interior design and renovation firms, and owners or tenants of commercial spaces. At the request of our customers, we also provide installation services for renovation projects carried out in Singapore. We outsource our installation work to third party carpet installation companies which work with us on a regular basis. For such projects, we will assign a project manager to handle and monitor the order to delivery and installation of the carpets.

Revenue from our Contract Sales business accounted for approximately 45.4%, 46.0% and 43.0% of our total revenue in FY2011, FY2012 and FY2013 respectively.

BUSINESS

OUR PRODUCTS AND BUSINESS PROCESS

Our Products

We sell and distribute carpets under our proprietary brand known as “SMJ” and the third party American brand known as “Shaw Contract Group” in a variety of designs and colours. At the Latest Practicable Date, our Singapore warehouse maintains approximately 80 different designs of carpets in up to 400 different colours.

We engage third party carpet manufacturers operating in the PRC and Taiwan to produce our proprietary “SMJ” brand of carpets, whereas the “Shaw Contract Group” brand of carpets is produced by Shaw Industries. At the Latest Practicable Date, we collaborate with five regular third party carpet manufacturers operating in the PRC and Taiwan, which will produce both carpet tiles and broadloom carpets according to our requested designs, colours and specifications under our proprietary “SMJ” brand. In addition, we are appointed by Shaw Industries as the authorised supplier for its “Shaw Contract Group” brand of carpets in Singapore which offers both carpet tiles and broadloom carpets in different designs and colours. These products appeal to the segment of the market which seeks for higher end range of carpets and has a higher spending budget. To the best of our Directors’ knowledge, Shaw Industries is one of the largest carpet manufacturers in the world and is a subsidiary of Berkshire Hathaway Inc., whose headquarters is based in the USA. Please refer to the “Major Suppliers” section of this Offer Document for further details about Shaw Industries.

The carpets that we sell and distribute comprise both carpet tiles and broadloom carpets, which are made of either nylon or polypropylene fibre. Broadloom carpets are carpets that are tufted on a very wide loom, whereas carpet tiles are pieces of carpets that come in square tiles of generally 50 centimetres each side. There are mainly two types of yarns, being nylon and polypropylene, used in the carpet industry. Nylon carpets are generally more widely used as they have excellent wear characteristics. Polypropylene carpets are less durable compared to nylon carpets and are catered for end-users which have a lower budget. Most of the carpets that we sell and distribute are higher quality carpets, thus enabling us to market our Group as a premier carpet specialist.

Carpets are commonly used as a preferred floor covering and furnishing for commercial use for the following reasons, *inter alia*:-

- (a) It provides acoustic effect and helps to reduce noise in the enclosed areas, which is suitable for public and the office environment in the financial institutions, hotels, airports and hospitals.
- (b) It can be easily installed, maintained and replaced.
- (c) It is available in a variety of choices in terms of designs and colours. It is convenient for users as it allows under cabling access for installation of electrical power points.

We are able to supply carpets which have been certified as environmentally friendly products with green label certification. This is to meet the increasing trend of projects requiring green and eco-friendly products in line with the government initiatives to promote “green” or resource efficient buildings in Singapore. To meet the environmentally friendly requirements, the carpets and the adhesives used on them must, *inter alia*, have low emissions of volatile organic compounds (commonly known as VOC) to help improve indoor air quality, which is in turn determined by the raw materials (such as the fibres, dyes and colorants) used in the manufacture of such carpets.

BUSINESS

Our Carpet Supply and Installation Projects

We have been awarded contracts for the supply and installation of carpets for the following notable projects in respect of our Contract Sales business in Singapore in the last three financial years ended 31 December 2013:-

Customer	Project Location	Year of Completion	Area (sq ft)
Apple South Asia Pte. Ltd.	Office at No. 7 Ang Mo Kio Street 64	2011	97,920
Apple South Asia Pte. Ltd.	Office at No. 12 Ang Mo Kio Street 64	2011	14,736
The Hong Kong and Shanghai Banking Corporation Limited	Office at HSBC Building at 21 Collyer Quay	2011	128,190
DBS Bank Ltd.	Office at Marina Bay Financial Centre Tower 3 at 12 Marina Boulevard (whole building except Level 4)	2012	503,776
Cisco System (USA) Pte Ltd	Office at UE Biz Hub at 8 Changi Business Park, Levels 3 to 6	2012	100,965
Cisco System (USA) Pte Ltd	Office at UE Biz Hub at 8 Changi Business Park, Levels 3 to 6 (maintenance stock)	2012	6,097
Obayashi Corporation	Office cum manufacturing plant of Halliburton Completion Tools Mfg Pte Ltd at 11 Tuas South Avenue 12	2012	218,455
Singapore Pools (Private) Limited	Office at 210 Middle Road, Levels 1 and 7 to 12	2012	64,671
Apple South Asia Pte. Ltd.	Office at No. 7 Ang Mo Kio Street 64	2012	24,000
Apple South Asia Pte. Ltd.	Office at No. 7 Ang Mo Kio Street 64	2012	8,016
DB & B Pte Ltd	Office of Solvay Asia Pacific Pte Ltd at Amnios at No. 1 Biopolis Drive, Levels 3, 4 and 5	2013	37,112
Apple South Asia Pte. Ltd.	Office at No. 7 Ang Mo Kio Street 64	2013	43,728
Cisco System (USA) Pte Ltd	Office at UE Biz Hub at 8 Changi Business Park, Level 7	2013	7,044
Singapore Economic Development Board	Office at Raffles City Tower at 252 North Bridge Road, Levels 18, 20, 21, 22, 23, 25, 26 and 27	2013	69,984

In each of the above projects, we were involved in the project planning stage assisting in the selection of suitable colour and design of carpets as floor furnishing, as well as, supply and the installation of carpets at the project sites.

Our Business Process

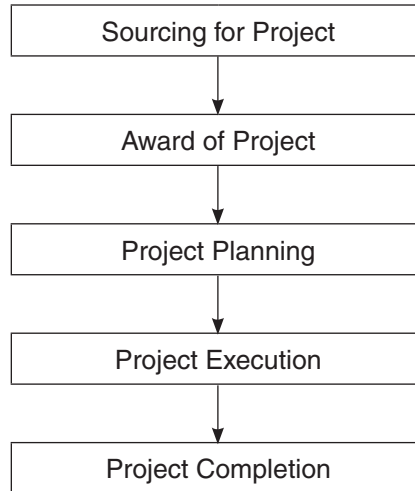
Distribution Sales

We do not have any long term supply or distribution agreements with our customers in our Distribution Sales business, which are mainly carpet dealers, carpet importers and carpet installation companies in Singapore and overseas. Our customers usually place their orders for carpets based on their needs and demand from their respective markets from time to time. Where the end-users of our customers have specific requirements for the carpets that they intend to purchase, our experienced sales and marketing team will provide assistance to them in placing orders for suitable designs, colours and quantity in light of their specifications. We will deliver the carpets after receipt of our customers' written confirmation of their purchase orders. We do not provide installation services for carpets sold under the Distribution Sales.

BUSINESS

Contract Sales

A diagrammatic depiction of the business process for our project business is as follows:-



Sourcing for Project

We typically source for our projects through requests for quotation and referrals from our customer. Upon request, we provide a competitive quote and professional advice on product performance and layout of installation. We are also able to assist in the visualisation of the application of selected carpet and furnishing.

Award of Project

Upon award of project, we shall provide detailed design drawings to assist in visualisation of the layout of the carpet tiles, including estimating the quantity required for the various proposed designs.

Project Planning

A project manager will be assigned to oversee the project and make logistics arrangement in accordance with the agreed installation timeline.

Project Execution

Our in-house team shall coordinate with our experienced installer to ensure the execution of project in accordance with the contractual requirements and quality control.

Project Completion

Our team will jointly inspect the project with the customer upon completion to ensure customer's satisfaction.

SALES AND MARKETING

Our team in the sales and marketing department is organised into local and export sales. The local sales and marketing department is headed by Rena Ho, whereas the export sales and marketing department is led by Nellie Ho. Our Business Director, Tay Twan Lee, manages the business development and execution of marketing strategies for the assigned markets and projects according to the prevailing needs of the Group from time to time. As at the Latest Practicable Date, our sales and marketing department comprised 10 staffs. The sales and marketing staffs are responsible for cultivating existing and developing new customers, managing the distribution network, as well as the collection of trade receivables as this is a factor in determining the amount of commission payable to them.

BUSINESS

In respect of the business under our Distribution Sales, all of our sales are carried out through our network of more than 260 carpet dealers, carpet importers and carpet installation companies in Singapore and over 20 countries mainly in Asia. Through market surveys, internet research and referrals, we identify suitable carpet dealers, carpet importers and carpet installation companies who can sell our products in their respective town or county of a certain overseas jurisdiction. We assist some of our key overseas customers by providing them with support on the technical aspects of our products as they pitch for new sales from their end-users.

In respect of our business under Contract Sales, we maintain regular contacts with architects and designers who are instrumental in recommending our products to their end-users in the course of their design and selection of suppliers and sub-contractors during their renovation and furnishings projects. We participate in new product launches which are organised by our principal, Shaw Industries, to promote their carpets under “Shaw Contract Group” brand. These launches take place around once a year in Singapore and/or overseas, which provide a networking platform and sales and marketing opportunity for us to develop our existing and potential customers. Some of these new product launches held by Shaw Industries are set out below:-

Year	Name of Event	Country
2010	Sustainable Evolution	Singapore
2011	The Edge Designers' Night	Singapore
2012	Design is Brave	Singapore
2013	Neocon	USA

We attend carpet and interior furnishing trade fairs and exhibitions held overseas in places such as the PRC, the United Kingdom and Germany. These events provide a networking platform and sales and marketing opportunity for us where we tap on to renew our relationships with existing customers and explore potential customers. Sometimes, to promote and market carpets under our proprietary “SMJ” brand in the overseas market, we participate as one of the exhibitors by showcasing the carpets tiles and broadloom carpets that we supply in overseas trade fairs, exhibitions and conventions. Some of the trade fairs and exhibitions we have participated in include “National Floor Show” held in United Kingdom in 2009 and “Domotex Hannover” held in Germany in 2010.

We constantly evaluate the market trends affecting the supply and demand of carpets in our target markets in Asia. We also monitor the type of fabric, design and colour used by manufacturers and suppliers from the USA. In addition, our sales and marketing team will gather feedback from interior designers and architects from time to time to find out the latest market trends affecting interior furnishing. Such feedback will help our management in assessing prevailing market trends and demands and planning for our inventory stocking programme and new product launch.

Whenever we launch a new range of carpets under our proprietary “SMJ” brand, we will update our regular customers, including those operating overseas, on the unique features and specifications of such carpets. As we introduce and launch around eight to 12 new products over three to four times a year, this gives us ample opportunity to market and promote our proprietary “SMJ” brand of carpets particularly to the Asian buyers of carpets, and to maintain our business relationship with them on a regular basis.

At the Latest Practicable Date, our carpets mainly under our proprietary “SMJ” brand are exported to the overseas markets through our global distribution networks in more than 20 countries mainly in Asia, such as Malaysia, Indonesia, Philippines, Hong Kong, PRC, Taiwan, Korea, Thailand, Vietnam, Brunei, India, Sri Lanka, United Arab Emirates, Saudi Arabia, Maldives, Brazil, Uruguay, Chile, Australia, Kuwait and United Kingdom.

BUSINESS

QUALITY ASSURANCE

We strive to provide good quality carpets and services in order to meet our customers' expectations. To this end, we have implemented a quality management system which our Executive Director and COO, Lee Lay Choo is responsible for.

To ensure the quality of the products that we supply, our Group also checks that our third party carpet manufacturers have proven track records in the production of high quality carpets. We will visit their factories in their home countries regularly to ensure that our third party carpet manufacturers conform to their production processes.

In order to ensure that we maintain the supply of good quality carpets on a consistent basis, our logistics department will conduct review and inspection of the incoming products for quality, specifications and defects in accordance to the requirements stated in the purchase contracts. Any product that fails our incoming inspection will be rejected and returned to our manufacturers for replacement or rectification. If faulty inventory is not returned due to shipping costs, our third party carpet manufacturer will provide a discount or credit note for our next order instead. Prior to delivery of the products to our customers, our logistics department performs outgoing inspection to ensure that products with the required specifications and quantities are packed and delivered to our customers.

There has not been any product return of a significant value during the periods under review.

PRODUCT WARRANTY AND AFTER SALES SERVICE

All carpets supplied by us under the "Shaw Contract Group" brand have manufacturer's warranty from Shaw Industries. Most of the carpets manufactured by third party carpet manufacturers are also backed with the relevant manufacturer's warranty for products manufactured by them. These warranties include dimensional stability and limited wear resistance.

As an after sales service, our team will assist our customers to register their particulars and project details with the relevant manufacturers, so that they can lodge their claims with the manufacturers should any issue arise over the carpets purchased by them. In addition, we will assist our customers in processing their claims with the manufacturers should there be a potential claim on the manufacturer's warranty due to manufacturing defects found in the carpets purchased by them.

To the best of our knowledge, there has not been any claim on product warranty of a significant value during the periods under review.

MAJOR CUSTOMERS

We set out below a list of our major customers which accounted for 5.0% or more of our revenue during the periods under review:-

Major customer	Revenue source	Percentage of total revenue (%)		
		FY2011	FY2012	FY2013
Sonne Furnishing group ⁽¹⁾	Distribution Sales	7.3	10.9	13.4
SMJ Philippines ⁽²⁾	Distribution Sales	6.1	6.8	9.2
PT Infiniti Hominoff Solusindo	Distribution Sales	8.4	7.2	4.4
DBS Bank Ltd.	Contract Sales	–	7.1	0.0
Verona Importacoes e Exportacoes Ltda.	Distribution Sales	6.5	1.7	0.0

Notes:-

- (1) This comprises sales to Sonne Furnishing Sdn Bhd and Sonne Furnishing (a sole-proprietor).
- (2) Prior to an internal restructuring in 2013, SMJ Philippines traded with us under the company name of "Carpet Makers & Design Inc". We combine the percentage of sales derived from Carpet Makers & Design Inc and SMJ Philippines as a single major customer for illustration purposes.

BUSINESS

Revenue generated by each customer varies from year to year as the nature of our business is primarily project-based, and is subject to the value of the projects which we secure from them and time taken to complete such projects. We may not be able to secure similar projects in terms of size and scope with the same customer in subsequent years. Our customers under the Distribution Sales experience the same nature of business which is primarily project-based.

For Sonne Furnishing group, the increase in purchases over the periods under review were mainly due to the awards of major projects, such as refurbishing of a major bank, an institution and an airport, which led to the uptrend in sales.

The purchases of SMJ Philippines increased 2.5% in FY2013 as it secured more projects compared to FY2012. Pursuant to the licence agreement made between our Group and SMJ Philippines, SMJ Philippines will continue to purchase our products and market our proprietary "SMJ" brand. Please refer to the "Intellectual Property" section of this Offer Document for more information on the licence agreement made between our Group and SMJ Philippines.

PT Infiniti Hominoff Solusindo experienced a decreased proportion of purchases from 7.2% in FY2012 to 4.4% in FY2013 as it secured less projects in FY2013. Given the wide geographical coverage in Indonesia, we have also appointed other Indonesian dealers for the distribution of our carpets in Indonesia in order to diversify our exposure to PT Infiniti Hominoff Solusindo for our exports to Indonesia.

Our Group completed a project for DBS Bank Ltd. in FY2012. The project was non-recurring in nature, resulting in little revenue from DBS Bank Ltd. in FY2013.

Verona Importacoes e Exportacoes Ltda saw a decrease in purchase from 6.5% in FY2011 to 0.0% in FY2013 due to the reduction in demand in Brazil for our carpets and competition from local suppliers.

We do not typically enter into long term agreements with our customers.

To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major customers.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or their respective Associates has any interest, direct or indirect, in any of the above major customers.

For the last three financial years ended 31 December 2013 and up to the Latest Practicable Date, there has been no claim against us for failure to meet delivery schedules.

MAJOR SUPPLIERS

We purchase our carpets mainly from our regular suppliers. We do not enter into long term or exclusive agreements with our regular suppliers. As such, we retain the flexibility to evaluate and select new suppliers, based on their ability to provide us with the highest quality products at the most competitive pricing.

BUSINESS

We set out below a list of our major suppliers which accounted for 5.0% or more of our purchases during the periods under review:-

Major supplier	Products supplied	Percentage of total purchases (%)		
		FY2011	FY2012	FY2013
Formosa FCFC	Carpet tiles and broadloom carpets under "SMJ" brand	29.7	27.0	28.8
Shaw Industries ⁽¹⁾	Carpet tiles and broadloom carpets under "Shaw Contract Group" brand	25.0	42.9	28.7
Voxflor	Carpet tiles and broadloom carpets under "SMJ" brand	9.2	7.7	13.7
Weihai Shanhua	Carpet tiles and broadloom carpets under "SMJ" brand	17.9	9.9	12.0
Shanghai Jia Nai Rong	Carpet tiles and broadloom carpets under "SMJ" brand	11.1	5.3	11.1

Note:-

- (1) Shaw Industries has invoiced us through its subsidiary, Shaw Industries Asia Pte. Ltd. since 2013 in conjunction with the setting up of its new factory in the PRC. We combine the percentage of purchases derived from Shaw Industries and Shaw Industries Asia Pte. Ltd. as a single major supplier for illustration purposes.

Formosa FCFC, a member of the Taiwan Formosa Group, is our third party carpet manufacturer based in Taiwan whereas Voxflor, Weihai Shanhua and Shanghai Jia Nai Rong are our third party carpet manufacturers based in the PRC.

To the best of our Directors' knowledge, Shaw Industries is one of the largest carpet manufacturers in the world and is a subsidiary of Berkshire Hathaway Inc., whose headquarters is based in the USA. We are appointed by Shaw Industries as the authorised supplier for its "Shaw Contract Group" range of carpets in Singapore.

Shaw Industries supplied 42.9% of our products in FY2012 compared to 25.0% in FY2011 due to a project completed for DBS Bank Ltd. which requested for "Shaw Contract Group" range of carpets. As a result, purchases from Shaw Industries peaked in FY2012 at 42.9% before falling back to 28.7% in FY2013.

The fluctuations in our purchases vary according to the demand for our products, which in turn is dependent on changing customer preferences and fashion trends. Each supplier has their own specific designs and product range. On a year to year basis, some suppliers may see more purchases depending on the prevailing customer preferences and fashion trends, as well as our need to replenish our stockpile of those designs. Hence, year on year comparison of purchases from each individual supplier may not be strictly comparative.

Our Directors believe that our profitability will not be materially affected by the loss of any of our regular third party carpet manufacturers as long as we are able to source for carpets of comparable quality and prices from alternative manufacturers in a timely manner.

To the best of our Directors' knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers. Our business and profitability are currently not dependent on any particular industrial, commercial or financial contract with any of our regular third party carpet manufacturers.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or their respective Associates has any interest, direct or indirect, in any of the above major suppliers.

BUSINESS

CREDIT MANAGEMENT

Trade Receivables

We grant our customers up to 90 days' credit terms. All our credit terms are recommended by our sales and marketing department after performing credit standing checks with an independent credit rating company and subject to the approval of our Executive Directors. We also perform periodic credit limit reviews of our customers. Factors taken into consideration will include the customer's current financial strength, payment history, transaction volume and length of business relationship with the customer.

Our average trade receivables turnover during the periods under review were as follows:-

	FY2011	FY2012	FY2013
Trade receivables (S\$'000)	5,349	5,139	5,285
Trade receivables turnover days ⁽¹⁾	82	81	86

Note:-

- (1) Trade receivables turnover days were determined based on the average of trade receivables divided by the revenue for the financial year, then multiplied by 365 days.

The trade receivables aging schedule of our Group (based on the date of invoice) as at 31 December 2013 was as follows:

Age of Trade Receivables	Amount of Trade Receivables (S\$'000)	Percentage of Trade Receivables
Up to 90 days	4,075	77.1%
More than 90 days	1,210	22.9%

As at 31 December 2013, 22.9% of our trade receivables were outstanding for more than 90 days. The delay in collection was mainly due to completed Contract Sales awaiting the final certification of the work performed, hence inadvertently adversely affecting the age of the trade receivables as at 31 December 2013.

We do not have any material provisions for doubtful debts during the periods under review.

Trade Payables

Our suppliers normally grant us between 30 to 90 days credit terms for our purchases (or extended up to 180 days credit terms for purchase of newly introduced stocking items). However, we will make payment of the purchase value by way of telegraphic transfer in certain transactions to several of our suppliers before the shipment of the products or once the products have been shipped. We also use trust receipts from banks to settle payment to our suppliers. Our trust receipts typically have a maturity period of up to 120 days.

Our average trade payables (excluding trust receipts) turnover during the periods under review were as follows:-

	FY2011	FY2012	FY2013
Trade payables (excluding trust receipts) (S\$'000)	1,158	1,333	1,247
Trade payables (excluding trust receipts) turnover days ⁽¹⁾	139	76	126

Note:-

- (1) Trade payables turnover days were determined based on the average of trade payables (excluding trust receipts) divided by the relevant purchases for the financial year, then multiplied by 365 days.

BUSINESS

RESEARCH AND DEVELOPMENT

We do not have a research and development department. As such, we leverage on the research and design team of third party carpet manufacturers to assist us in the production of new designs and range of carpets based on our ideas and concepts. Certain third party carpet manufacturers will produce a sample prototype for our evaluation and assessment before commercial production.


We constantly evaluate the market trends affecting the supply and demand of carpets in our target markets in Asia. We also monitor the type of fabric, designs and colours used by manufacturers and suppliers from the USA. In addition, our sales and marketing team will gather feedback from interior designers and architects from time to time to find out the latest market trends affecting interior furnishing. Such feedback will help our management in assessing prevailing market trends and demands and planning for our inventory stocking programme and new product launch.

Our senior management team works hand-in-hand with our sales and marketing team and our regular third party carpet manufacturers to develop new range of carpets for launch to the market. We have been introducing and launching around eight to 12 products with new designs, colours and/or specifications in terms of materials over three to four times a year during the past few years.

INTELLECTUAL PROPERTY

Trademark

Save as disclosed below, we do not own nor are we dependent on any registered trademark, patent or other intellectual property rights:-

Trademark	Application No.	Registration Class	Country of Registration	Status
	T1312333Z	27 and 35	Singapore	Registered (Application filed on 1 August 2013)

Note:-

(1) The class of Specification of Goods and Services in Singapore is described as follows:-

Class 27: Carpets; Carpet inlays; Carpet protectors; Carpeting; Floor tiles made of carpet; Handmade woollen carpets; Mat (carpet) tiles; Moquettes (carpets); Squares for use as carpets; Underlay for carpets; Carpet tiles; Broadloom carpets; Wall to wall carpets.

Class 35: Export services, not being transport services; Import services, not being transport services; Retail services; Retailing of goods (by any means); Promotion of fairs for trade purposes; Provision of trade information; Trade promotional services.

Licence Agreements

As an effort to promote our proprietary “SMJ” brand name as a premier carpet supplier, we have granted the following companies the rights to use “SMJ” as part of their corporate name in the territory set out below and on the terms and conditions set out in the respective licence agreements made with them:-

Companies	Countries	Annual Licence Fee
SMJ Philippines ⁽¹⁾	Philippines	S\$10,000
SMJ Malaysia ⁽²⁾	Malaysia	S\$10,000

BUSINESS

Notes:-

- (1) None of our Directors or Controlling Shareholders has an interest, direct or indirect, in SMJ Philippines.
- (2) SMJ Malaysia was incorporated on 1 October 1998 by our late founder, Peter Ho and an unrelated party, Chong Yoke Cheng (an existing shareholder of SMJ Malaysia). In September 2013, following the demise of Peter Ho, the shareholdings of Peter Ho, Rena Ho and Nellie Ho in SMJ Malaysia were transferred to Chong Yoke Cheng and another unrelated party, Lim Phaik Khoon. With the aforesaid transfers, none of our Directors or Controlling Shareholders has an interest, direct or indirect, in SMJ Malaysia.

Pursuant to the licence agreements made between SMJ Furnishings and each of the above companies, the licensees are permitted to use our “SMJ” or “SMJ Furnishings” (as the case may be) as part of their respective corporate names in the country which they are operating in at the annual licence fee stated above. In the event that SMJ Philippines and SMJ Malaysia make purchases from SMJ Furnishings exceeding the respective agreed target amounts in a 12-month period during which the licence fee is payable, SMJ Furnishings shall waive payment of the licence fee during the relevant 12-month period. The respective agreed target amounts were determined based on the purchases made by SMJ Philippines and SMJ Malaysia in FY2013. Upon the expiry of every three years starting from the date of the respective licence agreements, SMJ Furnishings shall be entitled to review and adjust the target amount subject to consent from the relevant licensee.

The licence granted by SMJ Furnishings to each of the licensees shall continue indefinitely unless terminated by it by giving 90 days’ prior written notice to the licensee. The licence is granted to each of the licensees without the rights to assign or sub-licence the licence to any other third party.

The above licensees are carpet dealers and importers serving the domestic market in the country that they are operating in. Under the terms of the licence agreements, the licensees agree to maintain and promote the reputation and goodwill of our proprietary “SMJ” brand and will consider SMJ Furnishings as their first priority when selecting a supplier for carpets on such terms and conditions to be mutually agreed between them and us from time to time.

As at the Latest Practicable Date, our business or profitability is not materially dependent on any registered trademark, patent or other intellectual property rights. To the best of our knowledge, we are not aware of any third party infringing on our intellectual property rights.

INVENTORY MANAGEMENT

Our inventory comprises carpet tiles, broadloom carpets and carpet accessories.

We manage our inventory based on the recent sales trend and make purchases based on our stocking program and indent requirements. In our stocking program, we acquire inventories of various carpet designs and colours in anticipation of potential orders whereas we only make purchases for carpets required for indent sales according to the specific requirements of our customers when there is a firm contract order from our customers.

We continuously monitor the development of the construction and renovation activities in the geographical areas we operate in, especially our primary market Singapore and in other Southeast Asia countries. Our sales and marketing personnel interact consistently with our distributors, existing and potential customers to better understand markets’ requirements and preferences, which enable us to make efficient procurement decisions.

We apply weighted average costing for our inventory and conduct half yearly inventory counts in our warehouse. Our management conducts regular inventory reviews based on the different carpet designs and colours to assess our inventory level in order to better plan for replenishment and to manage inventory obsolescence risk.

BUSINESS

Our average inventory turnover days during the periods under review were as follows:

	FY2011	FY2012	FY2013
Inventories (S\$'000)	5,775	5,145	5,035
Average inventory turnover days ⁽¹⁾	152	137	146

Note:-

- (1) Average inventory turnover days were determined based on the average inventory balance divided by purchases and changes of inventory balances for the financial year, then multiplied by 365 days.

As at 31 December 2013, our inventory value was S\$5.0 million and our inventory aging was as follows:-

	Age of inventory			
	0 – 12 months	12 – 24 months	24 – 36 months	More than 36 months
Percentage of inventory as at 31 December 2013	78.4%	9.5%	5.6%	6.5%

Our management is of the opinion that the risk of inventory obsolescence is low due to the durable nature of our inventory and that inventory which we have kept for more than 36 months can still be sold. We review the inventory aging periodically and write-off inventory that is considered obsolete and slow moving in the line of our business.

The write-off of inventory during the periods under review were as follows:-

	FY2011	FY2012	FY2013
Inventory write-off (S\$'000)	–	–	58
As a percentage of PBT (%)	–	–	1.8%

LICENCES, PERMITS, APPROVALS AND CERTIFICATIONS

As at the Latest Practicable Date, our Group holds the following licences, permits, approvals and certifications which are material to our operations:-

Description of Licence / Permit / Approval / Certification	Licence / Reference number	Authority	Date of expiry
BCA Contractors Registration (L4 under the workhead of SY06 - Finishing and Building Products)	BCA ID 87.1.9	BCA	1 February 2016
Major Exporter Scheme	GST Registration Number M2-0079728-X	IRAS	30 April 2015
bizSAFE Level 3	E05746	Workplace Safety and Health Council	13 May 2015

In addition, our subsidiary, SMJ Furnishings has obtained Singapore Green Label certification for some of the carpets it distributes which is valid up to 2015.

As at the Latest Practicable Date, none of the licences which is material to the business and operations of our Group has been suspended or revoked. There are at present no facts or circumstances which would cause such licences to be suspended or revoked or for any applications for, or for the renewal of, any of these licences to be rejected by the relevant authorities.

Save as disclosed above, our Group does not require any other governmental licences, permits or approvals in respect of its operations apart from those pertaining to general business registration requirements.

BUSINESS

PRODUCTION FACILITY

As we work with third party carpet manufacturers to manufacture carpets under our proprietary “SMJ” brand, we do not have any manufacturing or production facilities. As such, information indicating the production capacity and extent of utilisation of production facilities is not applicable.

PROPERTIES AND FIXED ASSETS

Our Group currently owns the following investment property:-

Location	Developer	Purchase Price	Tenure	Use of Property	Floor Area (sq ft)	Encumbrances
608 Telok Blangah Road, #08-01 Skyline Residences, Singapore 109030 ⁽¹⁾	Bukit Sembawang View Pte. Ltd.	S\$3,189,000	Freehold	Residential	1,722	Nil

Note:-

- (1) The property is still under construction as at the Latest Practicable Date and is scheduled to be completed no later than 1 October 2015.

As at 31 December 2013, the net book value of our fixed assets comprising mainly plant and equipment was approximately S\$24,000 and motor vehicle was S\$8,000.

Our Group currently leases the following properties:-

Location	Lessor	Usage	Approximate Gross Floor Area (sq ft)	Tenure	Monthly Rental and Service Charge (excluding GST)
31 Jurong Port Road, #01-25/26/27/28/29/30 Jurong Logistics Hub, Singapore 619115	HSBC Institutional Trust Services (Singapore) Limited (as trustee of Mapletree Logistics Trust)	Storage	42,614	From 1 April 2012 to 31 March 2015 with an option to renew for a further term of three years	S\$74,547.97
31 Jurong Port Road, #02-20 Jurong Logistics Hub, Singapore 619115	HSBC Institutional Trust Services (Singapore) Limited (as trustee of Mapletree Logistics Trust)	Office	5,113	From 1 April 2012 to 31 March 2015 with an option to renew for a further term of three years	S\$7,158.25
Blk 208 Boon Lay Place, #05-199, Singapore 640208	Jafar Bin Amat	Workers' accommodation	700	From 1 July 2012 to 30 June 2014 with an option to renew for a further term of 12 months ⁽¹⁾	S\$1,800.00

Note:-

- (1) Our Group intends to renew the lease for another one month till 31 July 2014 upon the expiry of the original lease.

BUSINESS

To the best of our Directors' knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties and fixed assets, save as disclosed under the "Government Regulations" section of this Offer Document.

STAFF TRAINING

We recognise that our employees are an invaluable resource and that the competency and dedication of our employees have been instrumental to our continuous success in delivering quality products and services. Our training policy is to ensure that our employees are equipped with the essential skills and expertise for our business and have the right attitude and approach towards customer service. To this end, we have conducted seminars and courses for our employees in the areas of basic legal principles relating to commercial contract, sales and marketing, accounting, quality management and public relations. In addition, we organise orientation programmes for new employees.

Employee performances are reviewed by their respective department heads to identify further training needs of each employee on an annual basis. The department head may also from time to time recommend appropriate training for our staff when suitable courses or seminars are conducted by external trainers. Some of such training include courses organised by BCI Asia Construction Information Pte Ltd and Shaw Industries.

During the periods under review, our expenses incurred in relation to staff training were not significant as most of the training was conducted in-house and consisted of on-the-job training.

INSURANCE

Our Group has taken up, *inter alia*, the following insurance policies:-

- (i) Travel insurance for certain management staff;
- (ii) Hospitalisation and surgical insurance;
- (iii) Marine cargo insurance;
- (iv) Burglary insurance;
- (v) Fire insurance;
- (vi) Public liability insurance;
- (vii) Work injury compensation insurance;
- (viii) Keyman insurance; and
- (ix) Motor vehicle insurance.

Our Directors are of the view that the above insurance policies are adequate for our existing operations. However, significant damage to our operations, whether as a result of fire or other causes, may still have a material adverse effect on our results of operations or financial position. We are not insured against business interruption and if such event were to occur, our business may be materially or adversely affected. Please refer to the "Risk Factors - Our insurance coverage may not be adequate" section of this Offer Document for more details. We will review our insurance coverage annually to ensure that our Group has sufficient insurance coverage.

BUSINESS

CORPORATE SOCIAL RESPONSIBILITY

Our Group is committed to contributing towards sustainable development and making a positive impact on local communities. As part of our on-going efforts towards sustainability, we supply carpets which have been certified as environmentally friendly products with green label certification. This is to meet the increasing trend of projects requiring green and eco-friendly products in line with the government initiatives to promote “green” or resource efficient buildings in Singapore. To meet the environmentally friendly requirements, the carpets and the adhesives used on them must, *inter alia*, have low emissions of volatile organic compounds (commonly known as VOC) to help improve indoor air quality, which is in turn determined by the raw materials (such as the fibres, dyes and colorants) used in the manufacture of such carpets.

COMPETITION

We operate in a competitive environment and face competition from existing competitors as well as new market entrants. While our Directors recognise that the barriers to entry are not prohibitive in terms of capital investment, we believe that our competitive strengths, as set out in the “Competitive Strengths” section of this Offer Document, set us apart from our existing and potential competitors.

To the best of our knowledge, we regard Contrac-Image Trading Pte Ltd, which is currently representing another American brand of carpets in the Singapore market, as our key competitor for our local business taking into account the scale of its operations in Singapore and the competition we encountered when we pitched for the supply of similar range of products to potential customers.

In regard to our export business, we face competition from various carpet manufacturers mainly operating in the PRC who sell directly to overseas markets and local dealers operating in our targeted overseas markets.

Please also refer to the “Risk Factors – Our business may be affected by competition with existing industry players and new entrants” section of this Offer Document.

To the best of our knowledge, there are no published statistics or official sources of information with respect to industry statistics and the market shares of our Group and our competitors.

None of our Directors, Controlling Shareholders or Substantial Shareholders has any interest, direct or indirect, in any of the above competitors.

COMPETITIVE STRENGTHS

Our Directors believe that our Group’s competitive strengths are as follows:-

(a) Abilities to provide wide selection of carpets and fulfil customers’ order within short turnaround time

Our Group has a large warehouse located in Singapore of approximately 42,614 sq ft which is stocked with a wide variety of carpet tiles and broadloom carpets in approximately 80 different designs of carpets in up to 400 different colours. We maintain a real-time inventory management system which is updated daily to allow us to check on the availability of our stocks and enable us to manage our stock level efficiently. Equipped with a good inventory management system, our turnaround time to fulfil our customers’ orders is greatly reduced, thereby allowing us to respond to our customers’ orders within the next working day (if the stocks are available in our warehouse) and giving us a competitive edge over our competitors. The short turnaround time from order to delivery is crucial as we serve the commercial and institutional sectors where our customers will have to complete installation of carpets and renovation of their premises within a few weeks’ time of rent-free fitting out period.

BUSINESS

(b) Strong management team assisted by experienced sales and project teams with deep product knowledge

Our Group has a strong management team who is assisted by an in-house experienced project team with many years of experience in the carpet industry. Our CEO, Rena Ho, and Deputy CEO, Nellie Ho, have been with our Company since 1997 and 1999 respectively and our COO, Lee Lay Choo has been with SMJ Furnishings for more than 25 years. Together with SMJ Furnishings as a player in the carpet industry for more than 25 years, this has allowed our management, sales and project teams to be equipped with deep knowledge about our products in the marketplace. In addition, our management and sales teams attend overseas trade fairs, as well as product trainings conducted by Shaw Industries, which help to strengthen our team's knowledge about our products in the marketplace and enable us to keep abreast of market trends, respond to market changes and maintain our competitiveness in the marketplace.

(c) Our proprietary "SMJ" brand of carpets is well-recognised in Singapore and overseas, supported by global distribution network of more than 260 distributors in over 20 countries

We started marketing and distributing our proprietary brand of carpets under "SMJ" since 1996 and have been actively developing our export sales business to the overseas markets for more than 15 years. Our proprietary "SMJ" brand has become well-recognised within the carpet industry in both Singapore and overseas for quality and reliability. At the Latest Practicable Date, we have exported our proprietary "SMJ" brand of carpets to the overseas market through our global distribution networks of more than 260 carpet dealers, carpet importers and carpet installation companies in over 20 countries mainly in Asia, such as Malaysia, Indonesia, Philippines, Hong Kong, PRC, Taiwan, Korea, Thailand, Vietnam, Brunei, India, Sri Lanka, United Arab Emirates, Saudi Arabia, Maldives, Brazil, Uruguay, Chile, Australia, Kuwait and United Kingdom. This is a testament of our proprietary "SMJ" brand recognition in overseas markets.

(d) Long standing relationship with our major supplier, Shaw Industries

In 1992, we were appointed by Shaw Industries as its authorised supplier for "Shaw Contract Group" brand of carpets in Singapore. This relationship has continued for the past 21 years and has grown into a strong working relationship evidenced by the regular joint promotional and marketing efforts between us and Shaw Industries to promote and launch new "Shaw Contract Group" carpets in Singapore. In addition, Shaw Industries will refer potential customers to us from time to time due to our comprehensive range of services from carpet consultancy, project management, delivery and installation of carpets on site, as well as our ready stock of "Shaw Contract Group" brand of carpets in our Singapore warehouse. This collaboration not only allows us to represent the "Shaw Contract Group" brand of carpets which caters for the higher end market and is well-recognised in the industry, it also allows us to leverage on the training and technical knowledge provided by Shaw Industries which places us in a more competitive position vis-à-vis other competitors. Although we have not entered into a written agreement with Shaw Industries, based on the working relationship and arrangement between Shaw Industries and our Group, our Directors believe that our Group is currently the exclusive supplier for the "Shaw Contract Group" range of carpets in Singapore.

(e) Strong working relationship with third party carpet manufacturers

We have strong working relationships with third party carpet manufacturers such as Formosa FCFC (a member of the Taiwan Formosa Group), Voxflor, Weihai Shanhua and Shanghai Jia Nai Rong, which manufacture carpets under our proprietary "SMJ" brand. We have maintained working relationships with them over a period of five years to 13 years. As such, they are competent to manufacture and supply our proprietary "SMJ" brand of carpets with good quality control at competitive costs. Through our third party carpet manufacturers, we have been able to provide customised carpets according to the preference of our customers for specific colour and/or design. In addition, the research and design teams of these third party carpet manufacturers have supported us in developing our new concepts and ideas of carpets, thereby enabling us to develop and launch new range of carpets in different designs and colours to keep abreast with the changing market trends. Hence, our proprietary "SMJ" brand of carpets can be distinguished and recognised widely in the marketplace.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

PROSPECTS

Our Directors believe the following to be factors affecting the growth of our business:-

State of the economies in Singapore and Southeast Asia region

Generally, our business is dependent on the spending budget of businesses and organisations for renovations and furnishings as our products are mainly used in the office and commercial space. The spending budget of businesses and organisations are in turn dependent on the perceived economic conditions.

On 21 November 2013, the Ministry of Trade and Industry announced that the Singapore economy is expected to grow by 2.0% to 4.0% in 2014 ⁽¹⁾. Global growth is projected to increase from 3.0% in 2013 to 3.7% in 2014 and 3.9% in 2015 while the growth in the economies of Indonesia, Malaysia, Philippines, Thailand, and Vietnam is projected to increase from 5.0% in 2013 to 5.1% in 2014 and 5.6% in 2015, as anticipated in the World Economic Outlook Update released on 21 January 2014 ⁽²⁾.

However, the growth of the Singapore economy has moderated in the first quarter of 2014 compared to the immediate preceding quarter. Notwithstanding the moderation of the economic growth in the first quarter of 2014, the Singapore economy is still expected to grow by 2.0% to 4.0% in 2014 ⁽³⁾.

Having considered the general positive outlook on the world economy and barring unforeseen circumstances, our Directors are of the view that the spending budgets of businesses and organisations will remain relatively constant compared to past years which is likely to translate into continuous demand in renovation and furnishing activities of the office and commercial space.

Continuous supply of commercial space in Singapore

The Ministry of National Development had also announced on 18 December 2013 that its first half 2014 Government Land Sales Programme will comprise eight confirmed list sites and 15 reserve list sites. These sites can yield up to 193,000 sq m gross floor area of commercial space. The confirmed list contains one commercial and residential site which can yield about 5,000 sq m gross floor area of commercial space while the reserve list contains one commercial site and one white site which can yield 188,000 sq m gross floor area of commercial space. The two sites for commercial developments under the reserve list will provide opportunities for the market to initiate the development of more commercial space, over and above the 1.1 million sq m gross floor area of office space in the pipeline, if there is demand ⁽⁴⁾.

In addition, the Ministry of National Development has provided in its Land Use Plan issued in January 2013 that more commercial centres outside the central business district will be developed to provide employment and amenities close to home. By 2030, the government will provide at least 13 million sq m of commercial space outside the city. The new commercial nodes outside the city include Jurong Lake District, One-North, Paya Lebar Central, North Coast Innovation Corridor and Southern Waterfront City ⁽⁵⁾.

To the best of our Directors' knowledge, there are also various opportunities arising from commercial developments at Buona Vista, Jurong and Tuas, undertaken by the private property developers.

Our Directors believe that the pipeline supply of commercial space in Singapore coupled with the general optimism on the global growth would translate into positive impact on demand for our Group's products, barring unforeseen circumstances.

Potential in Export Markets

We believe that expanding and strengthening our geographical coverage for distribution network will drive the growth of sales of our proprietary "SMJ" brand of carpets. As at the Latest Practicable Date, we have exported our proprietary "SMJ" brand of carpets to overseas markets through our global distribution networks of more than 260 carpet dealers, carpet importers and carpet installation companies in over 20 countries mainly in Asia, such as Malaysia, Indonesia, Philippines, Hong Kong, PRC, Taiwan, Korea, Thailand, Vietnam, Brunei, India, Sri Lanka, United Arab Emirates, Saudi Arabia, Maldives, Brazil, Uruguay, Chile, Australia, Kuwait and United Kingdom. We recognise the market potential and intend

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

to grow our distribution networks in new emerging markets such as Myanmar. We believe that our established track record and our extensive distribution network will stand us in good stead to expand our distribution network in new emerging markets. Please refer to the “Business Strategies and Future Plans” section of this Offer Document for our plan to expand our global distribution networks.

Notes:-

- (1) The information was extracted from the press release entitled “MTI Forecasts Growth of 3.5 to 4.0 Per Cent in 2013 and 2.0 to 4.0 Per Cent in 2014” issued by the Ministry of Trade and Industry on 21 November 2013 and published on the website of the Singapore Department of Statistics at (http://www.singstat.gov.sg/news/press_releases/gdp3q2013.pdf).
- (2) The information was extracted from the article entitled “World Economic Outlook - Update” issued by the International Monetary Fund on 21 January 2014 and published on the website of the International Monetary Fund at (<http://www.imf.org/external/pubs/ft/weo/2014/update/01/pdf/0114.pdf>).
- (3) The information was extracted from the press release entitled “GDP Growth Forecast in 2014 Maintained at 2.0 to 4.0 Per Cent” issued by the Ministry of Trade and Industry on 20 May 2014 and published on its website at (http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-First-Quarter-2014/PR_1Q14.pdf).
- (4) The information was extracted from the press release entitled “First Half 2014 Government Land Sales Programme” issued by the Ministry of National Development on 18 December 2013 and published on the website of the Urban Redevelopment Authority at (<http://www.ura.gov.sg/uol/media-room/news/2013/dec/pr13-87.aspx>).
- (5) The information was extracted from the report entitled “A High Quality Living Environment For All Singaporeans – Land Use Plan to Support Singapore’s Future Population” issued by the Ministry of National Development in January 2013 and published on its website at (<http://www.mnd.gov.sg/landuseplan/e-book/#/4/>).
- (6) Each of the Ministry of Trade and Industry, the Singapore Department of Statistics, the International Monetary Fund, the Ministry of National Development and the Urban Redevelopment Authority has not consented to the inclusion of the above information in this Offer Document for the purposes of Sections 249 and 254 of the SFA. While our Directors have taken reasonable action to ensure that the information is extracted accurately and fairly and has been included in this Offer Document in its proper form and content, they have not independently verified the accuracy of the relevant information.

TREND INFORMATION

Barring unforeseen circumstances and as disclosed in the “Prospects, Business Strategies and Future Plans” section of this Offer Document, our Directors have observed the following trends for FY2014:-

- (1) We expect revenue from sale of our products to increase due to construction growth and continuing supply of new commercial space in FY2014, which will result in higher demand for furnishing materials such as carpets. Due to the moderation in the overall economic growth of Singapore in the first quarter of FY2014, our Group has not experienced the expected increase in revenue in the corresponding period. In addition, any increase in revenue will be subject to the fluctuations of the US\$ against the S\$ where any weakening of the US\$ will have a negative impact on our revenue;
- (2) We expect the cost of our products to increase in line with the increase in revenue. Also, subject to the fluctuations of the US\$ against the S\$, any strengthening of the US\$ will have an adverse impact on our cost;
- (3) In relation to our inventory, we plan to improve our average inventory turnover days from 146 days in FY2013 and maintain our ability to serve our customers as a premier carpet specialist in Asia. We also plan to widen our product range to meet our customers’ requirements stated in the “Prospect, Business Strategies and Future Plans” section of this Offer Document; and
- (4) We expect our operating expenses to increase mainly due to (i) marketing and business development efforts being intensified in execution of our expansion plans and (ii) an increase in employment costs to execute our expansion plans.

Save for the above, as at the Latest Practicable Date, our Directors do not expect any significant recent trends or any other known trends, uncertainties, demands, commitments or events to have a material effect on us in the current financial year.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

ORDER BOOK

Our Distribution Sales customers' orders are based on confirmed orders and we do not typically enter into long term contracts with them. Our lead-time to fulfil an order is generally within the next working day for local customers or within seven working days for overseas customers, upon final confirmation from our Distribution Sales customers. Our Contract Sales customers enter into contracts (which specifically indicate delivery schedule, quantity and pricing) with us for the supply, delivery and installation of our carpets for specific projects, which the project life may range from one week to several months.

As at the Latest Practicable Date, our order book including both Contract Sales and Distribution Sales is approximately S\$1,700,000, due for delivery over the next two months, barring unforeseen circumstances.

Due to the aforesaid reasons, the state of our order book at any point in time is not reflective or indicative of our Group's overall financial results and performance at the relevant point in time and may be subject to variation, modification and cancellation by customers. Please refer to the "Risk Factors" section of this Offer Document for further details.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:-

Expanding and strengthening our geographical coverage

Currently, we only carry out our Contract Sales projects in Singapore. Our Directors believe that we are able to develop and expand our geographical coverage to serve potential customers in the commercial sector in overseas markets in respect of our Contract Sales business by leveraging on our established track record and positive brand image. Subject to market conditions, we may consider to embark on strengthening our geographical coverage by setting up subsidiaries or representative offices in overseas markets or joint ventures with local partners to tap the opportunities in these markets.

At the Latest Practicable Date, we have exported our proprietary "SMJ" brand of carpets to overseas markets through our global distribution networks of more than 260 carpet dealers, carpet importers and carpet installation companies in over 20 countries mainly in Asia, such as Malaysia, Indonesia, Philippines, Hong Kong, PRC, Taiwan, Korea, Thailand, Vietnam, Brunei, India, Sri Lanka, United Arab Emirates, Saudi Arabia, Maldives, Brazil, Uruguay, Chile, Australia, Kuwait and United Kingdom. We intend to continue to expand our distribution network in these countries. In addition, we recognise the market potential and intend to grow our distribution networks in new emerging markets such as Myanmar. We believe that our established track record and our extensive distribution network will stand us in good stead to expand our distribution network in existing and new emerging markets. Nonetheless, we will increase our marketing efforts by (i) inviting potential carpet dealers, carpet importers and carpet installation companies from these countries to our product launches; and (ii) visiting new potential carpet dealers, carpet importers and carpet installation companies in these countries.

We intend to utilise approximately S\$0.25 million of our net proceeds from the Placement towards marketing and business development.

Expanding our product range and services through acquisitions, joint ventures and/or strategic alliances

Although we are currently selling and distributing carpets for office furnishing, it is our vision to become a regional one-stop office furnishing solution provider. Our Group sees opportunity in offering products and services which are ancillary and complementary to our existing core business in the distribution of carpets. Such new products include system office furniture, blinds, wall coverings and non-carpet floor coverings and we intend to sell and distribute such products in a similar fashion like our business in the distribution of carpets. New service offering which we may expand our business to include carpet maintenance and cleaning.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

We intend to leverage on our track record and expertise in executing Contract Sales projects, existing customer base and regional distribution network to diversify our existing core business in the sale and distribution of carpets. Such offering of new products and services will serve to create new revenue streams for our Group whilst leveraging on our existing sales and distribution networks. We aim to achieve greater success through the introduction of new products or services to stay ahead of the competition.

We believe that one of the most effective ways for an organisation to grow is through acquisitions, joint ventures and strategic alliances. We are keen to consider suitable acquisitions and joint ventures that will enable us to expand our geographical coverage, grow our distribution network, expand our product range and services to include ancillary products to complement our business and operations or enable us to have better control over our supply chain. With our status as a listed company, we would be better positioned to take advantage of opportunities for acquisitions, joint ventures and strategic alliances as we would then be able to issue marketable securities as consideration for any acquisition or joint venture. As at the Latest Practicable Date, we have not entered into any preliminary agreement with any party concerning such ventures. Should we finalise any agreement to further our corporate objectives, we would make the necessary announcements, and (where required) seek approval from our Shareholders and the relevant regulatory authorities in accordance with the requirements of the applicable laws and regulations.

We intend to utilise approximately S\$1.50 million of our net proceeds from the Placement towards acquisitions, joint ventures and/or strategic alliances.

Improving our inventory management system and logistics support to cater for our expanding product range.

In line with our plan to expand our product range, there will be a need for our Group to enhance our inventory management system so that we can continue to monitor and manage our inventory efficiently with the expanded range of products offered by our Group. We also intend to expand our fleet of delivery trucks to ensure that we will not compromise our present ability to fulfil our customers' orders within a short turnaround time from order to delivery which is crucial to our customers mainly in the commercial and institutional sectors, notwithstanding the offering of new products and services by our Group.

We intend to utilise approximately S\$0.34 million of our net proceeds from the Placement towards improving our inventory management system and logistics support.

GOVERNMENT REGULATIONS

We have identified the main laws and regulations (apart from those pertaining to general business requirements) that materially affect our operations and the relevant bodies in Singapore. Details of these laws and regulations are set out below:-

Registration with BCA

The Contractors Registration System is administered by the BCA to serve the procurement needs of government departments, statutory bodies and other public section organisations. Registration in the Contractors Registry maintained by the BCA is a pre-requisite to tendering for projects in the public sector. Presently, there are seven major categories of registration, some of which are further sub-classified into seven grades, depending on the category of registration. Registration of a contractor with the BCA is dependent on the contractor fulfilling certain requirements relating to, amongst others, the value of previously completed projects, personnel resources, and consistent and continuous good performance record. The grade assigned to each contractor is dependent on its minimum net worth and paid-up capital. Our Group is currently registered with the BCA as set out in the “Licences, Permits, Approvals and Certifications” section of this Offer Document.

The scope of work that our Group may carry out under the Finishing and Building Products (SY06) Category includes all types of supply in connection with the finishing and building products such as carpets, tiles, ceiling boards, awnings, blinds, wallpapers and non-structural precast products.

Generally, supply of finishing and building products will fall under (SY06) category.

To maintain the existing BCA grading for our Group, there are certain requirements to be complied with. For example, to maintain SMJ Furnishing’s existing L4 grading under the workhead of SY06 - Finishing and Building Products, there are certain requirements to be complied with, including but not limited to the following:-

- (i) a minimum paid-up capital and minimum net worth of S\$0.25 million;
- (ii) at least one employee possessing a technical qualification with a recognised diploma in Mechanical / Electric / Electronics Engineering or equivalent and have obtained attended the Basic Concept in Construction Productivity Enhancement course conducted by the BCA Academy; and
- (iii) a track record of S\$2.5 million (contract value of awarded projects) for the past three years.

Major Exporter Scheme

We are subject to the provisions under the GST Act, which provides that the importation of goods into Singapore is subject to GST. Section 8(4) of the GST Act provides that GST is charged, levied and payable as if it were customs duty or excise duty and as if all goods imported into Singapore are dutiable and liable to customs duty. However, by virtue of Sections 26 and 37(5) of the GST Act and Regulation 45 of the GST (General) Regulations, we are under the “Major Exporter Scheme”, the effect of which is that GST is suspended on non-dutiable goods imported into Singapore.

To maintain or renew the “Major Exporter Scheme” status for our Group, there are certain requirements to be complied with, including but not limited to the following:-

- (i) importation of goods in the course of a business carried on by our Group;
- (ii) our zero-rated supplies must account for more than 50.0% of our total supplies or the value of our zero-rated supplies must be more than S\$10 million for the past 12 months;
- (iii) maintain good compliance record with GST, Income Tax, and Property Tax;
- (iv) maintain good compliance record with Singapore Customs;

GOVERNMENT REGULATIONS

- (v) maintain good internal controls and proper accounting records; and
- (vi) provision of a letter of guarantee for the coverage of an amount equivalent to the amount of GST for one prescribed accounting period.

Section 21 of the Goods and Services Tax Act states that a supply of goods is zero-rated only if the goods are exported.

Our “Major Exporter Scheme” status was renewed by the Comptroller of Goods and Services Tax (“Comptroller”) in 2011 and shall continue to be valid until 30 April 2015 or upon revocation by the Comptroller, whichever is the earlier.

Regulation of Imports and Exports Act

Under the Regulation of Imports and Exports Act (Cap. 272A), the Director-General of Customs appointed under Section 4(1) of the Customs Act (Cap. 70) may make regulations for the registration, regulation and control of all or any class of goods imported into, exported from, trans-shipped in or in-transit through Singapore. The Regulations of Imports and Exports Regulations (“RIER”) was prescribed in 1999 to control the import-export or trans-shipment of goods through requirements of permits. We are, by virtue of our import and export business, subject to the RIER.

Workplace and Health Safety Measures

Under the MOM’s Workplace Safety and Health Act (Chapter 354A) (“WSHA”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards to facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

From 1 September 2011, the WSHA has been revised to include amongst others:-

- (a) Imposing duties on the employer, to ensure that the employer has the necessary expertise for the work that he is engaged for; and implemented adequate safety and health measures;
- (b) Creating a new offence for persons at work who did a negligent act without reasonable cause; and
- (c) Broadening the definition of an occupational disease to include any disease directly attributable to any exposure to any chemical or biological agent.

Workplace Safety and Health (General Provisions) Regulations (“WSHR”)

More specific duties imposed by the MOM on employers are laid out in WSHR.

Pursuant to the WSHR, the following equipment, amongst others, are required to be tested and examined by an examiner (“Authorised Examiner”) who is authorised by the Commissioner for Workplace Safety and Health (“CWSH”), before they can be used in a factory and thereafter, at specified intervals:-

- hoist or lift;
- lifting gears; and
- lifting appliances and lifting machines.

GOVERNMENT REGULATIONS

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment / occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, amongst others, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is required for the purpose of an investigation or inquiry under the WSHA.

Under the WSHA, the CWSH may issue a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

Employment of Foreign Workers

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A) (the "EFMA") and regulated by the MOM. In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign worker unless he has obtained in respect of the foreign worker a valid work permit from the MOM, which allows the foreign worker to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:-

- (a) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- (b) on a second or subsequent conviction:-
 - (i) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or
 - (ii) in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

Work Injury Compensation

The Work Injury Compensation Act (Chapter 354) ("WICA"), which is regulated by the MOM, applies to workmen in all industries in respect of injury suffered by them in the course of their employment and sets out, amongst others, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to a workman, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

GOVERNMENT REGULATIONS

The WICA provides, amongst others, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any workman employed in the execution of the work any compensation which he would have been liable to pay if that workman had been immediately employed by the principal.

The Workmen's Compensation (Amendment) Act of 2008 amended the WICA and, amongst others, extended its coverage and revised compensation norms.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we have obtained all requisite approvals and licences and we are in compliance with all laws and regulations that would materially affect our business operations.

EXCHANGE CONTROLS

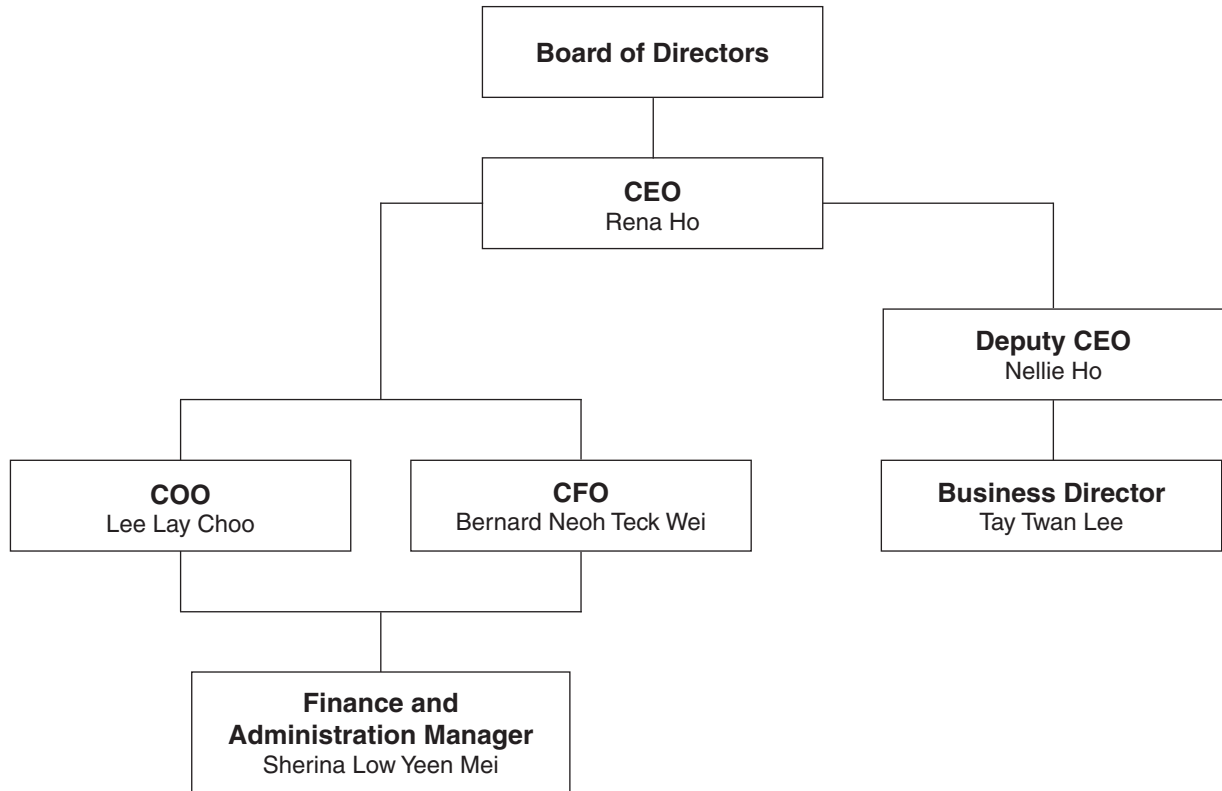
Currently there are no Singapore governmental laws, decrees, regulations and other legislation that may affect the following:-

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out below:-



DIRECTORS, EXECUTIVE OFFICERS AND STAFF

DIRECTORS

Our Directors are entrusted with the responsibility for the overall management of our Group. The particulars of our Directors as at date of this Offer Document are set out below:-

Name	Age	Address	Current Occupation
Ho D'Orville Raymond	79	Blk 75 Whampoa Drive #07-356 Singapore 320075	Nil
Rena Ho ⁽¹⁾	39	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	Executive Director and CEO
Nellie Ho ⁽¹⁾	34	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	Executive Director and Deputy CEO
Lee Lay Choo	51	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	Executive Director and COO
Ng Tiang Hwa	62	83 Paterson Road #10-01 Paterson Residence Singapore 238549	Director of Eastern Growth International Holdings Pte. Ltd.
Chow Wen Kwan Marcus	40	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	Partner of ATMD Bird & Bird LLP

Note:-

(1) Rena Ho and Nellie Ho are sisters.

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Directors is set out below:-

Ho D'Orville Raymond is our Independent Director and was appointed to our Board on 3 June 2014. From 1963 and 1970, Ho D'Orville Raymond 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 USA which produces connectors and drill pipes for the petroleum industry between 1970 and 1975. From 1976 to 2006, he 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, he 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. Ho D'Orville Raymond 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.

Rena Ho is the Executive Director and 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. She 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. Rena Ho graduated from Nanyang Technological University with a Bachelor's degree in Business (Honours) in 1997.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

Nellie Ho 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. She is responsible for export sales and marketing function and monitoring the implementation of all expansion plans and policies for overseas markets. She 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. Nellie Ho has been admitted as a Certified Accounting Technician of the Association of Chartered Certified Accountants in 2001.

Lee Lay Choo is the Executive Director and COO of our Group. Lee Lay Choo 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, Lee Lay Choo joined Hong Fook Realty Pte Ltd as administrative assistant in charge of administrative duties. Lee Lay Choo 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. Lee Lay Choo attained a GCE 'O' Level certificate in 1978.

Ng Tiang Hwa is our Independent Director and was appointed to our Board on 3 June 2014. He 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. Ng Tiang Hwa 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. Ng Tiang Hwa is a member of the Institute of Singapore Chartered Accountants, a fellow member of the Chartered Institute of Management Accountants, United Kingdom and an affiliate 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 is our Independent Director and was appointed to our Board on 3 June 2014. He is currently a partner of ATMD Bird & Bird LLP in Singapore. Chow Wen Kwan Marcus has more than 13 years of experience in legal practice and his practice focuses on mergers and acquisitions, private equity and equity and debt capital markets. He had worked in Fried, Frank, Harris, Shriver & Jacobson in New York, Hogan Lovells in Hong Kong and White & Case LLP and Drew & Napier LLC in Singapore. Chow Wen Kwan Marcus 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 Harvard Kennedy School. Chow Wen Kwan Marcus is qualified to practise in Singapore and New York, USA.

Ho D'Orville Raymond and Chow Wen Kwan Marcus have prior experience as directors of public listed companies in Singapore. Rena Ho, Nellie Ho, Lee Lay Choo and Ng Tiang Hwa do not have prior experience as directors of public listed companies in Singapore but have received relevant training to familiarise themselves with the roles and responsibilities of a director of a company listed on the SGX-ST.

Save for (i) our Executive Directors, Rena Ho and Nellie Ho who are sisters, (ii) our Executive Officer, Tay Twan Lee who is the spouse of our Executive Director, Nellie Ho; and (iii) our Controlling Shareholder, Lui Oi Kheng who is the mother of our Executive Directors, Rena Ho and Nellie Ho, none of our Directors has any family relationship with another Director or with any Executive Officer or Substantial Shareholder of our Company.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

There was no agreement or arrangement with our Substantial Shareholders, customers or suppliers pursuant to which we will appoint any of them or any person nominated by any of them as our Director.

None of our Independent Directors sits on the board of our subsidiary. The list of present and past directorships of each Director over the last five years preceding the date of this Offer Document excluding those held in our Company, is set out below:-

Name	Present Directorships	Past Directorships
Ho D'Orville Raymond	<u>Group corporations</u>	<u>Group corporations</u>
	Nil	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Nil	Broadband Network Systems Limited Horay Business Consultants Pte Ltd Infinio Group Limited ⁽¹⁾ Roomwise Holdings Pte. Ltd. Widget Exchange Pte. Ltd.
Rena Ho	<u>Group corporations</u>	<u>Group corporations</u>
	SMJ Furnishings	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Nil	SMJ Furnishings (H.K.) Limited ⁽²⁾ SMJ Malaysia ⁽³⁾
Nellie Ho	<u>Group corporations</u>	<u>Group corporations</u>
	SMJ Furnishings	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Nil	SMJ Furnishings (H.K.) Limited ⁽²⁾ SMJ Malaysia ⁽³⁾
Lee Lay Choo	<u>Group corporations</u>	<u>Group corporations</u>
	SMJ Furnishings	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Nil	Nil
Ng Tiang Hwa	<u>Group corporations</u>	<u>Group corporations</u>
	Nil	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Eastern Growth International Holdings Pte. Ltd. Pawsibility Pte. Ltd. TPK & Co. Pte. Ltd.	Sinofabric Limited

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

Name	Present Directorships	Past Directorships
Chow Wen Kwan Marcus	<u>Group corporations</u>	<u>Group corporations</u>
	Nil	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Hafary Holdings Limited Ley Choon Group Holdings Limited	Duty Free International Limited Weiye Holdings Limited Zhongxin Fruit and Juice Limited

Notes:-

- (1) Infinio Group Limited was formerly known as Auston International Group Ltd.
- (2) Pursuant to Hong Kong laws, SMJ Furnishings (H.K.) Limited had been deregistered voluntarily on 15 June 2012. There was no transaction between our Group and SMJ Furnishings (H.K.) Limited during the periods under review.
- (3) Please refer to the "Intellectual Property" section of this Offer Document for more information on SMJ Malaysia.

EXECUTIVE OFFICERS

Our day-to-day operations are entrusted to our Executive Directors who are assisted by an experienced and qualified team of Executive Officers. The particulars of our Executive Officers are set out below:-

Name	Age	Address	Current Occupation
Tay Twan Lee	35	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	Business Director
Bernard Neoh Teck Wei	36	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	CFO
Sherina Low Yeen Mei	34	c/o 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115	Finance and Administration Manager

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Executive Officers are set out below:-

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. Tay Twan Lee 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. Tay Twan Lee graduated from Temasek Polytechnic in 2001 with a Diploma in Mechatronics.

Bernard Neoh Teck Wei joined our Group as CFO in November 2013 where he is responsible for the overall financial accounting and financial reporting of our Group. Prior to joining our Group, Bernard Neoh Teck Wei provided advisory services to companies seeking listing in the Singapore or Malaysia stock exchange and assisted expanding enterprise in fund raising through Sino-Capital Consulting Pte. Ltd. and Dektos Investments Ltd, companies co-founded by him, from 2008 to 2013. Bernard Neoh Teck Wei has about nine years experience in the audit profession. He joined Baker Tilly TFWLCL and First-Trust Partnership as assurance manager from 2006 to 2008 and from 2005 to 2006 respectively. He started his career in 1999 as an audit assistant with Heng Lee Seng & Co. before he joined PricewaterhouseCoopers as audit associate in the same year and was an assistant manager when he left PricewaterhouseCoopers in 2004. Bernard Neoh Teck Wei is a member of the Association of Chartered Certified Accountants.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

Sherina Low Yeen Mei is our Finance and Administration Manager. She is responsible for daily accounting and human resource matters of our Group. Sherina Low Yeen Mei 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, she 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.

Save for Tay Twan Lee who is the spouse of our Executive Director, Nellie Ho, none of our Executive Officers has any family relationship with another Executive Officer or with any Director or Substantial Shareholder of our Company.

There was no agreement or arrangement with our Substantial Shareholders, customers or suppliers pursuant to which we will appoint any of them or any person nominated by any of them as our Executive Officer.

The list of present and past directorships of each Executive Officer over the last five years preceding the date of this Offer Document excluding those held in our Company, is set out below:-

Name	Present Directorships	Past Directorships
Tay Twan Lee	<u>Group corporations</u>	<u>Group corporations</u>
	Nil	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Nil	Nil
Bernard Neoh Teck Wei	<u>Group corporations</u>	<u>Group corporations</u>
	Nil	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Sino-Capital Consulting Pte. Ltd. ⁽¹⁾	Dektos Investments Ltd
Sherina Low Yeen Mei	<u>Group corporations</u>	<u>Group corporations</u>
	Nil	Nil
	<u>Other corporations</u>	<u>Other corporations</u>
	Nil	Nil

Note:-

(1) Sino-Capital Consulting Pte. Ltd. is a dormant company.

STAFF

As at 31 December 2013, we have a workforce of 41 full-time employees. We do not experience any significant seasonal fluctuations in our number of employees, as we do not employ a significant number of temporary employees.

None of our employees are unionised. There has not been any incidence of work stoppages or labour disputes that has affected our operations. Accordingly, we consider our relationship with our employees to be good.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

The number of employees of our Group as at the end of each of the periods under review, segmented by function are as follows:-

Function	← Number of Employees →		
	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013
Management ⁽¹⁾	5	5	6
Sales and marketing	10	10	9
Project management	4	4	4
Finance and administration	5	5	4
Warehouse and logistics	16	15	15
Others	1	3	3
Total	41	42	41

Note:-

(1) Executive Directors and Executive Officers are classified under management.

Save for CPF contributions, we have not set aside or accrued any amounts to provide for pension, retirement or similar benefits for any of our employees.

REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

Directors and Executive Officers

The remuneration paid to our Directors and Executive Officers (which includes benefits-in-kind and bonuses) for services rendered to us on an aggregate basis and in remuneration bands of S\$250,000 ⁽¹⁾ during FY2012 and FY2013 (being the two most recent completed financial years) and as estimated for FY2014 is as follows:-

	FY2012	FY2013	FY2014 ⁽²⁾ (estimated)
Directors			
Ho D'Orville Raymond	— ⁽³⁾	— ⁽³⁾	Band A
Rena Ho	Band A	Band A	Band A
Nellie Ho	Band A	Band A	Band A
Lee Lay Choo	Band A	Band A	Band A
Ng Tiang Hwa	— ⁽³⁾	— ⁽³⁾	Band A
Chow Wen Kwan Marcus	— ⁽³⁾	— ⁽³⁾	Band A
Executive Officers			
Tay Twan Lee	Band A	Band A	Band A
Bernard Neoh Teck Wei	— ⁽³⁾	Band A	Band A
Sherina Low Yeen Mei	Band A	Band A	Band A

Notes:-

- (1) Band A: Compensation from S\$0 to S\$250,000 per annum.
- (2) The estimated amount for FY2014 does not take into account the performance bonus that our Executive Directors are entitled to receive under their respective Service Agreements, further details of which are set out in the "Service Agreements" section of this Offer Document.
- (3) Not under our appointment as at the relevant period.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

Related Employees

As at the Latest Practicable Date, save for (i) our Executive Directors, Rena Ho and Nellie Ho who are sisters, (ii) our Executive Officer, Tay Twan Lee who is the spouse of our Executive Director, Nellie Ho; and (iii) our Controlling Shareholder, Lui Oi Kheng who is the mother of our Executive Directors, Rena Ho and Nellie Ho, we do not have employees who were related to our Directors or Substantial Shareholders.

For FY2012 and FY2013, the remuneration (including CPF contributions thereon and bonuses) of Tay Twan Lee amounted to less than S\$250,000 each year. For the current financial year ending 31 December 2014, the estimated remuneration (including CPF contributions thereon and excluding bonus) of Tay Twan Lee is expected to be less than S\$250,000.

The remuneration of any employees who are related to our Directors or Substantial Shareholders will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

SERVICE AGREEMENTS

Our Company has entered into separate service agreements (the "Service Agreements") with our Executive Directors, namely Rena Ho, Nellie Ho and Lee Lay Choo. The Service Agreements are valid for an initial period of three years upon admission of our Company to 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. Our 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 our 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;
- (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.

Pursuant to the terms of the Service Agreements, Rena Ho, Nellie Ho and Lee Lay Choo are entitled to a monthly salary of S\$12,240, S\$10,540 and S\$14,110 respectively. Our 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 our Remuneration Committee. All reasonable travelling, hotel and other expenses incurred by the Executive Directors in connection with our business will also be borne by us. In addition, all reasonable medical expenses of our Executive Directors in accordance with our personnel policy shall be reimbursed by us.

Under the Service Agreements, the salaries of the Executive Directors are subject to review by the Remuneration Committee after the accounts of our 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 our Board in relation to the terms and renewal of their respective Service Agreements.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

Under the Service Agreements, each Executive Director has covenanted not to do business with any person who has done business with us or entice away any of our employees in connection with the carrying on of any business similar to or in competition with our business for 12 months after ceasing to be employed by our Group. Each Executive Director has also covenanted not to carry on any activity or business in competition with us within Singapore or any country in which we have operations or carried on business, for 12 months after ceasing to be employed under his Service Agreement.

Directors' fees do not form part of the terms of the Service Agreements as these will only be paid out to Directors after the approval of Shareholders at our Company's annual general meeting.

Had the Service Agreements been in existence since the beginning of FY2013, the aggregate remuneration paid to the Executive Directors would have been approximately S\$685,000 instead of S\$431,000 and our PBT would have been approximately S\$2,972,000 (instead of S\$3,226,000) and our PAT would have been approximately S\$2,478,000 (instead of S\$2,732,000).

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

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders. Our Board of Directors has formed three committees: (i) the Nominating Committee, (ii) the Remuneration Committee and (iii) the Audit Committee.

Nominating Committee

Our Nominating Committee comprises Ho D'Orville Raymond, Chow Wen Kwan Marcus and Rena Ho. The chairman of the Nominating Committee is Chow Wen Kwan Marcus.

Our Nominating Committee will be responsible for:-

- (a) re-nomination of our 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 Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

Generally, the Nominating Committee does not appoint new directors, but nominates them to the Board which retains the final discretion in appointing such new directors.

Our Nominating Committee (apart from Chow Wen Kwan Marcus), after having:-

- (a) noted that Chow Wen Kwan Marcus is aware of his responsibilities and obligations owing to each of the companies whom he serves as director as well as the time commitment and duties required from him given his past experience acting as director of listed companies; and
- (b) considered that Chow Wen Kwan Marcus is supported by his staff in carrying out the duties of his full time employment,

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

is of the opinion that Chow Wen Kwan Marcus is suitable to be appointed as our Independent Director, notwithstanding that he is concurrently holding full time employment and serving as independent director of other listed companies. Chow Wen Kwan Marcus had also obtained the consent of the respective nominating committees of the listed companies whom he serves as director with regard to his appointment as our Independent Director.

Our Sponsor and Issue Manager after having considered the opinion of our Nominating Committee as disclosed above, and its interactions with our Independent Directors, is of the view that Chow Wen Kwan Marcus is able to devote sufficient time to our Company to carry out his duties as our Independent Director.

Remuneration Committee

Our Remuneration Committee comprises Ho D'Orville Raymond, Ng Tiang Hwa and Chow Wen Kwan Marcus. The chairman of the Remuneration Committee is Ng Tiang Hwa.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director.

The recommendations of our Remuneration Committee should be 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 shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting any resolutions in respect of his remuneration package. The remuneration of employees who are related to our Directors or Substantial Shareholders will also be reviewed annually by our Remuneration Committee to ensure that their remuneration package are in line with our staff remuneration guideline and to commensurate with their respective job scopes and level of responsibilities.

Audit Committee

Our Audit Committee comprises Ho D'Orville Raymond, Ng Tiang Hwa and Chow Wen Kwan Marcus. The chairman of the Audit Committee is Ho D'Orville Raymond.

Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our Directors or Substantial Shareholders.

Our Audit Committee will assist our Board in discharging their responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee will provide a channel of communication between our Board, our management and our external auditors on matters relating to audit.

Our Audit Committee shall meet periodically to perform the following functions:-

- (a) review the audit plans of our external auditors and internal auditors, including the results of our external and internal auditors' review and evaluation of our system of internal controls;
- (b) review the annual consolidated financial statements and our 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 their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to our 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 Catalist Rules, before submission to our Board for approval;

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

- (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 our Group's operating results or financial position and our management's response;
- (e) review the co-operation given by our management to our external auditors;
- (f) consider the appointment or re-appointment of the external auditors;
- (g) review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (h) review potential conflicts of interests (if any);
- (i) review the procedures by which employees of our Group may, in confidence, report to the chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;
- (j) undertake such other reviews and projects as may be requested by our Board, and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (k) undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of the Audit Committee shall abstain from voting from any resolutions in respect of matters in which he is interested.

Our Audit Committee shall also commission an annual internal control audit until such time as our Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weakness (if any). Prior to decommission of such annual audit, our Board is required to report to the SGX-ST and the Sponsor and Issue Manager on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Currently, based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews performed by our management and our Board, our Board, to the best of its knowledge and belief, with the concurrence of our Audit Committee, is of the opinion that the internal controls of our Group are adequate to address financial, operational and compliance risks of our Group.

Our Audit Committee, after having:-

- (a) conducted interviews with Bernard Neoh Teck Wei;
- (b) considered the qualifications and past working experiences of Bernard Neoh Teck Wei (as described in the "Directors, Executive Officers and Staff" section of this Offer Document); and
- (c) observed Bernard Neoh Teck Wei's abilities, familiarity and diligence in relation to the financial matters and information of our Group,

is of the view that Bernard Neoh Teck Wei is suitable for the position of CFO of our Group.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

Further, after making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of our Audit Committee members to cause them to believe that Bernard Neoh Teck Wei does not have the competence, character and integrity expected of a CFO of a listed issuer.

BOARD PRACTICES

Our Articles of Association provide that our Board will consist of not less than two (2) Directors. None of our Directors is appointed for any fixed terms.

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. One-third (or the number nearest one-third) of our Directors, are required to retire from office at each annual general meeting. Every Director must retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors or Controlling Shareholders or their respective Associates) are known as interested person transactions. The following discussions on material interested person transactions for the periods under review and the period from 1 January 2014 to the Latest Practicable Date (the “Relevant Period”), is based on our Group and interested persons as construed accordingly.

Save as disclosed below and in the “Restructuring Exercise” section of this Offer Document, none of our Directors, Controlling Shareholders or their respective Associates (each, an Interested Person) was or is interested in any material transaction undertaken by our Group for the Relevant Period.

PAST TRANSACTIONS

Loan from our Group to Interested Person

In FY2012, our Group granted a loan of S\$416,000 to our late founder, Peter Ho, spouse of our Controlling Shareholder, Lui Oi Kheng and father of our Executive Directors, Rena Ho and Nellie Ho, for personal use. Such loan was not made on an arm’s length basis as it was interest-free, unsecured and had no fixed terms of repayment. The loan had been fully repaid to our Group by the family of Peter Ho following his demise in FY2013. After our admission to Catalist, we have no intention to grant loans and advances to any interested persons.

Provision of Personal Guarantee and Securities by Interested Persons

During the Relevant Period, Peter Ho and Lui Oi Kheng provided joint and several personal guarantees to secure the credit and trade facilities of S\$1,000,000 provided by DBS Bank Ltd. Peter Ho also provided a personal guarantee for S\$7,350,000 to secure the credit and trade facilities of S\$9,800,000 provided by Oversea-Chinese Banking Corporation Limited during the Relevant Period.

Apart from the provision of the aforesaid personal guarantee, Peter Ho furnished the properties formerly jointly held by him and Lui Oi Kheng at No.151 Chin Swee Road, #07-11 and #07-13 Manhattan House, Singapore 169876 as securities to secure the credit and trade facilities of S\$9,800,000 provided by Oversea-Chinese Banking Corporation Limited during the Relevant Period.

No consideration was paid to Peter Ho and Lui Oi Kheng for the provision of the aforesaid personal guarantee and/or securities. The largest aggregated amount guaranteed by Peter Ho and Lui Oi Kheng was S\$8,350,000 during the Relevant Period, which was the maximum contracted guarantee liability.

PRESENT AND ON-GOING TRANSACTIONS

Provision of Personal Guarantees and Securities by Interested Persons

During the Relevant Period, our Controlling Shareholder, Lui Oi Kheng and Executive Directors, namely Rena Ho, Nellie Ho and Lee Lay Choo provided personal guarantees for S\$7,350,000 to secure the credit and trade facilities of S\$9,800,000 provided by Oversea-Chinese Banking Corporation Limited.

Apart from the provision of the aforesaid personal guarantees, Lui Oi Kheng furnished the properties at No.151 Chin Swee Road, #07-11 and #07-13 Manhattan House, Singapore 169876 as securities to secure the credit and trade facilities of S\$9,800,000 provided by Oversea-Chinese Banking Corporation Limited during the Relevant Period.

No consideration was paid to Lui Oi Kheng, Rena Ho, Nellie Ho and Lee Lay Choo for the provision of the aforesaid personal guarantees and/or securities. The largest aggregated amount guaranteed by Lui Oi Kheng, Rena Ho, Nellie Ho and Lee Lay Choo was S\$7,350,000 during the Relevant Period which was the maximum contracted guarantee liability. As at the Latest Practicable Date, the aggregated amount guaranteed by Lui Oi Kheng, Rena Ho, Nellie Ho and Lee Lay Choo was S\$7,350,000 which was the maximum contracted guarantee liability.

INTERESTED PERSON TRANSACTIONS

Subsequent to the Placement, the above-named guarantors and securities provider intend to obtain a release and discharge of the above guarantees and securities from the financial institution by substituting the same with other securities to be furnished by our Group that are acceptable to the financial institution, if required. Should the financial institution be unwilling to release and discharge the above guarantees and securities, the guarantors and securities provider will continue to provide the personal guarantees and securities.

Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, where a listed company or any of its subsidiaries or associated companies over which the listed company has control (other than a subsidiary or associated company that is listed on a foreign stock exchange) proposes to enter into a transaction with the listed company's interested persons, shareholders' approval and/or an immediate announcement is required in respect of the transaction if the value of the transaction is equal to or exceeds certain financial threshold. In particular, shareholders' approval is required where the value of such transaction is not below S\$100,000 and is:-

- (i) equal to or more than 5.0% of the latest audited NTA of the listed company; or
- (ii) equal to or more than 5.0% of the latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

Definitions under the Catalist Rules

Under the Catalist Rules:-

- (a) the term "interested person" is defined to mean a director, CEO, or controlling shareholder of the listed company or an associate of any such director, CEO or controlling shareholder; and
- (b) the term "associate" is defined to mean:-
 - (i) in relation to any director, CEO, substantial shareholder or controlling shareholder (being an individual):-
 - his immediate family;
 - the trustee of any trust of which he and his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - any company in which he and his immediate family (that is, the spouse, child, adopted child, step child, sibling or parent) together (directly or indirectly) have an interest of 30.0% or more;
 - (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that future transactions with interested persons are undertaken on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group.

INTERESTED PERSON TRANSACTIONS

In relation to any purchase of products or procurement of services from interested persons, quotes from at least two unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparison wherever possible. The purchase price, procurement price or fee for services shall not be higher than the most competitive price of the two comparative prices from the two unrelated third parties. The Audit Committee will review the comparables, taking into account, the suitability, quality and cost of the product or service, and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to interested persons, the price and terms of two other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. The interested persons shall not be charged at rates lower than that charged to the unrelated third parties.

All interested person transactions above S\$100,000 are to be approved by our Board who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are no more favourable than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties.

In addition, we shall monitor all interested person transactions entered into by us categorising the transactions as follows:-

- (i) a "category one" interested person transaction is one where the value thereof is in excess of 5.0% of the NTA of our Group; and
- (ii) a "category two" interested person transaction is one where the value thereof is below or equal to 5.0% of the NTA of our Group.

"Category one" interested person transactions must be approved by our Audit Committee prior to entry. "Category two" interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a half-yearly basis by our Audit Committee.

When renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (as necessary), including independent valuation report by property valuer, where appropriate. The rent payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant enquiries. Such transactions shall be subject to review by our Audit Committee on a half-yearly basis.

We will prepare relevant information to assist our Audit Committee in its review.

Before any agreement or arrangement with an interested person that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

We will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules, the Companies Act or the SFA, we will seek independent Shareholders' approval for such transactions.

POTENTIAL CONFLICTS OF INTERESTS

INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS OR THEIR ASSOCIATES

Save as disclosed in the “Interested Person Transactions” section of this Offer Document, during the periods under review and the period from 1 January 2014 to the Latest Practicable Date:-

- (a) none of our Directors, Controlling Shareholders or any of their respective Associates has any interest, direct or indirect, in any material transactions to which our Company or our subsidiary was or is a party;
- (b) none of our Directors, Controlling Shareholders or any of their respective Associates has any interest, direct or indirect, in any entity carrying on the same business or dealing in similar products which competes materially and directly with the existing business of our Group; and
- (c) none of our Directors, Controlling Shareholders or any of their respective Associates has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods and services.

INTERESTS OF EXPERTS

None of the experts named in this Offer Document:-

- (i) is employed on a contingent basis by our Company or our subsidiary;
- (ii) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiary; or
- (iii) has a material economic interest, whether direct or indirect, in our Company, including having an interest in the success of the Placement.

INTERESTS OF SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, the Sponsor, Issue Manager and Placement Agent do not have a material relationship with our Company save that HLF is the Sponsor, Issue Manager and the Placement Agent for the Placement. Please refer to the “Management and Placement Arrangements” section of this Offer Document for further details on our management and placement arrangements.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of our Shares through Catalist will be effected in accordance with the terms and conditions for the operation of Securities Accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding the Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on Catalist, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP. The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.04% of the transaction value subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore GST at the prevailing rate of 7% (or such other rate prevailing from time to time).

Dealing in our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholder is or was involved in any of the following events:-
 - (a) had at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
 - (b) had at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) has any unsatisfied judgment against him;
 - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty, which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (e) has been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including pending criminal proceedings of which he is aware) for such breach;
 - (f) at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) has been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (i) has been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
 - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

GENERAL AND STATUTORY INFORMATION

- (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
- (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Disclosure pertaining to Ho D'Orville Raymond

Ho D'Orville Raymond was a director of Broadband Network Systems Limited ("BNSL"), a Hong Kong incorporated company, from 18 September 2010 to 17 February 2011. BNSL is a wholly-owned subsidiary of Infinio Group Limited ("Infinio"). An amended winding up petition was filed by certain former employees of BNSL on 1 June 2011 in the High Court of Hong Kong in respect of a claim for unpaid salaries and bonuses. Infinio, in view of the above, had on 7 June 2011 applied to the High Court of Hong Kong for an order to join as supporting creditor in the winding up petition against BNSL in respect of various loans extended to BNSL by the Company amounting to an aggregate of S\$4,824,694.51. On 8 June 2011, a winding up order was made by the High Court of Hong Kong in respect of BNSL.

Disclosure pertaining to Bernard Neoh Teck Wei

In February 2004, a bankruptcy order was obtained by DBS Bank Ltd. against Bernard Neoh Teck Wei for a debt of approximately S\$13,788. Bernard Neoh Teck Wei was unrepresented at the court hearing. The outstanding debt owing to DBS Bank Ltd. was subsequently settled by Bernard Neoh Teck Wei, and the bankruptcy order against him was annulled by the Official Assignee in October 2005.

CHANGES IN SHARE CAPITAL

- 2. Save as disclosed below, there were no changes in the issued and paid-up capital of our Company and subsidiary within the three years preceding the date of lodgement of this Offer Document:-

Our Company

Date of Issue	Number of Shares Issued	Purpose	Consideration Per Share	Resultant Issued Share Capital
31 December 2013	100	Incorporation	S\$1.00	S\$100
26 May 2014	100	Restructuring Exercise	S\$35,000	S\$3,500,100

- 3. Save as disclosed above and in the "Restructuring Exercise" section of this Offer Document, no shares in our Company or subsidiary have been issued for a consideration other than cash during the three years preceding the date of lodgement of this Offer Document.

GENERAL AND STATUTORY INFORMATION

MATERIAL CONTRACT

4. The following contract, not being a contract entered into in the ordinary course of business, has been entered into by our Company and our subsidiary within the two years preceding the date of lodgement of this Offer Document and is or may be material:-
 - (a) Restructuring agreement dated 16 May 2014 entered into between our Company, Lui Oi Kheng, Rena Ho, Nellie Ho and Lee Lay Choo as described in the "Restructuring Exercise" section of this Offer Document.

LITIGATION

5. At the Latest Practicable Date, neither our Company nor our subsidiary is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had during the last 12 months before the date of this Offer Document, a material effect on our Group's financial position or profitability.

MISCELLANEOUS

6. Save as disclosed in Appendix A of this Offer Document, our Directors are not aware of any event which has occurred since 31 December 2013, which may have a material effect on the financial information provided in the Audited Combined Financial Statements set out in Appendix A of this Offer Document.
7. We currently have no intention of changing the auditors of our Company and our subsidiary after the admission of our Company to Catalist.

CONSENTS

8. Nexia TS Public Accounting Corporation, the Independent and Reporting Auditors, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the Audited Combined Financial Statements in the form and context in which it is included and its name and references thereto in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
9. HLF, the Sponsor, Issue Manager and Placement Agent, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and references thereto in the form and context in which it appears in this Offer Document and to act in such capacity as in relation to this Offer Document.
10. Opal Lawyers LLC, the Solicitors to the Placement, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and references thereto in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.
11. Unless otherwise expressly stated herein, each of the Solicitors to the Placement, the Share Registrar and Share Transfer Office, the Principal Banker and the Receiving Banker does not make or purport to make any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and each of them makes no representation regarding any statement in this Offer Document and to the maximum extent permitted by law, expressly disclaim and takes no responsibility for any liability to any person which is based on, or arises out of, any statement, information or opinions in, or omission from, this Offer Document.

GENERAL AND STATUTORY INFORMATION

DOCUMENTS AVAILABLE FOR INSPECTION

12. Copies of the following documents may be inspected at the registered address of our Company during normal business hours for a period of six months from the date of registration by the SGX-ST acting as agent on behalf of the Authority, of this Offer Document:-
- (a) the Memorandum and Articles of Association of our Company;
 - (b) the Audited Combined Financial Statements set out in Appendix A of this Offer Document;
 - (c) the audited financial statements of SMJ Furnishings for FY2011, FY2012 and FY2013;
 - (d) the material contract referred to in paragraph 4 above;
 - (e) the letters of consent referred to in paragraphs 8 to 10 above; and
 - (f) the Service Agreements.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

13. This Offer Document has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiary, and our Directors and the Vendors are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Statement by Directors
For the Financial Years Ended 31 December 2011, 2012 and 2013

In the opinion of the directors,

- (i) the combined financial statements set out on pages A-4 to A-39 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013, and of the results, changes in equity and cash flows of the Group for the financial years then ended, 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.

On behalf of the directors

Ho Pei Yuen, Rena
Director

Ho Wan Jing, Nellie
Director

Singapore

20 June 2014

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

20 June 2014

The Board of Directors
SMJ International Holdings Ltd.
31 Jurong Port Road
#02-20 Jurong Logistics Hub
Singapore 619115

Dear Sirs

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of SMJ International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") set out on pages A-4 to A-39, which comprise the combined balance sheets of the Group as at 31 December 2011, 2012 and 2013, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2011, 2012 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with the provisions of the 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined 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 combined financial statements.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

INDEPENDENT AND REPORTING AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013
(continued)

Auditor's Responsibility (continued)

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

Opinion

In our opinion, the combined financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013, and of the results, changes in equity and cash flows of the Group for each of the financial years ended on 31 December 2011, 2012 and 2013.

Restriction on Distribution and Use

This report has been prepared solely for inclusion in the Offer Document of the Company in connection with the proposed initial public offering of ordinary shares in the Capital of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Philip Tan Jing Choon

Singapore

20 June 2014

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Combined Statements of Comprehensive Income
For the Financial Years Ended 31 December 2011, 2012 and 2013

	Note	2011 \$'000	2012 \$'000	2013 \$'000
Revenue	4	24,088	23,614	22,026
Other income/ (losses) – net	5	1	164	(11)
Changes in inventories		(478)	(629)	(111)
Expenses				
- Purchases of inventories		(14,009)	(13,873)	(12,625)
- Depreciation	15	(73)	(58)	(52)
- Employee compensation	6	(2,236)	(2,379)	(2,259)
- Finance	7	(35)	(31)	(57)
- Freight and transportation		(1,342)	(1,308)	(670)
- Installation		(958)	(804)	(798)
- Other	8	(1,836)	(1,890)	(2,217)
Total expenses		(20,967)	(20,972)	(18,789)
Profit before income tax		3,122	2,806	3,226
Income tax expense	9	(467)	(411)	(494)
Total comprehensive income, representing net profit		2,655	2,395	2,732
Total comprehensive income attributable to:				
Equity holders of the Company		2,655	2,395	2,732
Earnings per share for profit attributable to equity holders of the Company (cents per share)				
Basic and diluted	10	0.76	0.68	0.78

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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Combined Balance Sheets
As at 31 December 2011, 2012 and 2013

	Note	2011 \$'000	2012 \$'000	2013 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	11	4,474	4,891	5,475
Trade and other receivables	12	5,609	5,615	5,960
Inventories	13	5,775	5,145	5,035
		15,858	15,651	16,470
Non-current assets				
Investment property	14	728	1,047	1,047
Property, plant and equipment	15	128	78	32
		856	1,125	1,079
Total assets		16,714	16,776	17,549
LIABILITIES				
Current liabilities				
Trade and other payables	16	3,024	2,395	2,193
Current income tax liabilities		507	456	654
Borrowings	17	1,557	435	2,480
		5,088	3,286	5,327
Non-current liabilities				
Deferred income tax liabilities	18	15	9	9
Total liabilities		5,103	3,295	5,336
NET ASSETS		11,611	13,481	12,213
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	19	3,500	3,500	3,500
Retained profits		8,111	9,981	8,713
Total equity		11,611	13,481	12,213

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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Combined Statements of Changes in Equity
For the Financial Years Ended 31 December 2011, 2012 and 2013

	Note	Attributable to equity holders of the Company		
		Share capital \$'000	Retained profits ⁽¹⁾ \$'000	Total equity \$'000
2011				
Beginning of financial year		3,500	5,981	9,481
Dividend relating to 2010 paid	20	–	(525)	(525)
Total comprehensive income for the year		–	2,655	2,655
End of financial year		<u>3,500</u>	<u>8,111</u>	<u>11,611</u>
2012				
Beginning of financial year		3,500	8,111	11,611
Dividend relating to 2011 paid	20	–	(525)	(525)
Total comprehensive income for the year		–	2,395	2,395
End of financial year		<u>3,500</u>	<u>9,981</u>	<u>13,481</u>
2013				
Beginning of financial year		3,500	9,981	13,481
Dividend relating to 2012 paid	20	–	(1,000)	(1,000)
Interim dividend relating to 2013	20	–	(3,000)	(3,000)
Total comprehensive income for the year		–	2,732	2,732
End of financial year		<u>3,500</u>	<u>8,713</u>	<u>12,213</u>

(1) The retained profits of the Group are distributable.

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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Combined Statements of Changes in Equity
For the Financial Years Ended 31 December 2011, 2012 and 2013

	Note	2011 \$'000	2012 \$'000	2013 \$'000
Cash flows from operating activities				
Net profit		2,655	2,395	2,732
Adjustments for:				
- Income tax expense	9	467	411	494
- Depreciation	15	73	58	52
- Interest expense	7	35	31	57
		3,230	2,895	3,335
Change in working capital:				
- Inventories		478	630	110
- Trade and other receivables		96	(6)	(761)
- Trade and other payables		(772)	(629)	(202)
Cash generated from operations		3,032	2,890	2,482
Income tax paid		(438)	(468)	(296)
Net cash provided by operating activities		2,594	2,422	2,186
Cash flows from investing activities				
Additions to property, plant and equipment	15	(56)	(8)	(6)
Additions to investment property	14	(728)	(319)	-
Net cash used in investing activities		(784)	(327)	(6)
Cash flows from financing activities				
Proceeds from borrowings		11,074	8,513	9,479
Repayment of borrowings		(10,114)	(9,635)	(7,434)
Interest		(35)	(31)	(57)
Dividends paid to equity holders of the Company	20	(525)	(525)	(3,584)
Net cash provided by/ (used in) financing activities		400	(1,678)	(1,596)
Net increase in cash and cash equivalents		2,210	417	584
Cash and cash equivalents				
Beginning of financial year		2,264	4,474	4,891
End of financial year	11	4,474	4,891	5,475

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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

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

1 Corporate information

1.1 The Company

The Company is incorporated in Singapore on 31 December 2013 as a private company limited by shares, under the name of "SMJ International Holdings Pte Ltd.", to act as the holding corporation of the Group. At incorporation, the Company's issued and paid-up share capital was \$100, comprising 100 ordinary shares. The Company was incorporated for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise (Note 1.2).

The Company was converted into a public limited company and the name was changed to "SMJ International Holdings Ltd." on 28 May 2014. The combined financial statements are presented in Singapore Dollar and all values are rounded to the nearest thousand (\$'000) except otherwise indicated.

The combined financial statements of SMJ International Holdings Ltd. (the "Company") and its subsidiary (collectively, the "Group") have been prepared for the purpose of inclusion in filings associated with the proposed initial public offering of ordinary shares in the Capital of the Company on Catalyst, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The address of its registered and principal place of business is located at 31 Jurong Port Road #02-20 Jurong Logistics Hub Singapore 619115.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described below.

The Group after restructuring comprises the Company and the following subsidiaries:

Name of companies	Principal activities	Country of Business/ incorporation	Equity holding		
			2011	2012	2013
			%	%	%
SMJ Furnishings (S) Pte Ltd ("SMJ Furnishings")	General wholesale trade of carpets and furnishings material	Singapore	100	100	100

(a) *Sale of shares in SMJ Furnishings by Lui Oi Kheng to Lee Lay Choo*

In 20 February 2014, our Controlling Shareholder, Lui Oi Kheng entered into a share sale agreement with our Executive Director and COO, Lee Lay Choo relating to the sale of 350,000 ordinary shares in the share capital of SMJ Furnishings by Lui Oi Kheng to Lee Lay Choo at a sale price of \$888,000. The sale price was determined based on the willing buyer and willing seller basis.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

1 Corporate information (continued)

1.1 The Company (continued)

(a) *Sale of shares in SMJ Furnishings by Lui Oi Kheng to Lee Lay Choo* (continued)

Following the completion of such share sale which took place on 20 February 2014, the shareholders of SMJ Furnishings were as follows:-

Name of shareholder	Number of shares	Shareholding (%)
Lui Oi Kheng	1,750,000	50.0
Rena Ho	700,000	20.0
Nellie Ho	700,000	20.0
Lee Lay Choo	350,000	10.0
	3,500,000	100.0

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 Invitation. Pursuant to the Restructuring Exercise, the Company became the holding company 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 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), Rena Ho (20 shares), Nellie Ho (20 shares) and Tay Twan Lee (5 shares) respectively (collectively known as the "Subscriber Shares").

(b) *Share swaps between the original shareholders of the subsidiary for the shares in the Company to acquire 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%), Rena Ho (20%), Nellie Ho (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 as follows:-

Name of shareholder	Number of shares	Consideration (\$)
Lui Oi Kheng	50	1,750,000
Rena Ho	20	700,000
Nellie Ho	20	700,000
Lee Lay Choo	10	350,000
	100	3,500,000

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

1 Corporate information (continued)

1.2 Restructuring exercise (continued)

(b) *Share swaps between the original shareholders of the subsidiary for the shares in the Company to acquire SMJ Furnishings* (continued)

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

The resultant shareholding in the Company (after taking into account the Subscriber Shares held by Lui Oi Kheng, Rena Ho, Nellie Ho and Tay Twan Lee respectively) before the subdivision was as follows:-

Name of shareholder	Number of shares	Shareholding (%)
Lui Oi Kheng	105	52.5
Rena Ho	40	20.0
Nellie Ho	40	20.0
Lee Lay Choo	10	5.0
Tay Twan Lee	5	2.5
	200	100.0

(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 took part in the Restructuring Exercise were controlled by the same control party before and immediately after the Restructuring Exercise. Lui Oi Kheng, Rena Ho and Nellie Ho 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. The combined financial statements for the financial years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods") have been prepared based on the pooling-of-interest method as if the current group structure had been in existence prior to the Restructuring Exercise.

2 Summary of significant accounting policies

2.1 Basis of preparation

These combined 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 combined 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 combined financial statements are disclosed in Note 3.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2011, 2012 and 2013

On 1 January 2011, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial years ended 31 December 2011, 2012 and 2013. 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 FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the financial years ended 31 December 2011, 2012 and 2013 or prior financial years except for the following:

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by FRS 113 into the financial statements.

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.

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, deliver of carpets which include the project management work, by handling the installation of these carpets on site for its customers. Revenue is recognised upon service rendered.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.3 Government grants

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

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

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the combined 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 subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the company. They are shown separately in the combined 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, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisition

The acquisition method of accounting is used to account for the acquisition of subsidiaries, other than those entities which are under common control.

The consideration transferred for the acquisition of a subsidiary 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 the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisition* (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held 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 net identifiable 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 previously-held equity interest in the acquiree over the (b) fair values of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

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

- The combined 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 combined financial statements at their existing carrying amounts from the perspective of the controlling party;
- The combined 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 is taken to merger reserve.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiaries* (continued)

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary 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.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary 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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) *Depreciation* (continued)

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.

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

(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 income/ (losses) – net".

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.

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment loss. Depreciation of buildings is calculated using the straight-line method to allocate the depreciable amounts of the buildings over the estimated useful lives of 50 years. The residual values, estimated useful lives and depreciation method of buildings 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.

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.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.8 Impairment of non-financial assets

(a) *Property, plant and equipment*
Investment properties

Property, plant and equipment and investment properties 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.

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.

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables. 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.

(i) *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 that are 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 12) and "Cash and cash equivalents" (Note 11) on the combined balance sheets.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(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 recognised 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.

(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.

(i) *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.

(f) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets 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 liabilities simultaneously.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.10 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.

2.11 Trade and other payables

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

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

2.12 Fair value estimation of financial assets and liabilities

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

2.13 Leases

When the Group is the lessee

The Group leases office, warehouse spaces and workers' accommodation under operating leases from non-related parties.

Lessee – Operating lease

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.

2.14 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 cost of completion and applicable variable selling expenses.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.15 Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, 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 at 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 property that is measured using the fair value model. 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.

2.16 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 profit or loss 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.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.17 Employee compensation

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

Defined contribution plans

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

2.18 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 Dollar ("SGD"), which is the functional currency of the Company and its subsidiaries.

(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 translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in profit or loss. However, in the combined 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.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "Finance expense". All other exchange gains and losses impacting profit or loss are presented in profit or loss within "Other income/ (losses) – net".

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

2.19 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.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

2 Summary of significant accounting policies (continued)

2.20 Cash and cash equivalents

For the purpose of presentation in the combined statement of cash flows, cash and cash equivalents include cash at bank and 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.

2.21 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.

2.22 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 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 had 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. At the respective balance sheet date, management has assessed that no allowance for impairment is required for the receivables. However, management has written off certain trade receivables of approximately \$68,000, \$1,000 and \$9,000 in the respective financial years ended 31 December 2011, 2012 and 2013 as recoverability of these receivables was determined to be doubtful due to the significant delay in settlements by the customers. The carrying amounts of trade receivables at the end of financial years ended 31 December 2011, 2012 and 2013 were \$5,349,000, \$5,139,000 and \$5,285,000 respectively.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

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 loans and receivables, the allowance for impairment of the Group for the financial years ended 31 December 2011, 2012 and 2013 would have been lower/ higher by \$535,000, \$514,000 and \$529,000 respectively.

(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 an allowance is recorded against the carrying value 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 carpet. In general, such an evaluation process requires significant judgement and affects the carrying value of 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. As at 31 December 2013, management has written down approximately S\$58,000 of its inventories and accounted as part of the "changes in inventories" in profit or loss.

The carrying amounts of inventories at the end of the financial years ended 31 December 2011, 2012 and 2013 were \$5,775,000, \$5,145,000 and \$5,035,000 respectively.

4 Revenue

	2011	2012	2013
	\$'000	\$'000	\$'000
Distribution sales	13,141	12,761	12,560
Contract sales	10,947	10,853	9,466
	<u>24,088</u>	<u>23,614</u>	<u>22,026</u>

5 Other income/ (losses) – net

	2011	2012	2013
	\$'000	\$'000	\$'000
Bad debts recovered	*	16	–
Currency translation gains/ (losses) – net	1	126	(45)
Other	–	22	34
	<u>1</u>	<u>164</u>	<u>(11)</u>

* Balance less than S\$1,000.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

6 Employee compensation

	2011	2012	2013
	\$'000	\$'000	\$'000
Wages and salaries	1,934	1,989	1,970
Employer's contribution to defined contribution plan including Central Provident Fund	221	240	251
Other short-term benefits	81	150	38
	<u>2,236</u>	<u>2,379</u>	<u>2,259</u>

7 Finance expenses

	2011	2012	2013
	\$'000	\$'000	\$'000
Interest expense – trust receipts	35	31	57
	<u>35</u>	<u>31</u>	<u>57</u>

8 Other operating expenses

	2011	2012	2013
	\$'000	\$'000	\$'000
Bank charges	41	40	34
Bad debts written off	69	1	9
Commission and agency fees	293	256	342
Entertainment	31	27	37
Insurance	80	101	93
Professional fees	30	25	61
Printing, stationery and postages	122	154	88
Rental expense on operating leases	581	740	819
Repair and maintenance	283	280	344
Telecommunication	41	38	36
Travelling and transportation	139	95	199
Utilities	33	39	35
Others	93	94	120
	<u>1,836</u>	<u>1,890</u>	<u>2,217</u>

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

9 Income taxes

Income tax expense

	2011	2012	2013
	\$'000	\$'000	\$'000
Tax expense attributable to profit is made up of:			
- Profit for the financial year			
Current income tax	463	456	484
Deferred income tax (Note 18)	4	(6)	-
	467	450	484
(Over)/Under provision in prior financial years:			
Current income tax	-	(39)	10
	467	411	494

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 is as follows:

	2011	2012	2013
	\$'000	\$'000	\$'000
Profit before tax	3,122	2,806	3,226
Tax calculated at tax rate of 17%	531	477	548
Effects of:			
- Expenses not deductible for tax purposes	9	15	18
- Tax exemptions and incentives	(77)	(42)	(82)
Tax charge	463	450	484

10 Earnings per share

For illustrative purpose, the calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the financial years ended 31 December 2011, 2012 and 2013 and on 3,500,000 ordinary shares, representing the aggregate amounts of the paid-up share capital of S\$3,500,000.

There were no diluted earnings per share for the financial years ended 31 December 2011, 2012 and 2013 as there were no potential ordinary shares outstanding.

	2011	2012	2013
	\$	\$	\$
Basic and diluted	0.76	0.68	0.78

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

11 Cash and cash equivalents

	2011 \$'000	2012 \$'000	2013 \$'000
Cash at bank and on hand	4,474	4,891	5,475

12 Trade and other receivables

	2011 \$'000	2012 \$'000	2013 \$'000
Trade receivables – non-related parties	5,349	5,139	5,285
Advances to employees	56	24	14
Amount due from director ⁽¹⁾	–	416	–
Deposits	16	14	17
Prepayments	188	22	644
	<u>5,609</u>	<u>5,615</u>	<u>5,960</u>

(1) Amount due from director was subsequently offset against the interim dividend of \$3,000,000 declared on 31 October 2013 (Note 20).

13 Inventories

	2011 \$'000	2012 \$'000	2013 \$'000
Finished goods	5,775	5,145	5,035

The cost of inventories recognised as an expense in profit or loss in the respective financial years ended 31 December 2011, 2012 and 2013 amounting to \$14,487,000, \$14,502,000 and \$12,736,000 respectively.

The Group has recognised a write-down of its slow-moving inventories amounting to \$58,000 during the financial year ended 31 December 2013 and included as part of the “changes in inventories” in profit or loss.

14 Investment property

	2011 \$'000	2012 \$'000	2013 \$'000
<i>Cost</i>			
Beginning of financial year	–	728	1,047
Additions	728	319	–
End of financial year	<u>728</u>	<u>1,047</u>	<u>1,047</u>

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

14 Investment property (continued)

As at the respective balance sheet date, the details of the Group's investment property are as follows:-

Location	Description	Tenure
608 Telok Blangah Road, #08-01 ⁽¹⁾	Condominium	Freehold

(1) The property is still under construction and scheduled to be completed no later than 1 October 2015.

15 Property, plant and equipment

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
2011					
<i>Cost</i>					
Beginning of financial year	52	214	429	95	790
Additions	55	–	–	1	56
Written-off	(27)	–	–	(63)	(90)
End of financial year	80	214	429	33	756
<i>Accumulated depreciation</i>					
Beginning of financial year	39	208	326	72	645
Depreciation charge	26	1	43	3	73
Written-off	(27)	–	–	(63)	(90)
End of financial year	38	209	369	12	628
Net book value					
End of financial year	42	5	60	21	128
2012					
<i>Cost</i>					
Beginning of financial year	80	214	429	33	756
Additions	7	–	–	1	8
End of financial year	87	214	429	34	764
<i>Accumulated depreciation</i>					
Beginning of financial year	38	209	369	12	628
Depreciation charge	28	1	26	3	58
End of financial year	66	210	395	15	686
Net book value					
End of financial year	21	4	34	19	78

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

15 Property, plant and equipment (continued)

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
2013					
<i>Cost</i>					
Beginning of financial year	87	214	429	34	764
Additions	2	1	–	3	6
End of financial year	89	215	429	37	770
<i>Accumulated depreciation</i>					
Beginning of financial year	66	210	395	15	686
Depreciation charge	21	1	26	4	52
End of financial year	87	211	421	19	738
Net book value					
End of financial year	2	4	8	18	32

16 Trade and other payables

	2011 \$'000	2012 \$'000	2013 \$'000
Trade payables to non-related parties	1,158	1,333	1,247
Accruals for operating expenses	807	813	745
Dividend payable	794	–	–
Other payables	265	249	201
	3,024	2,395	2,193

17 Borrowings

	2011 \$'000	2012 \$'000	2013 \$'000
<i>Current</i>			
Bank borrowings – trust receipts	1,557	435	2,480

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

	2011 \$'000	2012 \$'000	2013 \$'000
6 months or less	1,557	435	2,480

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

17 Borrowings (continued)

(a) Security granted

These borrowings are secured by:

- i) open legal mortgage over the properties held by individual shareholder at No. 151 Chin Swee Road, #07-11 and #07-13 Manhattan House, Singapore 169876; and
- ii) guarantee from four individual shareholders in favor of the bank for \$7,350,000.

18 Deferred income taxes

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

	2011	2012	2013
	\$'000	\$'000	\$'000
Deferred income tax liabilities, representing accelerated tax depreciation			
- to be settled within one year	15	9	9

Movement in deferred income tax account is as follows:

	2011	2012	2013
	\$'000	\$'000	\$'000
Beginning of financial year	11	15	9
Tax charge to profit or loss (Note 9)	4	(6)	-
End of financial year	15	9	9

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

19 Share capital

For the purpose of the preparation of the combined financial statements, the issued share capital represents the paid-up capital of SMJ Furnishings (S) Pte Ltd.

	2011	2012	2013
	\$'000	\$'000	\$'000
<i>No. of ordinary shares</i>			
Beginning and end of financial year	3,500	3,500	3,500
<i>Amount</i>			
Beginning and end of financial year	3,500	3,500	3,500

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 with the previously issued shares.

20 Dividends

	2011	2012	2013
	\$'000	\$'000	\$'000
<i>Ordinary dividends paid</i>			
Final dividend paid in respect of previous financial year of \$0.28571 (2012: \$0.15 and 2011: \$0.15) per share	525	525	1,000
Interim dividend paid in respect of current financial year of \$0.8571 (2012: \$nil and 2011: \$nil) per share	–	–	3,000
	<u>525</u>	<u>525</u>	<u>4,000</u>

On 31 October 2013, an interim dividend of \$3,000,000 was declared and an amount of \$416,000 relating to this interim dividend was used to offset against the amount due from director. As at 31 December 2013, the interim dividend of \$2,584,000 was paid to the respective equity holders of the Company.

21 Contingencies

(a) Contingent liabilities

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

	2011	2012	2013
	\$'000	\$'000	\$'000
Performance guarantees	479	742	715

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

22 Commitments

(a) Capital commitments

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

	2011	2012	2013
	\$'000	\$'000	\$'000
Investment property	2,551	2,232	2,232

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

The Group leases office, warehouse spaces and workers' accommodation 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:

	2011	2012	2013
	\$'000	\$'000	\$'000
Not later than one year	177	1,002	991
Between one and five years	–	1,226	245
	177	2,228	1,236

23 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

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.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

23 Financial risk management (continued)

(a) *Market risk*

(i) *Currency risk*

The Group dominant operations is in Singapore but regularly transacts in currencies other than its functional currency due to the geographically widespread of sales. Currency risk arises in the Group when transactions are denominated in foreign currencies such as United States Dollar ("USD").

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

	SGD	USD	Total
	\$'000	\$'000	\$'000
<u>At 31 December 2011</u>			
Financial assets			
Cash and bank balances	3,869	605	4,474
Trade and other receivables	3,985	1,436	5,421
	7,854	2,041	9,895
Financial liabilities			
Trade and other payables	1,872	1,152	3,024
Borrowings	–	1,557	1,557
	1,872	2,709	4,581
Net financial assets/ (liabilities)	5,982	(668)	5,314
Currency exposure of financial liabilities net of those denominated in the Group's functional currency	–	(668)	(668)
<u>At 31 December 2012</u>			
Financial assets			
Cash and bank balances	4,629	262	4,891
Trade and other receivables	4,723	870	5,593
	9,352	1,132	10,484
Financial liabilities			
Trade and other payables	1,068	1,327	2,395
Borrowings	–	435	435
	1,068	1,762	2,830
Net financial assets/ (liabilities)	8,284	(630)	7,654
Currency exposure of financial liabilities net of those denominated in the Group's functional currency	–	(630)	(630)

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

23 Financial risk management (continued)

(a) *Market risk* (continued)

(i) *Currency risk* (continued)

	SGD \$'000	USD \$'000	Total \$'000
<u>At 31 December 2013</u>			
Financial assets			
Cash and bank balances	5,470	5	5,475
Trade and other receivables	4,021	1,295	5,316
	9,491	1,300	10,791
Financial liabilities			
Trade and other payables	946	1,247	2,193
Borrowings	–	2,480	2,480
	946	3,727	4,673
Net financial assets/ (liabilities)	8,545	(2,427)	6,118
Currency exposure of financial liabilities net of those denominated in the Group's functional currency			
	–	(2,427)	(2,427)

If the USD change against the SGD for the financial years ended 31 December 2011, 2012 and 2013 by 0.6%, 5.8% and 3.7% respectively 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		
	2011	2012	2013
	\$'000	\$'000	\$'000
<u>Group</u>			
USD against SGD			
- Strengthened	(3)	(30)	(74)
- Weakened	3	30	74
	3	30	74

(ii) *Price risk*

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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

23 Financial risk management (continued)

(a) *Market risk* (continued)

(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 increased/decreased by 0.50% in the respective financial years ended 31 December 2011, 2012 and 2013 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.

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default as 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 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 continuous credit evaluation. The counterparty's payment pattern and credit exposure are regularly monitored by the Executive Directors.

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

As at 31 December 2011, 2012 and 2013, the trade receivables are largely corporate companies and comprise 4 debtors, 5 debtors and 4 debtors respectively that individually represented 5% - 11% of trade receivables.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

23 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:

	2011 \$'000	2012 \$'000	2013 \$'000
<u>By geographical areas</u>			
Singapore	3,913	4,246	3,531
Malaysia	146	265	630
Philippines	159	319	490
Indonesia	280	122	479
Hong Kong	157	93	38
Brazil	486	–	–
Other countries	208	94	117
	5,349	5,139	5,285

(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.

(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:

	2011 \$'000	2012 \$'000	2013 \$'000
Past due less than 3 months	3,375	3,343	3,287
Past due over 3 months	1,115	884	1,081
	4,490	4,227	4,368

At the respective balance sheet date, management has assessed that no allowance for impairment is required for the receivables. However, management has written off certain trade receivables of approximately \$68,000, \$1,000 and \$9,000 in the respective financial years ended 31 December 2011, 2012 and 2013 as recoverability of these receivables was determined to be doubtful due to the significant delay in settlements by the customers.

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

23 Financial risk management (continued)

(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 17). At the balance sheet date, assets held by the Group for managing liquidity risk included cash and bank balances as disclosed in Note 11.

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

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000
At 31 December 2011			
Trade and other payables	3,024	–	–
Borrowings	1,557	–	–
	4,581	–	–
At 31 December 2012			
Trade and other payables	2,395	–	–
Borrowings	435	–	–
	2,830	–	–
At 31 December 2013			
Trade and other payables	2,193	–	–
Borrowings	2,480	–	–
	4,673	–	–

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

23 Financial risk management (continued)

(d) *Capital risk*

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

Management monitors capital based on gearing ratio. The Group's strategies were unchanged from 2011, and the Board of Directors monitors the Group's equity ratio on 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.

	2011 \$'000	2012 \$'000	2013 \$'000
Net debt/ (cash)	107	(2,061)	(802)
Total equity	11,611	13,481	12,213
Total capital	<u>11,718</u>	<u>11,420</u>	<u>11,411</u>
Gearing ratio	0.9%	n/m	n/m

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2011, 2012 and 2013.

(e) *Fair value measurements*

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

(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:

	2011 \$'000	2012 \$'000	2013 \$'000
Loans and receivables	9,895	10,484	10,791
Financial liabilities at amortised cost	<u>4,581</u>	<u>2,830</u>	<u>4,673</u>

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

24 Related party transactions

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

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2011	2012	2013
	\$'000	\$'000	\$'000
<i>Directors</i>			
Wages and salaries	641	645	478
Employer's contribution to defined contribution plan, including Central Provident Fund	53	53	43
	694	698	521
<i>Key management personnel</i>			
Wages and salaries	63	140	160
Employer's contribution to defined contribution plan, including Central Provident Fund	10	21	23
	73	161	183
	767	859	704

25 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 2011, 2012 and 2013, the Group only has one business segment, which is sale and distribution of wide range of carpets. This is based on the Group's internal organisation, management structure and the primary way in which the Board of Directors is provided with the financial information.

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

(i) *Distribution sales*

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

(ii) *Contract sales*

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

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

25 Segment information (continued)

(a) Geographical information

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

	2011	2012	2013
	\$'000	\$'000	\$'000
<u>Distribution sales</u>			
Brazil	1,568	406	3
Brunei	306	343	316
Indonesia	2,021	1,691	2,120
Malaysia	2,191	3,027	3,010
Saudi Arabia	96	675	314
Singapore	4,053	3,907	3,789
Philippines	1,466	1,614	2,034
Other countries	1,440	1,098	974
<u>Contract sales</u>			
Singapore	10,947	10,853	9,466
	24,088	23,614	22,026

Information of major customer

Revenue of approximately \$Nil, \$2,572,000 and \$2,958,000 is derived from a single external customer at the respective financial year ended 31 December 2011, 2012 and 2013.

26 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

- FRS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (revised 2011) Investment in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)

APPENDIX A
INDEPENDENT AND REPORTING AUDITOR'S REPORT
ON THE AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

SMJ International Holdings Ltd. and its Subsidiary
Notes to the Combined Financial Statements
For the Financial Years Ended 31 December 2011, 2012 and 2013

26 New or revised accounting standards and interpretations (continued)

- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 Disclosures of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011): Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112: Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities (effective for annual periods beginning on or after 1 January 2014)

27 Authorisation of financial statements

These combined financial statements have been prepared for inclusion in the Offer Document of SMJ International Holdings Ltd. (the "Company") and were authorised for issue by the Board of Directors of the Company on 20 June 2014.

APPENDIX B

SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides a summary of the principal objects of our Company set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Accounting and Corporate Regulatory Authority. Our company registration number is 201334844E. Our Memorandum of Association sets out the objects for which our Company was formed, including carrying on business as, *inter alia*, an investment holding company.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested directors to vote

A director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting except under circumstances set out in the Articles of Association.

(b) Remuneration

Fees payable to Non-Executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of the Company) as shall from time to time be determined by the Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary or otherwise (not being a commission on or a percentage of profits or turnover of the Company), as the Directors may determine.

The remuneration of a Chief Executive Officer shall be fixed by the Directors and may be by way of salary or commission or participation in profits or by any or all of these modes but shall not be by a commission on or a percentage of turnover.

The Directors shall have power to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.

(c) Borrowing

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to secure any debt, liability or obligation of our Company.

(d) Retirement age limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Companies Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of the Company or authorised to continue in office as a director of the Company by way of an ordinary resolution passed at an annual general meeting of the Company.

APPENDIX B
SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR
COMPANY

(e) Shareholding qualification

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of our Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of Shareholders and in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as our Shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits and we may satisfy dividends by the issue of shares to our Shareholders. All dividends are paid *pro-rata* amongst our Shareholders in proportion to the amount paid-up on each Shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque, warrant or post office order sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to the Company but the Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

The Directors may retain any dividends or other monies payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a Shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every Shareholder present in person and by proxy shall have one vote, and on a poll, every Shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any five Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

APPENDIX B
SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR
COMPANY

3. Change in capital

Changes in the capital structure of our Company (for example, consolidation, cancellation, subdivision or conversion of our share capital) require Shareholders to pass an ordinary resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. However, we are required to obtain our Shareholders' approval by way of a special resolution for any reduction of our share capital or other undistributable reserve, subject to the conditions prescribed by law.

4. Variation of rights of existing shares or classes of shares

Subject to the Companies Act, whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of our Articles of Association relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total number of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

The relevant Article does not impose more significant conditions than the Companies Act in this regard.

5. Limitations on foreign or non-resident Shareholders

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our Shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

APPENDIX C

DESCRIPTION OF OUR SHARES

The following statements are brief summaries of the rights and privileges of our Shareholders conferred by the laws of Singapore, the Catalist Rules and our Articles of Association (“Articles”). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which is available for inspection at our registered office during normal business hours for a period of six months from the date of this Offer Document.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to such approval may not exceed the limit as may be prescribed by the SGX-ST of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed the limit as may be prescribed by the SGX-ST. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all New Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in our Register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Shareholders for any time or times if we provide the SGX-ST at least 10 clear Market Days’ notice. However, the Register of Shareholders may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Shareholders to determine Shareholders’ entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Catalist Rules or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

APPENDIX C

DESCRIPTION OF OUR SHARES

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two or more Shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be Shareholders. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any five Shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits and we may satisfy dividends by the issue of Shares to our Shareholders. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid-up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

APPENDIX C

DESCRIPTION OF OUR SHARES

Take-overs

Under the Singapore Code on Take-overs and Mergers (“Singapore Take-over Code”), issued by the Authority pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares must extend a take-over offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory take-over offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any six month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:-

- (a) the following companies:-
 - (i) a company
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv); and
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:-
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer’s equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:-
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);

APPENDIX C

DESCRIPTION OF OUR SHARES

- (iv) any person who is accustomed to act in accordance with the instructions of (i); and
- (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in "Voting Rights" and "Take-overs" above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority Shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:-

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder's Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

APPENDIX D TAXATION

The following is a discussion of certain tax matters relating to Singapore income tax, capital gains tax, stamp duty and estate duty consequences in relation to the purchase, ownership and disposal of our Shares. The discussion is limited to a general description of certain tax consequences in Singapore with respect to the ownership of shares and is based on laws, regulations and interpretations now in effect and available as of the date of this Offer Document. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

Prospective purchasers of our Shares should consult their tax advisors concerning the tax consequences of owning and disposing of our Shares. Neither our Company, our Directors, the Vendors nor any other persons involved in this Placement accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.

SINGAPORE INCOME TAX

General

Scope of Tax

Corporate taxpayers are generally subject to Singapore income tax on all Singapore-sourced income, and on foreign-sourced income received or deemed received in Singapore (unless specifically exempted).

In general, individuals are subject to Singapore income tax only on Singapore-sourced income. However, foreign-sourced income received through a partnership may be subject to Singapore income tax if it is received or deemed received in Singapore (unless specifically exempted).

Rates of Tax

The prevailing corporate income tax rate is 17.0% with partial tax exemption for normal chargeable income of up to S\$300,000 as follows:-

- 75.0% exemption of up to the first S\$10,000 and
- 50.0% exemption of up to the next S\$290,000.

For newly incorporated Singapore tax resident companies, with no more than 20 shareholders where all shareholders are individuals or at least one shareholder is an individual holding at least 10.0% of the total number of issued ordinary shares throughout the basis period relating to the Year of Assessment of claim, the following exemptions for normal chargeable income apply for the first three Years of Assessment:-

- 100% exemption of up to the first S\$100,000 and
- 50.0% of exemption of up to the next S\$200,000.

A company is considered to be resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore. Control and management is generally regarded as exercised at the place where the company's board of directors meets regularly to hold their board meetings where strategic policies are discussed and formulated.

For the Years of Assessment 2013 to 2015, all companies are granted a 30.0% corporate income tax rebate capped at S\$30,000 per Year of Assessment.

An individual is regarded as tax resident in Singapore for a year of assessment if, in the preceding year, he was physically present or had exercised employment in Singapore (other than as a director of a company) for 183 or more days, or if he resides in Singapore.

Singapore tax-resident individuals are generally subject to tax based on a progressive scale. The top marginal rate of tax is currently 20.0%.

APPENDIX D TAXATION

Non-Singapore resident individuals are generally subject to tax at a flat rate of 20%. Their Singapore employment income is however taxed at a flat rate of 15% or at resident tax rates, whichever yields a higher amount of tax.

Dividend Distributions

Under the one-tier corporate tax system, the tax paid by a resident company is a final tax and the distributable profits of the company can be paid to shareholders as tax exempt (one-tier) dividends, regardless of the tax residence status or the legal form of the shareholders. However, foreign shareholders receiving tax exempt (one-tier) dividends are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. Gains arising from the disposal of our Shares may be construed to be of an income nature and subject to Singapore income tax, if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

Gains derived by a resident company from the disposal of ordinary shares in an investee company during the period from 1 June 2012 to 31 May 2017 (both dates inclusive) are not taxable if immediately prior to the date of disposal, the divesting company had held at least 20.0% of the ordinary share capital of the investee company for a continuous period of at least 24 months.

STAMP DUTY

No stamp duty is payable on the subscription and issuance of our Shares.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require an instrument of transfer to be executed) or if the instrument of transfer is executed outside of Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently brought into Singapore.

Where applicable, stamp duty is payable at 0.2% of the consideration paid or market value of the shares, whichever is higher. The purchaser is liable for the stamp duty charge, unless otherwise agreed by the parties to the transaction.

ESTATE DUTY

Singapore estate duty was abolished with effect from 15 February 2008.

GOODS AND SERVICES TAX ("GST")

GST is a tax on domestic consumption of goods and services and on the importation of goods into Singapore. The standard rate of GST is currently 7.0%.

The sale of our Shares by an investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST incurred by a GST registered investor in the making of such an exempt supply is generally not recoverable from the Comptroller of GST.

Where our Shares are sold by a GST registered investor to a person belonging outside Singapore, the sale is a taxable supply subject to GST at 0% if certain conditions are met. Any GST incurred by a GST registered investor in the making of this supply in the course or furtherance of a business may be recovered from the Comptroller of GST.

APPENDIX D TAXATION

Services such as brokerage, handling and clearing charges rendered by a GST registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of shares will be subject to GST at the standard rate. Similar services rendered to an investor belonging outside Singapore may be zero-rated if certain conditions are met.

APPENDIX E

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

You are invited to subscribe for and/or purchase the Placement Shares at the Placement Price, subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 PLACEMENT SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF PLACEMENT SHARES WILL BE REJECTED.**
2. Your application for the Placement Shares may only be made by way of printed Placement Shares Application Forms.

YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE PLACEMENT SHARES.

3. **You are allowed to submit only one application in your own name for the Placement Shares.**

If you, not being an approved nominee company, have submitted an application for the Placement Shares in your own name, you should not submit any other application for the Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company and the Vendors, in consultation with the Placement Agent.

Joint applications shall be rejected. Multiple applications for the Placement Shares shall be liable to be rejected at the discretion of our Company and the Vendors, in consultation with the Placement Agent. If you submit or procure submissions of multiple share applications, you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of our Company and the Vendors, in consultation with the Placement Agent.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected. If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality, permanent residence status and CDP Securities Account number provided in your Application Form differ from those particulars in your Securities Account as maintained with CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

APPENDIX E
TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

8. **If your address as stated in the Application Form is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondences from CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and in this Offer Document or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company and the Vendors reserve the right to reject or accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on our decision of our Company and the Vendors will be entertained. In deciding the basis of allotment and/or allocation which shall be at the discretion of our Company and the Vendors, due consideration will be given to the desirability of allotting and/or allocating the Placement Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
11. Share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Placement Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounce, any instrument of transfer and/or other documents required for the issue or transfer of the Placement Shares allotted and/or allocated to you.
12. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Placement Shares allotted and/or allocated to you pursuant to your application, to us, the Vendors, the Sponsor, Issue Manager and Placement Agent and, any other parties so authorised by the foregoing persons.
13. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Placement Shares by way of a Placement Shares Application Form.
14. By completing and delivering an Application Form in accordance with the provisions of this Offer Document, you:-
 - (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Placement Shares specified in your application (or such smaller number for which the application is accepted) at the Placement Price for each New Share and agree that you will accept such Placement Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company;

APPENDIX E

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (b) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendors in determining whether to accept your application and/or whether to allot and/or allocate any Placement Shares to you;
 - (c) agree that the aggregate Placement Price for the Placement Shares applied for is due and payable to our Company and the Vendors upon application; and
 - (d) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendors, the Sponsor and Issue Manager, and/or the Placement Agent will infringe any such laws as a result of the acceptance of your application.
15. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in and for quotation of all our existing Shares (including the Vendor Shares) and the Placement Shares on Catalist;
 - (b) the Management Agreement and Placement Agreement referred to in the “Management and Placement Agreements” section of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as we may determine; and
 - (c) the Authority has not issued a stop order under the SFA which directs that no further shares to which this Offer Document relates be allotted and/or allocated.
16. We will not hold any application in reserve.
17. We will not allot and/or allocate Shares on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.
18. Additional terms and conditions for applications by way of Application Forms are set out in the “Additional Terms and Conditions for Applications using Application Forms” below.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in the “Terms, Conditions And Procedures For Applications” section as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Placement Shares must be made using the **BLUE** Application Forms for Placement Shares accompanying and forming part of this Offer Document.

We draw your attention to the detailed instructions contained in the Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendors reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances or remittances which are not honoured upon their first presentation.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS.**

APPENDIX E
TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

3. All spaces in the Application Forms, except those under the heading “**FOR OFFICIAL USE ONLY**”, must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names as they appear in your identity card (if applicants have such identification documents) or in your passport and, in the case of corporations, in your full names as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer Office. Our Company and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You, whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Placement Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Placement Shares applied for, in the form of a **BANKER’S DRAFT** or **CASHIER’S ORDER** drawn on a bank in Singapore, made out in favour of “**SMJ SHARE ISSUE ACCOUNT**” crossed “**A/C PAYEE ONLY**”, with your name, CDP Securities Account number and address written clearly on the reverse side. **We will not accept applications not accompanied by any payment or accompanied by any other form of payment.** We will reject remittances bearing “**NOT TRANSFERABLE**” or “**NON TRANSFERABLE**” crossings. The completed and signed **BLUE** Placement Shares Application Form and your remittance in full in respect of the number of the Placement Shares applied for in accordance with the terms and conditions of this Offer Document, with your name, CDP Securities Account number and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND**, at your own risk, to **Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623** to arrive by **12.00 noon on 25 June 2014 or such other time as our Company and the Vendors may, in consultation with the Sponsor, Issue Manager and Placement Agent decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued by our Company, the Vendors or the Sponsor, Issue Manager and Placement Agent for any applications or application monies received.

APPENDIX E
TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. In the event that the Placement is cancelled by us following the termination of the Management Agreement and/or Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or any other benefit arising therefrom) to you by ordinary post at your own risk within 5 Market Days of the termination of the Placement. In the event that the Placement is cancelled by us following the issuance of the stop order by the SGX-ST, acting as agent on behalf of the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, our Directors, the Vendors, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement, and if, in any such event, our Company, our Directors, the Vendors, the Sponsor, Issue Manager and Placement Agent do not receive your Application Form, you shall have no claim whatsoever against our Company, our Directors, the Vendors, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement for the Placement Shares applied for or for any compensation, loss or damage.
11. By completing and delivering the Application Form, you agree that:-
 - (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 25 June 2014** or such other time or date as our Directors and the Vendors may, in consultation with the Sponsor, Issue Manager and Placement Agent, decide:-
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) neither our Company, our Directors, the Vendors, the Sponsor, Issue Manager and Placement Agent nor any other party involved in the Placement shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;
 - (c) all applications, acceptances and contracts resulting therefrom under the Placement shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (d) in respect of the Placement Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;

APPENDIX E
TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (f) in making your application, reliance is placed solely on the information contained in this Offer Document and none of our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent nor any other person involved in the Placement shall have any liability for any information not so contained;
- (g) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable), and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendors, the Sponsor, Issue Manager and Placement Agent or other authorised operators; and
- (h) you irrevocably agree and undertake to subscribe for and/or purchase the number of the Placement Shares applied for as stated in the Application Form or any smaller number of such Placement Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company and the Vendors decide to allot and/or allocate any smaller number of the Placement Shares or not to allot and/or allocate any Placement Shares to you, you agree to accept such decision as final.





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