

Issuer: SMJ International Holdings Ltd.

Security: SMJ International Holdings Ltd.

Meeting details:

Date: 10 April 2017

Time: 9:30H

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

Company Description

SMJ International Holdings Ltd., an investment holding company, engages in the wholesale trade of carpets and furnishings material in Singapore. It offers nylon and polypropylene carpet tiles, broadlooms, and vinyl tiles through a distribution network of approximately 260 carpet dealers, carpet importers, and carpet installation companies under the SMJ brand, as well as operates as an authorized supplier of carpets for the Shaw Contract Group, Mohawk Group, and Nox Corporation. The company distributes its products in Singapore, Brunei, Indonesia, Malaysia, Saudi Arabia, the Philippines, and internationally. SMJ International Holdings Ltd. was founded in 1988 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=40B)

Q1. In the “Distribution Network” section (page 2 of the annual report), it was disclosed that one of the group’s “major strengths is having a large inventory program of approximately \$4.6 million in Singapore”. The CEO has also mentioned the inventory reduces the wait time, thus enhancing the value the group can bring to the clients (page 4 – CEO’s statement). There was a slight increase in inventories in 2016 as the group purchased the new range of products from “Mohawk Group” (page 15).

However, total revenue dropped 21% to \$16.3 million in 2016 and the outlook of the private sector is “expected to remain subdued due to economic uncertainties and the property market slowdown” (page 4). Also, in Note 14 (page 70 – Inventories), it was disclosed that the group had “inventories write-off of \$199,000 (2015: Nil) and inventories write-down of \$119,000 (2015: Nil) during the financial year”.

- a) **Would it be prudent for the company to better optimise the inventory levels given that the volume of business has fallen?**
- b) **Can the group further improve its inventory management with the use of technology and by working closer with its suppliers without compromising the service standards?**

Q2. The group has obtained shareholders’ approval to diversify into property investment and management. Two new subsidiary corporations, namely Elite Management (Singapore) Pte. Ltd. and Beijing Zhuoyue Tiancheng Business Management Co. Ltd, have been incorporated in Singapore and China respectively to carry out the property business.

- a) **Can management elaborate further on the strategic direction of the new real estate business?**
- b) **Given that the group has total equity of \$16.4 million, how does the group intend to fund the new property investment and management business?**

Q3. On 23 August 2016, the company announced that a substantial shareholder, Lui Oi Kheng, has sold and a new substantial shareholder, Zhang Tianbao, has bought 23.4 million shares, representing 29.95% of the company’s shares.

On 26 September 2016, the company announced the appointment of Peng Fei and Peng Weile as Non-executive director and Executive director respectively with effect from 3 October 2016. Both individuals were recommended to the board by Mr Zhang Tianbao.

Mr Peng Weile is responsible for spearheading the group’s property management business. It was also disclosed in Mr Peng’s profile that he is the Managing Director of the Investment Banking department of Fu Hua Holdings Limited and the executive director of Forise International Limited since October 2015.

- a) **Given that Mr Peng has several roles in various firms with different stakeholders, how does Mr Peng ensure that he can commit the time and be able to handle the demands of these three roles and discharge his duties effectively?**
- b) **Would Mr Peng be put in a situation where he has conflicts of interests?**
- c) **Can the nominating committee confirm that Mr Peng’s executive role in the group is not a full time position and that this is the appropriate arrangement for the group as it moves into the new property business?**