

SMJ INTERNATIONAL HOLDINGS LTD.

(Incorporated in Singapore)

Registration Number: 201334844E

(A) PROPOSED DISPOSAL OF SMJ FURNISHINGS (S) PTE LTD; AND

(B) PROPOSED EXPANSION OF THE GROUP'S EXISTING CORE BUSINESS OF PROPERTY INVESTMENT AND MANAGEMENT TO INCLUDE THE PROPOSED NEW BUSINESS SCOPE

1. THE PROPOSED DISPOSAL OF SMJ FURNISHINGS (S) PTE LTD

1.1 Sale and Purchase Agreement

On 20 October 2017, the Company entered into a sale and purchase agreement (the “**SPA**”) to dispose of the Group’s entire equity interests (the “**Sale Shares**”) in SMJ Furnishings (S) Pte Ltd (“**SMJ Furnishings**”) to Ho Pei Yuen Rena, our Executive Director and Chief Executive Officer, and Ho Wan Jing Nellie, our Executive Director and Deputy Chief Executive Officer (collectively the “**Purchasers**”) in the proportion of 50% and 50%, respectively, for an aggregate cash consideration of S\$13.8 million (the “**Proposed Disposal**”).

The Proposed Disposal will result in SMJ Furnishings ceasing to be a subsidiary of the Company. Additionally, as SMJ Furnishings will continue to hold its shareholding interests in PT Spektrum Megah Jaya following the Proposed Disposal, which is a joint venture company with principal activities of supply and distribution of carpets and other furnishings materials in Indonesia, the Company will also cease to have any interests in PT Spektrum Megah Jaya following the Proposed Disposal.

1.2 Principal Businesses of SMJ Furnishings

SMJ Furnishings is a company incorporated in Singapore on 12 February 1988 and has an issued and paid up capital of S\$3,500,000 divided into 3,500,000 ordinary shares. It is principally engaged in one of the Group’s core business of sale and distribution of a wide range of premier carpets marketed under its proprietary “SMJ” brand through its global distribution network of carpet dealers, carpet importers and carpet installation companies both in Singapore and overseas, mainly in Asia.

1.3 Sale Price

The aggregate sale price for the sale of the Sales Shares is S\$13.8 million (the “**Sale Price**”), which will be paid in cash by the Purchasers to the Company on the date of completion (“**Completion**”). The net proceeds from the Proposed Disposal (after deducting the transaction costs of approximately S\$125,000) is approximately S\$13.7 million.

The Sale Price of S\$13.8 million was arrived at on a willing buyer and willing seller basis between the Company and the Purchasers after taking into account, *inter alia*, the net assets value (“**NAV**”) of SMJ Furnishings as at 31 December 2016 and 30 June 2017, being S\$13,840,000 and S\$13,752,000, respectively.

1.4 Rationale for and benefits of the Proposed Disposal

As announced in the Group’s unaudited financial statements for the six months ended 30 June 2017 on 2 August 2017, the operating environment in the Singapore carpet industry continues to be challenging as the demand for carpet is expected to remain weak amidst uncertainties in the economic environment and a dearth of activities in the private residential and commercial sectors. The Group also anticipates that the export market conditions will

remain competitive in most of its key markets in FY2017 due to the market weakness and competitive pricing pressures in the regional countries.

Pursuant to the shareholders' approval on 28 June 2016 for the diversification of the Group's then existing core business to include the Property Related Business (as set out in further detail in Section 4.2 of this Announcement), the Group has expanded its core business to include the Property Related Business. Following the Management's review of the financial performance of SMJ Furnishings and the current business climate for the Carpet Division that is expected to remain subdued, the Group intends to dispose of its existing carpet furnishing business in order to fully focus its resources and attention on developing the Property Related Business and the Proposed New Business Scope (as set out in Section 4.1 of this Announcement).

Given the historical trading performance of the Shares on the Catalist Board of the SGX-ST has generally been below book value of the Group, the Sale Price of S\$13.8 million will allow the Group to immediately unlock shareholder's value and provide financial capability for the Group to grow the Property Related Business and the Proposed New Business Scope.

1.5 Conditions Precedent

The completion of the Proposed Disposal is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (a) all necessary consents, approvals and authorisations of third parties including bankers, financial institutions, landlords of leases, government or regulatory authorities (including but not limited to the SGX-ST, if required) being obtained;
- (b) full discharge of all corporate guarantee(s) given by the Company to secure the debts, liabilities or other payment obligations of SMJ Furnishings;
- (c) the Company not being regarded as a cash company (as defined in the Catalist Rules) following completion of the Proposed Disposal;
- (d) the approval of the independent shareholders of the Company for the Proposed Disposal being obtained at an EGM;
- (e) settlement of all amounts owing by SMJ Furnishings and its subsidiary to the Company or the Company's related corporations; and
- (f) the execution of new service agreements between the Company and each of Ho Pei Yuen Rena, Ho Wan Jing Nellie, Peng Weile and Peng Fei, in connection with their resignations and/or re-designations as described in Section 5 of this Announcement.

2. THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

2.1 Interested Persons

The Company is an "entity at risk" while each Purchaser is an "interested person" as defined under Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") in view of the following:

- (a) Ho Pei Yuen Rena (sister of Ho Wan Jing Nellie) is an Executive Director and the Chief Executive Officer of the Company as well as a director of SMJ Furnishings and holds approximately 16.41% of the total issued share capital of the Company;
- (b) Ho Wan Jing Nellie (sister of Ho Pei Yuen Rena) is an Executive Director and the Deputy Chief Executive Officer of the Company as well as a director of SMJ Furnishings and holds approximately 16.41% of the total issued share capital of the Company.

Accordingly, the Proposed Disposal constitutes an interested person transaction pursuant to Chapter 9 of the Catalist Rules. Furthermore, as the aggregate value of the Proposed Disposal represents approximately 84.5% of the Group's latest audited consolidated net tangible assets ("NTA") of S\$16.4 million as at 31 December 2016, the approval of the Shareholders by way of ordinary resolution is required in order for the Company to effect the Proposed Disposal.

There are no other interested person transactions entered with Ho Pei Yuen Rena or Ho Wan Jing Nellie or any other interested persons for the current financial year ending 31 December 2017 up to the date of this Announcement.

2.2 Opinion of the Audit Committee

Pursuant to Rules 917(4)(a)(ii) and 921(4) of the Catalist Rules, the audit committee of the Company will obtain an opinion from an independent financial advisor, on whether or not the Proposed Disposal is:

- (a) on normal commercial terms; and
- (b) prejudicial to the interests of the Company and its minority shareholders.

The Company has appointed an independent financial adviser ("IFA"), RHT Capital Pte. Ltd., to advise the independent Directors on whether the terms of the Proposed Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The audit committee will form its views on the Proposed Disposal after taking into account the opinion of the IFA.

3. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION

3.1 Relative figures computed based on Rule 1006 of the Catalist Rules

Rule	Basis	Relative Figure
1006 (a)	NAV of the assets to be disposed of, compared with the Group's NAV	85.2% ⁽¹⁾
1006 (b)	Net losses attributable to the assets disposed of, compared with the Group's net losses	70.4% ⁽²⁾
1006 (c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	163.8% ⁽³⁾
1006 (d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable.
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable.

Notes:

- (1) Based on the NAV of SMJ Furnishings being approximately S\$13.8 million and the NAV of the Group of approximately S\$16.2 million in the HY2017 Results.
- (2) Based on the net losses attributable to SMJ Furnishings being approximately S\$88,000, and the Group's net losses of approximately S\$125,000 in the HY2017 Results.

- (3) Based on the Sale Price of S\$13.8 million and the Company's market capitalization of approximately S\$8,424,000 as at 19 October 2017 (being the last market day preceding the date of the SPA).

Having regard to the above relative figures, the Proposed Disposal is a "major transaction" as defined in Rule 1014 of the Catalyst Rules. Accordingly, the approval of Shareholders in an EGM is required for the Proposed Disposal.

3.2 Value of the Sale Shares

Based on the Group's unaudited financial statements for the half year ended 30 June 2017 ("HY2017 Results"), the NAV of SMJ Furnishings as at 30 June 2017 was S\$13,752,000. Please refer to Section 1.3 of this Announcement for information regarding the indicative valuation of the Sale Shares of S\$13.8 million. Based on the NAV of SMJ Furnishings as at 30 June 2017, the gain on the Proposed Disposal is approximately S\$48,000.

The net loss attributable to SMJ Furnishings for the half year ended 30 June 2017 was S\$88,000.

3.3 Use of proceeds from the Proposed Disposal

The Company expects to receive net proceeds of approximately S\$13.7 million from the Proposed Disposal (after deducting transaction costs of approximately S\$125,000).

The Company intends to deploy the net proceeds in the following manner:

- (a) approximately S\$8 million to fund potential acquisitions and/or investments in assets, investments and shares or interests in entities engaged in the Property Related Business and/or the Proposed New Business Scope;
- (b) approximately S\$2 million to fund the costs, expenditure and working capital requirements of the Property Related Business; and
- (c) approximately S\$3.7 million to fund the costs, expenditure and working capital requirements of the Proposed New Business Scope.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem appropriate in the interests of the Group.

3.4 Financial effects of the Proposed Disposal

The financial effects of the Proposed Disposal are purely for illustrative purposes only and do not reflect the future actual financial position of the Group after completion of the Proposed Disposal.

- (a) NTA

The effect of the Proposed Disposal on the NTA per share of the Group for FY2016, assuming that the Proposed Disposal had been effected at the end of FY2016 is as follows:

As at 31 December 2016	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	16,378	16,338
NTA per share (S\$ cents)	21.0	20.9

(b) Earnings per Share (EPS)

The effect of the Proposed Disposal on the EPS of the Group for FY2016, assuming that the Proposed Disposal had been effected at the beginning of FY2016 is as follows:

FY2016	Before the Proposed Disposal	After the Proposed Disposal
Losses after tax and minority interests (S\$'000)	(418)	(458) ⁽¹⁾
Earnings per share (S\$ cents)	(0.54)	(0.59)

Note:

- (1) Excludes the losses of SMJ Furnishings for FY2016 and takes into account the presumed losses from the Proposed Disposal if the Proposed Disposal had been effected at the beginning of FY2016.

4. PROPOSED EXPANSION OF THE GROUP'S EXISTING CORE BUSINESS OF PROPERTY INVESTMENT AND MANAGEMENT TO INCLUDE THE PROPOSED NEW BUSINESS SCOPE

4.1 The board of directors of the Company ("**Board**") also wishes to announce that the Group proposes to expand the scope of its existing core business of property investment and management to include the business of:

- (a) provision of interior design consultancy services;
- (b) provision of consultancy services for overall planning, design and fitting-out for hotels and resorts;
- (c) provision of food and beverages management services;
- (d) provision of business management services;
- (e) provision of leisure and entertainment facilities management services;
- (f) provision of business management services in the tourism and hospitality industry;
- (g) to acquire and hold investments in businesses providing spa treatments and services, and holding the same for long term investment and/or provision of related management and/or consultancy services; and
- (h) provision of related and ancillary services, including management and/or consultancy services, in the hospitality industry.

(collectively, the "**Proposed New Business Scope**").

The Group may also, as part of the Proposed New Business Scope, invest in or purchase or otherwise acquire or dispose of any such assets, investments and shares or interests in any entity that is engaged in the Proposed New Business Scope.

4.2 The Company had on 28 June 2016 obtained shareholders' approval for the diversification of its then existing core business to include:

- (a) acquisition and holding investments in residential, hospitality, commercial (retail and office), industrial and any other suitable types of properties (including mixed development properties) ("**Property Related Assets**"), and holding the same for long term investment for the collection of rent, capital growth potential and/or provision of property related services and facilities;
- (b) trading in properties including but not limited to, buying and selling of Property Related Assets with reasonable yield and/or capital growth potential; and
- (c) the management of Property Related Assets.

(the "**Property Related Business**")

4.3 The Property Related Business is currently carried out by the Company's wholly-owned subsidiaries, Elite Management (Singapore) Pte. Ltd. and Beijing Zhuoyue Tiancheng Business Management Co. Ltd (北京卓越天成商业管理有限公司), and is supported by a team of experienced managers in the People's Republic of China. After the Proposed Disposal, the Group will continue to focus on its Property Related Business through these subsidiaries.

4.4 As the Company develops its Property Related Business, it also managed to secure contracts relating to the provision of property-related ancillary services, such as interior design and fitting-out consultancy services, which is beyond the scope of the Property Related Business approved by the shareholders on 28 June 2016.

4.5 In light of this, as the Group intends to devote more resources to actively pursue and develop its Property Related Business which may include the Proposed New Business Scope (the "**Proposed Expansion of Core Business**") in the future, it is the intention of the Board to seek approval from the shareholders of the Company (the "**Shareholders**") for the Proposed Expansion of Core Business at the extraordinary general meeting ("**EGM**") to be convened.

4.6 In line with the Property Related Business, the Group does not plan to restrict the Proposed New Business Scope to any specific geographical market as each project will be evaluated and assessed by the Board on its merits. The Proposed New Business Scope will also be overseen by Peng Weile, our Executive Director who is currently spearheading the Property Related Business. The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the Proposed New Business Scope as and when the opportunity arises.

5. SERVICE AGREEMENT

Upon completion of the Proposed Disposal:

- (a) Lee Lay Choo will resign from the Board and will cease to be the Chief Operating Officer of the Company;
- (b) Ho Pei Yuen Rena will cease to be the Company's CEO and will be re-designated as Non-Executive Director on the Board;
- (c) Ho Wan Jing Nellie will cease to be the Company's Deputy-CEO and will be re-designated as Non-Executive Director on the Board;
- (d) Peng Weile will be re-designated as Executive Director and CEO of the Company; and
- (e) Peng Fei will be re-designated as Executive Director on the Board.

There are no directors proposed to be appointed to the Board in connection with the Proposed Disposal and the Proposed Expansion of Core Business. The Company will be executing new service agreements with each of Ho Pei Yuen Rena, Ho Wan Jing Nellie, Peng Weile and Peng Fei, who are existing Directors, in connection with their re-designations as described above.

6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for (i) Ho Pei Yuen Rena and Ho Wan Jing Nellie who are interested in the Proposed Disposal which is an interested person transaction and (ii) Lee Lay Choo who is also a director of SMJ Furnishings, none of the Directors (other than in his capacity as a Director or Shareholder of the Company) and controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

Ho Pei Yuen Rena and Ho Wan Jing Nellie will abstain from voting on the ordinary resolutions relating to the Proposed Disposal at the EGM to be convened.

None of the Directors (other than in his capacity as a Director or Shareholder of the Company) and controlling shareholders has any interest, direct or indirect, in the Proposed Expansion of Core Business.

7. CIRCULAR AND DOCUMENTS FOR INSPECTION

The circular to shareholders of the Company containing, *inter alia*, further information on the Proposed Disposal and the Proposed Expansion of Core Business, and enclosing the notice of the EGM of the Company and the opinion of the IFA, will be despatched by the Company to its Shareholders in due course.

A copy of the SPA is available for inspection at the Company's registered office at 31 Jurong Port Road, South Wing #02-20 Jurong Logistics Hub, Singapore 619115 during normal business hours for 3 months from the date of this Announcement.

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of, *inter alia*, the conditions set out above, including the obtaining of the relevant regulatory approvals, and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers. Further announcements will be made by the Company as and when appropriate.

BY ORDER OF THE BOARD

Chow Wen Kwan Marcus

Independent Non-Executive Chairman

20 October 2017

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

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

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