

MARY CHIA HOLDINGS LIMITED
Company Registration No. 200907634N
(Incorporated in Singapore)

PROPOSED DISPOSAL OF THE HOTEL PROPERTY AT NOS. 48, 49 AND 50 MOSQUE STREET

INTRODUCTION

1. The board of directors (the “**Board**” or “**Directors**”) of Mary Chia Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Hotel Culture Pte. Ltd. (Company Registration Number 200918025Z) (“**Hotel Culture**” or the “**Vendor**”), a 51% owned subsidiary of the Company, has today entered into a conditional sale and purchase agreement (the “**S&P Agreement**”) with JL Asia Resources Pte. Ltd. (Company Registration Number 199802757G) (the “**Purchaser**”) for the proposed sale of the Vendor’s property known as Nos. 48, 49 and 50 Mosque Street (comprised in Lot No. 492L of Town Subdivision 6), Singapore 059526/27/28, together with the hotel building erected thereon (the “**Property**”) (the “**Proposed Disposal**”).
2. Hotel Culture is an investment holding company incorporated as a limited liability company and domiciled in Singapore. Hotel Culture is 51% owned by the Company and 49% owned by Mr. Lee Boon Leng (“**Mr. Lee**”), an ultimate controlling shareholder of the Company. The Property is the only investment held by Hotel Culture.

SALE CONSIDERATION

3. The sale consideration for the Property is S\$64,800,000 payable in cash, which is exclusive of goods and services tax (the “**GST**”) thereon, where applicable (the “**Consideration**”).

The Consideration was arrived at on a “willing-buyer willing-seller” basis after arms’ length negotiations and after taking into account, *inter alia*, the latest available valuation on the Property (as further described under paragraph 8 of this announcement), the rationale for the Proposed Disposal (as further described under paragraphs 8 and 9 of this announcement) and the method of payment of the Consideration (as further described under paragraph 4 of this announcement).

4. The Consideration will be payable by the Purchaser to the Vendor in cash. Pursuant to the terms of the S&P Agreement: -
 - (a) the Purchaser shall pay the Vendor one per cent. (1%) of the Consideration, being S\$648,000, and GST, upon the signing of the S&P Agreement (the “**Deposit**”); and
 - (b) the Purchaser shall pay the Vendor the remaining ninety-nine per cent. (99%) of the Consideration, being S\$64,152,000, and GST, upon completion of the Proposed Disposal (the “**Completion**”). Such payment must be made at the office of the Vendor’s solicitors on or before 15 April 2018 (the “**Completion Date**”).

5. As at 31 March 2017, the net book value of the Property is approximately S\$60.0 million (the “**Net Book Value**”) and the net profits attributable to the Property for the financial year ended 31 March 2017 (the “**FY2017**”) amounted to approximately S\$0.9 million. The Consideration is equivalent to 108% of the Net Book Value and accordingly, there is a gain on disposal of the Property of approximately S\$4.8 million. It is intended that the proceeds from the Proposed Disposal will be deployed as follows:
- (a) repayment of the Term Loans and Revolving Working Capital Loan (as described under paragraph 7) to Hong Leong Finance, the mortgagee of the Property;
 - (b) dividends to shareholders of Hotel Culture; and
 - (c) working capital for the Group.

Any excess cash arising from the proceeds may be deployed to explore acquisitions, joint ventures and/ or strategic alliances, with the aim of improving the profitability of the Group. Currently, we are not in discussion with any party for acquisitions, joint venture or strategic alliances and should we decide to enter into such transactions, we will seek the necessary approval and issue the appropriate announcements.

INFORMATION ON THE PROPERTY

6. The Property is a four-storey refurbished shophouse development with mezzanine floor comprising 84 hotel rooms located at 48, 49 and 50 Mosque Street (comprised in Lot No. 492L of Town Subdivision 6), Singapore 059526/27/28, with a 99-year leasehold tenure commencing from 28 August 2002 and a gross floor area of 2,141 square metres.

The Vendor leased out approximately 88% of the gross floor area to the Purchaser under a renewed lease agreement on 15 February 2017 for a term of 3 years expiring on 14 February 2020, under which the Purchaser operates a hotel business using the “The Porcelain Hotel” brand (the “**Hotel**”). The aggregate monthly rental comprises S\$125,000 and an amount equivalent to 2% of the Hotel’s gross sales (the “**Rental Income**”).

The remaining approximate 12% area is being leased to Spa Menu Pte. Ltd. (the “**Spa Menu**”), a wholly-owned subsidiary of the Group, as a retail outlet for its spa and massage services.

Subsequent to the Proposed Disposal, and subject to the agreement of the Purchaser and compliance with the relevant rules regulating interested person transactions under Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), Spa Menu will enter into a lease agreement with the Purchaser to continue to operate at the Property.

7. Under Hotel Culture, the Property is currently mortgaged to Hong Leong Finance to secure term loan facilities of S\$26.2 million (the “**Term Loans**”) and a revolving working capital loan facility of S\$6.5 million (the “**Revolving Working Capital Loan**”). As at the date of this announcement, the amounts outstanding for the Amalgamated Term Loan and Revolving Working Capital Loan are S\$22.4 million and S\$6.5 million respectively. The facilities will be fully repaid upon the completion of the Proposed Disposal.

RATIONALE FOR THE PROPOSED DISPOSAL

8. The core businesses of the Group can be broadly categorized into (i) beauty and facial services; (ii) slimming services; and (iii) spa and massage services. The rationale for the Proposed Disposal is to realise cash for the Group, which can be deployed for its core businesses as well as strengthen the financial position of the Group. For illustrative purposes, the estimated cash to the Company, after repayment of an aggregated S\$28.5 million of Term Loan and Revolving Working Capital Loan, and assuming a maximum dividend payable to non-controlling interest of Hotel Culture of S\$17.2 million (*estimated based on the retained earnings of S\$35.2 million in Hotel Culture's Financial Statements as at 31 March 2017*), is S\$19.1 million.
9. Accordingly, the Board is of the view that the Proposed Disposal is an opportunity for the Group to realise a property investment on which, in view of its present usage, returns on rental and investment for the Property may be restricted or limited.

BASIS OF VALUATION

10. The Proposed Disposal would allow the Company to sell and dispose of the Property at a price which is at the open market value of the Property as at 8 January 2018, based on a valuation report dated 12 January 2018 of the Property prepared by an independent property valuer CKS Property Consultants Pte Ltd (the "**Valuation Report**"), commissioned by the Company. The basis of valuation and key assumptions are set out in Paragraphs 1.0 of the Valuation Report, with extractions in italics as follows:

We have prepared our report in accordance with the International Valuation Standards Council (IVSC) definition of Market Value and adopted by the Singapore Institute of Surveyors and Valuers (SISV) and the Royal Institution of Chartered Surveyors (RICS), which is:

"Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion"

and also on the following basis:

"The price at which the property might reasonably be expected to be sold at the date of the valuation assuming:

- i. a willing, but not anxious, buyer and seller; and*
- ii. a reasonable period within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind; and*
- iii. that the property will be reasonably exposed to the market; and*
- iv. that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and*
- v. that the seller has sufficient resources to allow a reasonable period for the exposure of the property for sale; and*
- vi. that the seller has sufficient resources to negotiate an agreement for the sale of the property."*

The valuation approach is set out in Paragraphs 12.0 of the Valuation Report, with extractions in italics as follows:

The Direct Comparison Method of Valuation and Profits Method have been adopted in formulating our opinion on the market value of the subject property.

Under the Direct Comparison Method, we have taken into cognizance transaction of comparable properties, the prevailing market condition and underlying economic factors which may be of influence to the trend of the market prices.

Under the Profits Method, the net profits from operating the hotel is capitalized at an appropriate rate of interest, after taking into account the expenses, property tax payable and vacancy to arrive at the market value of the property.

OTHER SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENT

11. Other key terms of the S&P Agreement are summarised as follows: -

11.1 Title to Property

Title to the Property shall pass to the Purchaser at Completion, free of all mortgages, liens and encumbrances.

11.2 Conditions Precedent

Completion shall be conditional upon the following conditions precedent (the "**Conditions Precedent**"), amongst others, having been fulfilled or waived:-

- (1) all replies to the Purchaser's requisitions to the various government and local authorities including the Land Transport Authority and drainage as well as the road line plans being satisfactory provided always that: -
 - (a) any reply showing that the common property appurtenant to the Property is or may be affected by any road drainage or other works schemes or proposals (including but not limited to proposals for road improvement and proposals for road widening) shall not be deemed unsatisfactory;
 - (b) any reply to the legal requisitions or plans indicating that the Property will, on the contingency of a future development or a redevelopment, be affected by any adopted line or safeguarded line of road reserves, road construction and/or improvement or drainage proposals shall be deemed satisfactory;
 - (c) any reply notice requirement or circumstances capable of being complied with or remedied by and at the expense of the Vendor on or before the date fixed for completion without detriment or loss to the Purchaser shall be deemed satisfactory; and
 - (d) any reply not received fourteen (14) days before the date fixed for Completion shall be deemed satisfactory;
- (2) there being no acquisition declaration or notice of any public scheme or of any intended or contemplated acquisition by the government or any other competent authority affecting the Property in whole or in part before on or after the date of the S&P Agreement but on or before the date fixed for completion; and

- (3) the approval of (a) shareholders of the Company (the "Shareholders") being obtained at the extraordinary general meeting of the Company to be convened (the "**EGM**") for the Proposed Disposal on the terms and conditions set out in the S&P Agreement. Such approval from the Shareholders shall be procured by the Completion Date. The Completion Date shall not be extended unless the Purchaser consents to the same in writing.

If any of the Conditions Precedent are not fulfilled (or waived) on or before the Completion Date, the Purchaser shall be entitled at its option to rescind the S&P Agreement by notice to the Vendor or the Vendor's solicitors in that behalf before the date fixed for completion whereupon the Deposit shall forthwith be refunded to the Purchaser without any interest compensation or deductions whatsoever and thereupon the S&P Agreement shall be deemed to be cancelled and of no effect whatsoever and neither party shall have any claim or demand against the other for costs damages compensation or otherwise whatsoever.

However, in the event that the Purchaser for any reason whatsoever (other than the wilful default of the Vendor) fails to complete the purchase on the Completion Date, the Vendor shall be immediately entitled forthwith upon giving twenty-one (21) days written notice to the Purchaser or their solicitors to treat the S&P Agreement as cancelled, in which event, the Deposit and the GST thereon paid shall be forfeited to the Vendor unconditionally as agreed damages and the Vendor shall be at liberty without having to give notice, and notwithstanding any pending negotiation, proceeding or litigation, to re-sell the Property either by public auction or private contract, at such time and in such manner as the Vendor may deem proper and appropriate and all losses, damages and expenses whatsoever arising from any such resale or attempted resale and any deficiency in price on such resale shall immediately thereafter be made good and paid to the Vendor by the Purchaser and shall be recoverable by the Vendor as further liquidated damages. Payment by the Purchaser of the said liquidated damages shall be in full and final settlement of all and any claims that the Vendor has or may have against the Purchaser arising from the Purchaser's failure to complete the sale and purchase of the Property by the Completion Date.

11.3 Other Conditions

The sale and purchase of the Property is subject to The Singapore Law Society's Conditions of Sale 2012 edition in so far as the same are applicable to a sale by private treaty and are not varied by or inconsistent with the special conditions contained in the S&P Agreement.

INTERESTED PERSON TRANSACTION

12. The Proposed Disposal will constitute an interested person transaction and a major transaction within the meaning of Chapter 9 and Chapter 10 of the Catalist Rules respectively. Accordingly, the Proposed Disposal is conditional upon the approval of independent Shareholders being obtained at the EGM.
13. The Purchaser is wholly-owned by Mr. Lee, who is the spouse of Ms. Ho Yow Ping (He YouPing) ("**Wendy Ho**"), the Chief Executive Officer and a director of the Company. As at the date of this announcement, Mr. Lee (i) has a deemed interest of 67.57% in the Company by virtue of his 73.75% shareholding interest in Suki Sushi Pte. Ltd. ("**Suki Sushi**"), which holds 110,466,839 fully paid ordinary shares in the capital of the Company (the "**Shares**") through DBS Nominees Pte. Ltd.; and (ii) is

also a shareholder of the Vendor, holding 49% of the Vendor's issued share capital. Wendy Ho directly owns 19.99% of the shareholding of the Company and has a deemed interest of 67.57% in the Company by virtue of her 21.70% shareholding interest in Suki Sushi.

14. Accordingly, Mr. Lee is an interested person and the Proposed Disposal constitutes an interested person transaction within the meaning of Chapter 9 of the Catalist Rules and is subject to Shareholders' approval pursuant to Rule 906(1)(a) of the Catalist Rules as the transaction value of S\$64,800,000, payable in cash, is more than 5% of the group's latest audited net tangible assets (the "NTA") of S\$4.5 million.
15. Pursuant to Rule 921(4)(b)(ii) of the Catalist Rules, the opinion from an independent financial adviser is not required for the Proposed Disposal as (i) the consideration for the Proposed Disposal is in cash; (ii) an independent professional valuation has been obtained for the Proposed Disposal; and (iii) the valuation of the Property is disclosed in this announcement and would also be stated in the EGM circular. Instead, an opinion from the audit committee of the Company in the form required in Rule 917(4)(a) of the Catalist Rules is and would be disclosed in this announcement and EGM circular respectively.

MAJOR TRANSACTION

16. The relative figures computed on the bases pursuant to Rule 1006 (a) to (d) of the Catalist Rules concerning the Proposed Disposal, based on the Group's latest announced consolidated financial statements for the 6 months period ended 30 September 2017 ("1H2018"), are set out as follows:-

	Basis	In relation to the Proposed Disposal
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	3,617% ⁽¹⁾
Rule 1006(b)	The <i>net profits</i> ⁽²⁾ attributable to the assets acquired or disposed of, compared with the group's <i>net profits</i> ⁽²⁾ .	-17.9% ⁽³⁾
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	183% ⁽⁴⁾
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

Notes: -

- (1) Determined based on the net asset value of the Property of S\$59.9 million as per management financial statements 1H2018 and the Group's net asset value (excluding non-controlling interests) of S\$1.7 million as per the latest announced consolidated financial statements 1H2018.

- (2) Under Rule 1002(3)(b), “*net profits*” means profit or loss before income tax, minority interests and extraordinary items.
- (3) Determined based on the *net profits* in 1H2018 attributable to the Property of S\$0.5 million as per management financial statements 1H2018 and the Group’s *net loss* in 1H2018 of S\$2.6 million as per the latest announced consolidated financial statements 1H2018.
- (4) The market capitalisation of the Company, being S\$18.02 million, is determined by multiplying the total number of Shares of 163,495,140 Shares by the volume-weighted average price of the Shares of S\$0.1102 as at 29 September 2017, being the preceding market day on which Shares were transacted. The consideration used for the computation is based on 51% of the proceeds to be received, \$64,800,000.

As the relative figures calculated on the basis pursuant to Rule 1006 exceed 50%, the Proposed Disposal will constitute a “major transaction” within the meaning of Chapter 10 of the Catalist Rules. Accordingly, pursuant to Rule 1014 of the Catalist Rules, the Proposed Disposal is conditional upon the approval of Shareholders in a general meeting.

FINANCIAL EFFECTS

17. For illustrative purposes only, the financial effects of the Proposed Disposal on the Group set out below were prepared based on the audited consolidated financial statements of the Group for FY2017 and subject to the following main assumptions:–
 - (a) for the purposes of computing the loss per share (the “**LPS**”) of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal had been completed at the beginning of FY2017; and
 - (b) for the purposes of computing the NTA per share and gearing ratio of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal had been completed at the end of FY2017.

The financial effects set out below are theoretical in nature and are therefore not necessarily reflective of the actual results of the Group or the related effect on the financial position that the Group would attain. Nonetheless, they take into account of the loss of Rental Income arising from the Proposed Disposal

	Before the Proposed Disposal	After completion of the Proposed Disposal
Share Capital		
Issued and paid up share capital (S\$)	7,471,212	7,471,212
Number of Shares/ Weighted Number of Shares	163,495,140	163,495,140
NTA per Share (cents)	2.74	4.25
LPS (cents)	3.75	2.67
Gearing ratio ⁽¹⁾	1.24	0.02

Note: -

- (1) Gearing ratio is defined as total borrowings over total equity.

AUDIT COMMITTEE STATEMENT

18. Having considered the terms of the Proposed Disposal and the rationale thereof, the Audit Committee of the Company is of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

OTHER INTERESTED PERSON TRANSACTIONS FOR THE CURRENT FINANCIAL YEAR

19. Pursuant to Rule 917(5) of the Catalist Rules, for the current financial year beginning 1 April 2017 up to the Last Practicable Date, the interested person transactions entered into by the Group, and between the Group and the Purchaser excluding the Proposed Disposal are as follows:

- (a) the current total of all interested person transactions (excluding transactions less than S\$100,000) is approximately S\$4.6 million comprising of
- i. S\$4.5 million based on the renewal of a 3 year lease agreement dated 24 April 2017, entered between the Purchaser and the Vendor, for the operation of the Property at a monthly rental of S\$125,000 (the “**Lease Agreement 1**”); and
 - ii. S\$0.1 million based on a rental agreement dated 8 May 2017, entered into between the Company to Suki Sushi, for the rental of premises of 26 Tai Seng Street #01-03A for the lease period from 1 April 2017 to 23 January 2019 through, at a monthly rental of S\$6,239 (the “**Lease Agreement 2**”).
- (b) the current total of all interested person transactions between the Group and the Purchaser (excluding transactions less than S\$100,000) is approximately S\$4.6 million comprising of
- i. S\$4.5 million based on the Lease Agreement 1; and
 - ii. S\$0.1 million based on the Lease Agreement 2.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

20. Save as disclosed in this announcement, none of the Directors or controlling Shareholders has any interest, direct or indirect, (other than through their respective shareholdings in the Company, if any) in the Proposed Disposal.

No new directors are proposed to be appointed to the Board in connection with the Proposed Disposal. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Disposal.

ABSTENTION FROM VOTING

21. Rule 919 of the Catalist Rules prohibits interested person and their associates from voting on the resolution to obtain shareholder approval of the interested person transaction. Mr. Lee, being the sole shareholder of the Purchaser and the controlling shareholder of the Company will abstain, and has undertaken that his associates (including Wendy Ho) will abstain from voting at the EGM in respect of the ordinary

resolution relating to the Proposed Disposal, and will not accept nominations as proxy or otherwise for voting at the EGM in respect of the said ordinary resolution unless the independent Shareholders appointing them as proxies give specific instructions in the relevant proxy form as to how their votes are to be cast for the ordinary resolution.

DIRECTORS' RESPONSIBILITY STATEMENT

22. The Board collectively and individually accepts full responsibility for the accuracy of the information given in this announcement and confirms after making all reasonable enquiries that, to the best of its knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Board is not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Board has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

CIRCULAR TO SHAREHOLDERS

23. A circular to Shareholders of the Company setting out information on, among others, the Proposed Disposal and the notice of EGM will be despatched in due course.
24. Shareholders and investors of the Company are advised to exercise caution when trading in the Shares, pending the receipt of the circular. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant, or other professional advisers.

COPIES OF DOCUMENTS AVAILABLE FOR INSPECTION

25. Copies of the following documents are available for inspection during normal office hours at the Company's registered office for three (3) months from the date of this announcement: -
 - (a) the S&P Agreement; and
 - (b) the Valuation Report.

By Order of the Board

Ho Yow Ping (He YouPing)

Chief Executive Officer

1 March 2018

*This announcement has been prepared by Mary Chia Holdings Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not 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 accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).