

**APPENDIX DATED 28 MARCH 2018**

**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**This Appendix is circulated to the Shareholders (as defined herein) of Hafary Holdings Limited (the “Company”), together with the Company’s annual report for the financial year ended 31 December 2017 (the “Annual Report”). The purpose of this Appendix is to provide information to the Shareholders in relation to, and seek Shareholders’ approval for the proposed renewal of, the general mandate for Interested Person Transactions to be tabled at the Annual General Meeting (“AGM”) to be held on 13 April 2018 at 11.30 a.m.**

The Notice of AGM and the accompanying Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Appendix, the Annual Report and enclosed documents to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix.



**合發利控股有限公司**  
**HAFARY HOLDINGS LIMITED**

Incorporated in the Republic of Singapore  
Company Registration Number 200918637C

**APPENDIX TO THE NOTICE OF AGM**

in relation to

**THE PROPOSED RENEWAL OF THE GENERAL MANDATE  
FOR INTERESTED PERSON TRANSACTIONS**

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## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Appendix:

<b>“AGM”</b>	:	The Annual General Meeting of the Company to be held on 13 April 2018
<b>“Appendix”</b>	:	This appendix to Shareholders dated 28 March 2018
<b>“Audit Committee”</b>	:	The audit committee of the Company as at the date of this Appendix, comprising Mr. Ong Beng Chye, Mr. Terrance Tan Kong Hwa and Mr. Chow Wen Kwan Marcus
<b>“Board” or “Directors”</b>	:	The directors of the Company as at the date of this Appendix and <b>“Director”</b> shall be construed accordingly
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“CEO”</b>	:	The Chief Executive Officer of the Group
<b>“Companies Act”</b>	:	The Companies Act (Cap. 50) of Singapore
<b>“Company”</b>	:	Hafary Holdings Limited
<b>“Executive Officers”</b>	:	The executive officers of the Group and <b>“Executive Officer”</b> shall be construed accordingly
<b>“Financial Controller”</b>	:	The financial controller of the Group
<b>“FY”</b>	:	Financial year ended or ending 31 December, as the case may be
<b>“Gek Poh Holdings”</b>	:	Gek Poh (Holdings) Sdn Bhd
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“HSCB”</b>	:	Hap Seng Consolidated Berhad
<b>“HSCB Group”</b>	:	HSCB, its subsidiaries (save for the Group) and its associates
<b>“HSIHPL”</b>	:	Hap Seng Investment Holdings Pte Ltd
<b>“Interested Directors”</b>	:	Datuk Edward Lee Ming Foo, Ms. Cheah Yee Leng and Mr. Yong Teak Jan @ Yong Teck Jan
<b>“Interested Persons”</b>	:	The HSCB Group (which includes the MMSB Group)
<b>“Interested Person Transactions”</b>	:	Transactions with the Group which fall within the scope of the IPT General Mandate, as set out in Section 2.3 of this Appendix

<b>“IPT General Mandate”</b>	:	The general mandate for Interested Person Transactions for which renewal is now being sought and which was previously approved by Shareholders on 11 April 2017 permitting the Company, its subsidiaries and associated companies to enter into the Interested Person Transactions with the Interested Persons
<b>“Latest Practicable Date”</b>	:	16 March 2018, being the latest practicable date prior to the printing of this Appendix
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended, supplemented or modified from time to time
<b>“MMSB”</b>	:	Malaysian Mosaics Sdn Bhd
<b>“MMSB Group”</b>	:	MMSB and its subsidiaries
<b>“NTA”</b>	:	Net tangible assets
<b>“Proposed Renewal of the IPT General Mandate”</b>	:	The proposed renewal of the IPT General Mandate pursuant to Chapter 9 of the Listing Manual, which requires the general mandate to be renewed annually
<b>“RM”</b>	:	Ringgit Malaysia, being the lawful currency of Malaysia
<b>“Securities Account”</b>	:	The securities account maintained by a depositor with the CDP
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is the CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares, mean the persons whose direct Securities Accounts maintained with the CDP are credited with the Shares
<b>“Shares”</b>	:	Issued and paid-up ordinary shares in the capital of the Company
<b>“Threshold 1”</b>	:	Has the meaning ascribed to it in Section 3.2.2(a) of this Appendix
<b>“Threshold 2”</b>	:	Has the meaning ascribed to it in Section 3.2.3(a) of this Appendix
<b>“S\$”</b>	:	Singapore dollars, being the lawful currency of Singapore
<b>“%”</b>	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore. The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act. The term “**substantial shareholder**” shall have the meaning ascribed to it in Section 81 of the Companies Act.

Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine and neuter gender where the context admits. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any statutory modification thereof and used in this Appendix shall have the meaning assigned to it under the Companies Act, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

General information relating to Chapter 9 of the Listing Manual, including terms such as “**interested person**”, “**associate**” and “**controlling shareholder**”, are set out in Section 3 of this Appendix.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

Any reference to a time of a day in this Appendix is a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

# LETTER TO SHAREHOLDERS

## HAFARY HOLDINGS LIMITED

(Company Registration No. 200918637C)  
(Incorporated in the Republic of Singapore)

### Directors:

Mr. Ong Beng Chye  
Mr. Low Kok Ann  
Datuk Edward Lee Ming Foo  
Mr. Low See Ching  
Ms. Cheah Yee Leng  
Mr. Yong Teak Jan @ Yong Teck Jan  
Mr. Terrance Tan Kong Hwa  
Mr. Chow Wen Kwan Marcus

### Registered Office:

105 Eunos Avenue 3  
Hafary Centre  
Singapore 409836

28 March 2018

To: The Shareholders

Dear Sir/Madam

## PROPOSED RENEWAL OF GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

### 1. INTRODUCTION

- 1.1 The Company had, at its general meeting held on 11 April 2017, sought and obtained Shareholders' approval for the IPT General Mandate. This IPT General Mandate is subject to annual renewal.
- 1.2 Pursuant to Chapter 9 of the Listing Manual, the Directors intend to seek Shareholders' approval at the forthcoming AGM for the renewal of the IPT General Mandate, being a general mandate permitting the Company, its subsidiaries and associated companies to enter into transactions with the Interested Persons, as set out in Section 2.3 of this Appendix. Information on the Interested Persons is set out in Section 2.2 of this Appendix.
- 1.3 The purpose of this Appendix is to provide Shareholders with the relevant information relating to and explaining the rationale for the Proposed Renewal of the IPT General Mandate and to seek Shareholders' approval for the resolution in respect thereof to be tabled at the AGM.
- 1.4 Shareholders should read this Appendix carefully and consider the recommendation of the Directors in Section 7 of this Appendix.

### 2. PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

#### 2.1 Information on the Group

The Company is incorporated in Singapore and listed on the Mainboard of the SGX-ST. As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S\$27,304,440 comprising 430,550,000 ordinary shares. The Group is principally engaged in the supply of premium tiles, stone, mosaic, wood-flooring, quartz top and sanitary ware and fittings in Singapore. The Company is a subsidiary of HSIHPL, which is in turn a wholly-owned subsidiary of HSCB.

## 2.2 Information on the HSCB Group and the MMSB Group

### 2.2.1 HSCB Group

HSCB is a company incorporated in Malaysia on 24 March 1976 under the Malaysian Companies Act 1965, registered under the Malaysian Companies Act 2016 and listed on the main market of Bursa Malaysia Securities Berhad. Gek Poh Holdings, a company incorporated in Malaysia, is the holding company of HSCB. As at the Latest Practicable Date, Gek Poh Holding's aggregate shareholding in HSCB is 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding via its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd.

HSCB has a total of 107 subsidiaries, and the core businesses of the HSCB Group are:-

- (a) plantations;
- (b) property investment and development;
- (c) credit financing;
- (d) automotive;
- (e) fertilizers trading;
- (f) quarry and building materials; and
- (g) trading.

As described in Section 2 of this Appendix, HSCB is a subsidiary of Gek Poh Holdings, and is also the holding company of HSIHPL.

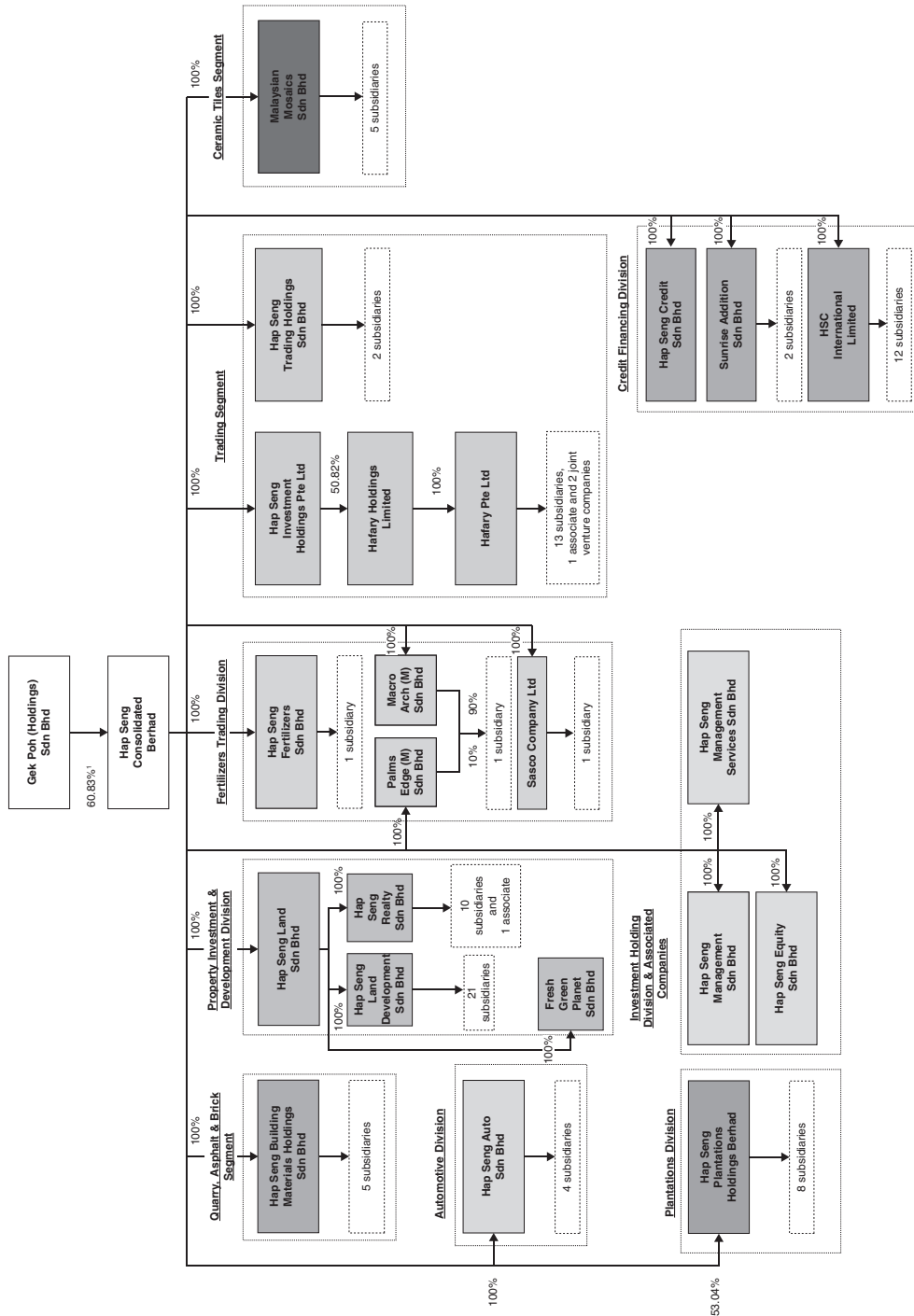
### 2.2.2 The MMSB Group

MMSB is a private limited company incorporated in Malaysia on 28 February 1964 under the Malaysian Companies Act 1965 and registered under the Malaysian Companies Act 2016. As at the Latest Practicable Date, MMSB has an issued share capital of RM408,599,450 comprising 408,599,450 ordinary shares. The MMSB Group is a wholly-owned subsidiary of HSCB and is principally engaged in investment holding and the manufacture and sale of porcelain and ceramic tiles.

### 2.2.3 The HSCB Group and the MMSB Group as Interested Persons

As such, the MMSB Group and the HSCB Group are associates of HSIHPL and are deemed "interested persons" for the purpose of Chapter 9 of the Listing Manual. Accordingly, any transactions entered into between the Group and the HSCB Group (which includes the MMSB Group), will be regarded as Interested Person Transactions and will be subject to Chapter 9 of the Listing Manual.

The group structure chart of the HSCB Group as at the latest practicable date is set out below:–



1 As at 16 March 2018, Gek Poh (Holdings) Sdn Bhd has an aggregate shareholding of 60.83% in Hap Seng Consolidated Berhad, comprising a 54.63% direct shareholding and a 6.20% indirect shareholding via Hap Seng Insurances Services Sdn Bhd, a wholly-owned subsidiary of Gek Poh (Holdings) Sdn Bhd.



## 2.3 Scope of Transactions under the IPT General Mandate

2.3.1 The Group wishes to obtain Shareholders' approval for the renewal of the IPT General Mandate, under which the Group may enter into recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with the Interested Persons (being the HSCB Group, which includes the MMSB Group) in respect of the following:

- (a) the sale and purchase of products, including but not limited to:–
  - (i) tiles;
  - (ii) ceramics;
  - (iii) stone; and
  - (iv) sanitary ware;
- (b) the receipt and provision of services, including but not limited to:–
  - (i) leasing of properties for residential, industrial and commercial purposes;
  - (ii) leasing of office and warehousing spaces; and
  - (iii) transport and logistics services,

to and from the Interested Persons, as the case may be.

2.3.2 The IPT General Mandate will not cover any transactions below S\$100,000 in value between the Group and an Interested Person as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions. In addition, transactions with other interested persons (other than the Interested Persons) that do not fall within the ambit of the General Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other provisions of the Listing Manual.

## 2.4 Rationale for and Benefit of the IPT General Mandate

2.4.1 The Directors are of the view that it will be beneficial to the Group to transact or to continue to transact with the Interested Persons, as such transactions are entered into by the Group in its ordinary course of business. In respect of sales of products and provision of services to the Interested Persons, such transactions would provide additional revenue streams to the Group and enhance its profitability. In respect of purchases of products and the receipt of services from the Interested Persons, the Group will benefit from having access to quotations from the HSCB Group, in addition to obtaining quotations from third parties (where appropriate and applicable), and with the various quotations available for assessment, this will ensure that the Group obtains competitive prices for goods and services, taking into consideration the factors set out in Section 2.5.1(d) of this Appendix.

- 2.4.2 In addition, the Group is principally engaged in the trading of building materials and has been purchasing building materials from the MMSB Group since 2003 due to competitive pricing and market demand for such products. Furthermore, the MMSB Group is able to meet the Group's requirements in terms of quality and timeliness of delivery.
- 2.4.3 The transactions with the Interested Persons set out in Section 2.3 of this Appendix are entered into or are to be entered into by the Group in the ordinary course of business. These are recurring transactions which are likely to occur with some degree of frequency and may arise at any time, and from time to time.
- 2.4.4 The IPT General Mandate will eliminate the need for the Group to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval to allow the Group to enter into such Interested Person Transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an ad-hoc basis, improve administrative efficacy considerably and allow manpower resources and time to be channelled towards attaining other business objectives.
- 2.4.5 In view of the time-sensitive nature of commercial transactions, the IPT General Mandate will facilitate such transactions which are entered into in the ordinary course of business and which are transacted from time to time with the Interested Persons, provided such transactions are carried out at arms' length and on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders.

## 2.5 **Guidelines And Review Procedures Under The IPT General Mandate**

### 2.5.1 ***Review Procedures***

To ensure that all Interested Person Transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the guiding principle is that all Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and policies and to objectively obtain the best goods on the best terms. The following review procedures will be implemented by the Group:

- (a) when making purchases of goods or receiving services from the Interested Persons, quotations 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 appropriate and practicable. While other factors (as set out in this Section 2.5.1) will be taken into consideration, the price (or fee) shall generally not be higher than the most competitive price of the two comparative quotations obtained from the two unrelated third parties;
- (b) in relation to the sale of goods or the provision of services to the Interested Persons, the price (or fee) and terms of at least 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. While other factors (as set out in this Section 2.5.1) will be taken into consideration, the Interested Persons shall generally be charged at rates consistent with the usual margins or prices (or fees) extended by the Group to unrelated third parties;

- (c) in relation to the rental of premises to or from the Interested Persons, the Group will only enter into leases or renew existing leases with the Interested Persons if the Group is satisfied that the rent payable is in line with prevailing market rental rates for comparable spaces, taking into account factors such as tenure of the lease, area of leased premises, rentals of similar properties in the same vicinity (if available) and any other relevant factors that may affect rental rates or terms of the lease;
- (d) there may be situations where competitive quotation or price comparisons may not be practicable or appropriate, such as:
  - (i) where there are no independent third party vendors of similar products and services, taking into account factors such as quantity, specifications and delivery schedules;
  - (ii) in relation to retail stocks, where the purchase of products from the Interested Persons is intended to meet the anticipated demand for such products; and
  - (iii) in relation to project stocks, where construction projects require the delivery of specific products made by the Interested Persons only,

and where it is not practicable or appropriate to compare against the terms of other transactions or quotations with unrelated third parties or to obtain the price and terms of at least two other transactions (as stipulated in (a) and (b) above) or in situations where the products may be procured only from an Interested Person, in determining whether the price and terms offered are fair and reasonable, the following pertinent factors (without limitation) will be taken into consideration:

- (i) quantity and quality;
- (ii) delivery schedules;
- (iii) specification compliance;
- (iv) potential gross profit margins;
- (v) payment and credit terms;
- (vi) track record;
- (vii) historical purchase price paid by the Group for such products; and/or
- (viii) availability of preferential rates (whether for bulk purchases or otherwise).

## 2.5.2 **Threshold Limits**

The Group will monitor and categorise all Interested Person Transactions as follows:

- (a) for all Interested Person Transactions above S\$100,000, such transactions are to be approved on the following basis:

<b>Approval Limits</b>	<b>Approving Authority</b>
Interested Person Transactions not exceeding S\$1 million <sup>(1)</sup>	<p>CEO or Financial Controller.</p> <p>Failing which, an Executive Officer of the Group who:</p> <p>(a) does not have any interest (direct or indirect) in relation to the transaction;</p> <p>(b) is not from the relevant department which raised the purchase request; and</p> <p>(c) is not a director of the MMSB Group</p>
Interested Person Transactions above S\$1 million <sup>(1)</sup>	Audit Committee

**Note:–**

(1) S\$1 million equates to approximately 1.72% of the Group's latest audited NTA (FY 2017).

- (b) where the value of any individual transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is equal to or exceeds 10% of the listed group's latest audited consolidated NTA, it must be approved by the Audit Committee prior to entry;
- (c) where the value of any individual transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is below 10% of the listed group's latest audited consolidated NTA, it must be approved in accordance with the approval limits and corresponding approving authority as described in Section 2.5.2(a) of this Appendix; and
- (d) any transaction to be made with an Interested Person shall not be approved by the relevant approving authority unless:
- (i) the pricing is determined in accordance with our usual business practices and policies, comparable with the usual price and terms received from or extended to by the Group for the same or substantially similar type of transactions between the Group and unrelated parties and the price and terms are (i) not more favourable to the Interested Person than those extended to unrelated parties, and (ii) not less favourable than those received from unrelated parties; or
  - (ii) where Section 2.5.1(d) of this Appendix applies, the considerations in determining whether the price and terms offered are fair and reasonable as set out in Section 2.5.1(d) of this Appendix are properly taken into account and documented.

The above threshold limits are adopted by the Company after taking into account, among other things, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at with the view to strike a balance between (i) maximising the operational efficiency of the day-to-day operations of the Group, and (ii) maintaining adequate internal controls and governance in relation to the Interested Person Transactions. The threshold limits are intended to act as an additional safeguard to supplement the review procedures as set out above.

### 2.5.3 **Additional Controls**

In addition to the review procedures as set out in Section 2.5.1 of this Appendix, the Group will also implement the following additional procedures:

- (a) the Audit Committee will review all Interested Person Transactions on a quarterly basis to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) and the guidelines under the proposed IPT General Mandate are complied with. If necessary or appropriate, the Audit Committee may engage an independent financial adviser or an independent valuer to carry out such periodic reviews and report the findings to the Audit Committee;
- (b) the Company will maintain a list of interested persons (which will be updated immediately if there are any changes) and will disseminate the list to the relevant staff of the companies within the Group to enable the identification of the Interested Persons. The list of Interested Persons which is maintained shall be reviewed by the Audit Committee at least on a half-yearly basis;
- (c) the Company will maintain a register to record all Interested Person Transactions which are entered into by the Group, recording the basis, including usual margins or prices extended by the Group to unrelated third parties for the same or substantially similar type of transactions, any quotations obtained from unrelated third parties and details of any other factors considered, to support the terms of the Interested Person Transactions. The register shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the Interested Person Transactions) who is duly delegated to do so by the Audit Committee and any exceptions or departures from the review procedures shall be reported and highlighted to the Audit Committee immediately;
- (d) the Company's internal auditors will review, on a half-yearly basis, all Interested Person Transactions entered into pursuant to the IPT General Mandate to ensure that the relevant review procedures have been adhered to and the relevant approvals had been obtained. The internal auditors will report directly to the Audit Committee. The Company's annual internal audit plan will incorporate a review of such Interested Person Transactions entered into in the relevant financial year and the findings will be reported to the Audit Committee;
- (e) the Audit Committee will review the half-yearly internal audit reports to ensure that all Interested Person Transactions are carried out on an arm's length basis and in accordance with the procedures outlined above. Furthermore, if during these periodic reviews, the Audit Committee believes that the review procedures as set out in Section 2.5.1 of this Appendix are not sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will adopt new guidelines and review procedures and seek a fresh general mandate from the Shareholders based on the new review procedures for Interested Person

Transactions. The Audit Committee may request for the opinion of an independent financial adviser or an independent valuer as it deems fit. Where appropriate, the Audit Committee will approve and/or ratify the Interested Person Transactions to ensure that they comply with the review procedures; and

- (f) in the event that the CEO, Financial Controller, any Executive Officers, any Director and/or any member of the Audit Committee has an interest in any Interested Person Transaction, he will abstain from deliberating, reviewing and/or approving that particular transaction.

#### **2.5.4 Expiry And Renewal Of The Proposed IPT General Mandate**

If approved by Shareholders at the AGM, the IPT General Mandate will take effect from the date of receipt of Shareholders' approval and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next Annual General Meeting of the Company. Approval from Shareholders may be sought for the further renewal of the IPT General Mandate at each subsequent Annual General Meeting of the Company, subject to review by the Audit Committee of its continued application to the Interested Person Transactions.

If the Audit Committee is of the view that the review procedures under the IPT General Mandate has become inappropriate or are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh general mandate from the Shareholders based on new review procedures for Interested Person Transactions.

#### **2.5.5 Disclosure**

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company will disclose the IPT General Mandate and the aggregate value of the Interested Person Transactions conducted pursuant to the IPT General Mandate during the financial year in the annual report of the Company and in the annual reports for the subsequent financial years during which the IPT General Mandate is in force.

In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT General Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the timeframe required for the announcement of such report.

These disclosures will be in the form set out in Rule 907 of the Listing Manual.

### **3. CHAPTER 9 OF THE LISTING MANUAL**

#### **3.1 Background**

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an “**entity at risk**”) enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purpose of Chapter 9 of the Listing Manual:

- (a) an “**entity at risk**” means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;
- (b) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
- (c) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual;
- (d) an “**interested person**” means a director, chief executive officer or controlling shareholder of a listed company, or an associate of such director, chief executive officer or controlling shareholder;
- (e) a “**controlling shareholder**” is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in a listed company (unless otherwise excepted by SGX-ST) or in fact exercises control over the listed company;
- (f) an “**associate**” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e., spouse, child, adopted child, stepchild, sibling and parent), 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 and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “**associate**” 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% or more;
- (g) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business and whether or not entered into directly or indirectly; and
- (h) in interpreting the term “**same interested person**” for the purpose of aggregation in Rules 905 and 906 of the Listing Manual, the following applies:
  - (i) transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person; and
  - (ii) if an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.



## 3.2 Financial Thresholds

3.2.1 Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9 of the Listing Manual, an immediate announcement and/or shareholders' approval would be required in respect of these transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

3.2.2 In particular, an immediate announcement is required where:

- (a) the value of a proposed transaction is equal to or exceeds 3% of the listed group's latest audited consolidated NTA ("**Threshold 1**"); or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 1. In this instance, an announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year.

3.2.3 Shareholders' approval is required where:

- (a) the value of a proposed transaction is equal to or exceeds 5% of the listed group's latest audited consolidated NTA ("**Threshold 2**"); or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than Threshold 2. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by shareholders.

3.2.4 The abovementioned requirements for immediate announcement and shareholders' approval do not apply to any transaction below S\$100,000.

## 3.3 Illustration

For illustration purposes and based on the Group's latest audited accounts for FY 2017, the Group's latest audited consolidated NTA as at 31 December 2017 was approximately S\$58,032,000. Accordingly, in relation to the Group, for the purpose of Chapter 9 of the Listing Manual for the current financial year, Shareholders' approval is required where:

- (a) the transaction is of a value equal to, or more than, approximately S\$2,902,000, being 5% of the Group's latest audited consolidated NTA as at 31 December 2017; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, approximately S\$2,902,000 being 5% of the Group's latest audited consolidated NTA as at 31 December 2017. The aggregation will exclude any transaction that had been approved by the Shareholders previously, or is the subject of aggregation with another transaction that had been approved by the Shareholders.

The provisions above exclude transactions below S\$100,000 in value.



### 3.4 Renewal of General Mandate

Part VIII of Chapter 9 of the Listing Manual allows a listed company to seek a renewal of a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses.

## 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders of the Company as at the Latest Practicable Date are set out below:

Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mr. Ong Beng Chye	–	–	–	–
Mr. Low Kok Ann	35,539,003	8.25	–	–
Datuk Edward Lee Ming Foo	–	–	–	–
Mr. Low See Ching <sup>(1)</sup>	113,900	0.03	69,553,400	16.15
Ms. Cheah Yee Leng	–	–	–	–
Mr. Yong Teak Jan @ Yong Teck Jan	–	–	–	–
Mr. Terrance Tan Kong Hwa	–	–	–	–
Mr. Chow Wen Kwan Marcus	–	–	–	–

Substantial shareholders (other than Directors)	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Hap Seng Investment Holdings Pte Ltd <sup>(2)</sup>	–	–	218,790,000	50.82
Hap Seng Consolidated Berhad <sup>(3)</sup>	–	–	218,790,000	50.82
Gek Poh (Holdings) Sdn Bhd <sup>(3)</sup>	–	–	218,790,000	50.82
Magic Principle Assets Limited <sup>(4)</sup>	–	–	218,790,000	50.82
HSBC International Trustee Limited <sup>(4)</sup>	–	–	218,790,000	50.82
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak <sup>(5)</sup>	–	–	218,790,000	50.82
Mr. Ching Chiat Kwong <sup>(6)</sup>	–	–	32,739,730	7.60

**Notes:**

- (1) 32,500,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd, 19,665,700 shares are held in the name of OCBC Securities Private Limited, 12,387,700 shares are held in the name of Citibank Nominees Singapore Pte Ltd and 5,000,000 shares are held in the name of DB Nominees (Singapore) Pte Ltd.
- (2) 218,790,000 ordinary shares are held in the name of Maybank Nominees (Singapore) Private Limited.
- (3) Gek Poh (Holdings) Sdn. Bhd. ("GPH") holds a 60.83% comprising direct and indirect interest of 54.63% and 6.20% respectively in Hap Seng Consolidated Berhad ("HSCB"), which wholly-owns Hap Seng Investment Holdings Pte Ltd ("HSIHPL"). GPH and HSCB are each deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act, Chapter 50 ("the Act").
- (4) Magic Principle Assets Limited ("MPAL") holds a 44% interest in GPH, and is wholly-owned by HSBC International Trustee Limited ("HSBC"). MPAL and HSBC are deemed interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (5) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in GPH, and is deemed to be interested in the 218,790,000 shares which HSIHPL is interested in, pursuant to Section 7 of the Act.
- (6) 6,081,400 ordinary shares are held in the name of Citibank Nominees Singapore Pte Ltd, 18,080,700 ordinary shares are held in the name of DB Nominees (Singapore) Pte Ltd, 412,200 ordinary shares are held in name of OCBC Securities Private Limited and 8,165,430 ordinary shares are held in the name of Raffles Nominees (Pte) Limited.

**5. ABSTENTION FROM VOTING**

Rule 919 of the Listing Manual provides that interested persons and their associates must not vote on any shareholders' resolution approving any mandate or renewal thereof in respect of any interested person transactions under Chapter 9 of the Listing Manual, nor accept appointments as proxies unless specific instructions as to voting are given.

HSIHPL, being the controlling shareholder which the Interested Persons are associates of, will abstain from voting, and undertakes to ensure that its associates will abstain from voting, in respect of the ordinary resolution set out in the notice of AGM, and will not accept appointments as proxies unless specific instructions as to voting are given.

**6. STATEMENT OF THE AUDIT COMMITTEE**

Having considered, among other things, the terms, rationale and benefits of the Proposed Renewal of the IPT General Mandate, the Audit Committee confirms that the guidelines and review procedures proposed by the Company as set out in Section 2.5.1 of this Appendix for determining the transaction prices of the Interested Person Transactions, if adhered to, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee also confirms that the procedures referred to in Section 2.5 of this Appendix have not changed since the last Shareholder approval.

**7. DIRECTORS' RECOMMENDATION**

As the Interested Directors are also directors of MMSB, and Datuk Edward Lee Ming Foo and Ms. Cheah Yee Leng are directors of HSCB, each of the Interested Directors shall abstain from making any recommendations on the approval of the Proposed Renewal of the IPT General Mandate to be tabled at the AGM. The Interested Directors will also not accept appointments as proxies for voting in respect of the ordinary resolution set out in the Notice of AGM unless specific instructions as to voting are given.

Save as disclosed above, none of the Directors is deemed to be interested for the purpose of making a recommendation to the Shareholders in respect of the Proposed Renewal of the IPT General Mandate.

The Directors (save for the Interested Directors), having considered, *inter alia*, the terms, rationale and benefits of the Proposed Renewal of the IPT General Mandate, the review procedures of the Company for the Interested Person Transactions and the role of the Audit Committee in enforcing the IPT General Mandate, are of the view that the guidelines and review procedures for determining transaction prices of the Interested Person Transactions as set out in Section 2.5.1 of this Appendix, if adhered to, are sufficient to ensure that the Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, the Directors (save for the Interested Directors) recommend that Shareholders vote in favour of the ordinary resolutions set out in the Notice of AGM.

## **8. DIRECTORS' RESPONSIBILITY STATEMENT**

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

Yours faithfully

For and on behalf of the Board of Directors of  
**Hafary Holdings Limited**

Low Kok Ann  
Executive Director and CEO

