

## HAFARY HOLDINGS LIMITED

(Company Registration No: 200918637C)

(Incorporated in the Republic of Singapore)

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### INCORPORATION OF SUBSIDIARIES AND ENTRY INTO JOINT VENTURE AGREEMENT

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#### 1. Introduction

The Board of Directors (the "**Board**") of Hafary Holdings Limited (the "**Company**", and, together with its subsidiaries, the "**Group**"), wishes to announce that the Group has on 22 July 2022 entered into a joint venture agreement (the "**JVA**") with CNA Pte. Ltd. ("**CNAPL**", and such arrangement the "**Joint Venture**") pursuant to which the parties to the JVA had agreed to incorporate a joint venture company, International Ceramic Manufacturing Hub Pte. Ltd. ("**ICMH SG**") to carry on the Business (as defined below).

#### 2. Incorporation of subsidiaries

In connection with the Group's entry into the JVA, the Company has incorporated the following subsidiaries:

- 2.1 Hafary Element Pte. Ltd. ("**Hafary Element**"), a company incorporated in Singapore with an initial paid-up share capital of S\$100 comprising 100 ordinary shares, all of which are held by the Company's wholly-owned subsidiary, Hafary Pte Ltd ("**HPL**"), as at the date of this announcement.

It is intended that prior to the commencement of the Joint Venture, the paid-up share capital of Hafary Element will be increased to S\$10,000 comprising 10,000 ordinary shares of which 8,571 will be held by HPL and 1,429 will be held by Guangdong ITA Element Building Material Co., Limited ("**Guangdong ITA**"). Guangdong ITA is our Group's joint venture company in the People's Republic of China and is owned as to 50.0% by our wholly-owned subsidiary, Hafary Building Materials Pte. Ltd., 35.0% owned by Wei, Beizan and 15.0% owned by Chen, Zaifeng.

- 2.2 ICMH SG, a company incorporated in Singapore with an initial paid-up share capital of S\$100 comprising 100 ordinary shares, all of which are held by the Company's wholly-owned subsidiary, HPL, as at the date of this announcement.

It is intended that prior to the commencement of the Joint Venture, the paid-up share capital of ICMH SG will be increased to S\$100,000 comprising 100,000 ordinary shares, of which 70,000 will be held by Hafary Element and 30,000 will be held by CNAPL.

- 2.3 International Ceramic Manufacturing Hub Sdn Bhd ("**ICMH MY**"), a company incorporated in Malaysia with an initial issued share capital of RM1 comprising 1 ordinary share which is wholly-owned by ICMH SG.

It is intended that prior to the commencement of the Joint Venture, the issued share capital of ICMH MY will be increased to RM3,000,000 comprising 3,000,000 ordinary shares.

### 3. Rationale for the Joint Venture

ICMH MY will leverage on CNAPL's experience as an operator of tile manufacturing plants to (a) provide technical and other services to; and (b) acquire ceramic tiles from, Malaysian Mosaics Sdn Bhd ("**MMSB**", and such business, the "**Business**") in reliance on and subject to the review procedures of the Company's existing mandate for interested person transactions last approved by shareholders on 7 April 2022.

MMSB is a wholly-owned subsidiary of the Company's controlling shareholder, Hap Seng Consolidated Berhad ("**HSCB**"). As such, transactions between ICMH MY and MMSB would constitute interested person transactions for purposes of Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

Our Non-Independent and Non-Executive Director, Datuk Edward Lee Ming Foo, is the Managing Director of HSCB and Gek Poh (Holdings) Sdn Bhd, the holding company of HSCB. Our Non-Independent and Non-Executive Director, Ms Cheah Yee Leng, is an Executive Director of HSCB, and our Non-Independent and Non-Executive Director, Mr Yong Teak Jan @ Yong Teck Jan, is a director of MMSB (collectively, the "HSCB Directors"). In line with Principle 1 of the Code of Corporate Governance 2018, the HSCB Directors have recused themselves from voting on the Joint Venture.

The proposed Joint Venture is expected to provide additional future revenue streams for the Group and would also enable the Group to leverage on the business networks and know-how of CNAPL and to acquire and develop the Group's expertise in operating ceramic manufacturing plants.

The Joint Venture is not expected to result in a change in risk profile of the Group. In the event the Group undertakes new business activities which will result in a change in risk profile of the Group, the Group will seek the requisite approvals prior to undertaking such business activities.

Accordingly, the Board (save for the HSCB Directors) believes the Joint Venture is in the best interests of the Company.

### 4. Information on CNAPL

CNAPL is a private company incorporated in Singapore on 24 June 2019 and has an issued and paid-up share capital of S\$100,000. CNAPL is owned as to 50.0% by Su Wei Tao ("**Mr Su**") and owned as to 50.0% by Ng Yuen Tok ("**Mr Ng**").

Mr Su graduated from Jingdezhen Ceramic University majoring in Silicate. Mr Su has extensive experience in the industry and established the Fujian Weixiang Ceramic Factory and the MUSES brand in China, which focuses on high-end ceramic tile designs.

Mr Ng is a graduate of The Chinese University of Hong Kong. With more than 20 years of experience in the international ceramic tile market and new product development, the DOMOGRES brand, which Mr. Ng helms, has become an established brand in the high-end ceramic market.

CNAPL focuses on ceramic tile manufacturing and currently have over 3 years' of experience in operating tile factories in Malaysia.

**5. Financial Effects of the Joint Venture**

The Joint Venture will be funded through the Group's internal resources and, at present, is not expected to have any material impact on the net tangible assets and earnings per share of the Group for the financial year ending 31 December 2022.

**6. Interests of Directors, Controlling Shareholders and Substantial Shareholders**

Save as set out in this announcement, none of the directors, controlling shareholders and substantial shareholders of the Company or their respective associates have any interest, direct or indirect, in the Joint Venture, other than through their respective shareholdings in the Company.

**7. Documents available for inspection**

Copies of the JVA are available for inspection by the Shareholders at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre Singapore 409836 during normal office hours for three (3) months from the date of this announcement.

**8. Further announcements**

The Company will keep shareholders informed of any further development on the Joint Venture by way of further announcement(s) as appropriate or when there are material developments in respect of the same.

By Order of the Board

Low Kok Ann  
Executive Director and CEO  
22 July 2022