

HAFARY HOLDINGS LIMITED

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

- (A) **1ST COMPLETION DATE IN RELATION TO THE PROPOSED ACQUISITION OF 10% OF THE ISSUED SHARE CAPITAL OF WORLD FURNISHING HUB PTE. LTD. ("WFH") BY THE COMPANY'S SUBSIDIARY, HAFARY PTE LTD (THE "PURCHASER", AND SUCH ACQUISITION THE "FIRST ACQUISITION")**
 - (B) **THE PROPOSED ACQUISITION OF 25% OF THE ISSUED SHARE CAPITAL OF WFH FROM MR CHING CHIAT KWONG AND SHAREHOLDER'S LOANS DUE FROM WFH TO MR CHING (THE "SECOND ACQUISITION")**
-

The Board of Directors (the "**Directors**") of Hafary Holdings Limited (the "**Company**" and, together with its subsidiaries, the "**Hafary Group**") refers to the Company's announcements dated 24 March 2021, 29 June 2021 and 29 September 2021.

(A) **1ST COMPLETION DATE UNDER THE FIRST ACQUISITION**

Pursuant to the terms of the sale and purchase agreement entered into between the Purchaser and Sitra Agencies Pte Ltd ("**Sitra Agencies**") on 24 March 2021 for the First Acquisition (the "**First SPA**"), the Board is pleased to announce that 1st Completion has taken place on 29 December 2021.

Pursuant to 1st Completion, the Purchaser has on 29 December 2021 paid to Sitra Agencies an amount equal to S\$740,000 and Sitra Agencies has transferred 50,000 ordinary shares in WFH (each such share a "**Share**") to the Purchaser, to give the Purchaser a 51.0% stake in the issued share capital of WFH. As at the date of this announcement, the Purchaser has now paid Sitra Agencies an aggregate amount of S\$1,850,000 (being 50.0% of the consideration payable by the Purchaser under the First SPA, the "**Sitra Consideration**"),.

The Board also wishes to update shareholders that the Purchaser and Sitra Agencies have entered into a second amendment letter on 29 December 2021 to amend the terms of the First SPA (the "**Second Amendment Letter**").

Under the original terms of the First SPA, the remaining 50.0% of the Sitra Consideration is payable in 5 equal tranches, and upon the Purchaser's payment of each tranche Sitra Agencies will transfer 10,000 Shares (representing a 1.0% stake in WFH) to the Purchaser.

Under the Second Amendment Letter, the parties have agreed that the remaining 50.0% of the Sitra Consideration will instead be payable on 17 January 2022 ("**Completion Date**"), and on Completion Date, Sitra Agencies will transfer 50,000 Shares (representing Sitra Agencies' remaining 5.0% stake in WFH) to the Purchaser to give the Purchaser a 56.0% stake in issued share capital of WFH.

Save for the above amendments, no other changes to the terms of the First SPA (including as to the aggregate amount of consideration payable to Sitra Agencies) was made.

(B) THE SECOND ACQUISITION

1. Introduction

1.1 The Company also wishes to announce that the Purchaser, being the Company's wholly-owned subsidiary, has on 29 December 2021 entered into a separate sale and purchase agreement ("**Second SPA**") with another shareholder of WFH, Mr Ching Chiat Kwong ("**Mr Ching**"), in relation to the proposed acquisition by the Purchaser of:

- (i) Mr Ching's entire stake in WFH which comprises 25% of the issued share capital in WFH (the "**Ching Shares**") for a sum of S\$1,170,038.07; and
- (ii) a shareholder's loan due from WFH to Mr Ching in the sum of S\$1,107,975 (the "**Shareholder's Loan**"),

(such acquisition the "**Second Acquisition**").

1.2 The parties have agreed that completion of the Second Acquisition will take place on Completion Date (17 January 2022) and on such date the Purchaser will be the legal and beneficial owner of an additional 25% of the issued share capital of WFH.

2. Information on the Second Acquisition

2.1 Information on WFH

WFH holds the leasehold interest of the property located at 18 Sungei Kadut Street 2, Singapore 729236 (the "**Property**"). Please refer to the Company's announcement dated 24 March 2021 for more information on WFH.

2.2 Information on Mr Ching

Mr Ching is the Executive Chairman and Chief Executive Officer of Oxley Holdings Limited. Mr Ching ceased to be a substantial shareholder of the Company on 15 January 2021.

3. Principal terms of the Second Acquisition

3.1 Aggregate value of consideration

Pursuant to the Second Acquisition, Hafary will pay Mr Ching an aggregate sum of S\$2,278,013.07 (the "**Ching Consideration**"), comprising:

- (a) an amount equal to S\$1.17 million for the Ching Shares; and
- (b) an amount equal to S\$1.1 million for the assignment of the Shareholder's Loan, which will be assigned to the Purchaser with effect from completion of the Second Acquisition.

The consideration payable for the Ching Shares was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Purchaser and Mr Ching, taking into account, *inter alia*, the following factors:

- 3.1.1 the revalued net asset value ("**RNAV**") attributable to the Ching Shares as of 30 November 2021 of approximately S\$1.17 million. The RNAV of WFH takes into account the market value of the Property pursuant to the valuation conducted prior to the First Acquisition. Please refer to the Company's announcement dated 24 March 2021 for more information on such valuation;
- 3.1.2 the prevailing market conditions (including the impact of the COVID-19 pandemic);
- 3.1.3 the business prospects of WFH; and
- 3.1.4 the fact that the Second Acquisition constitutes a disposal of a minority stake in WFH.

3.2 **Material conditions**

Completion of the Second Acquisition is conditional upon the fulfilment of the following conditions:

- 3.2.1 Mr Low See Ching ("**Mr Low**") having waived his rights and entitlements of pre-emption and/or rights of first refusal in respect of the sale and purchase of the Ching Shares;
- 3.2.2 Mr Ching having entered into a deed of assignment between Mr Ching, the Purchaser and WFH assigning all debt due to Mr Ching under the Shareholder's Loan to the Purchaser with effect from the completion of the Second Acquisition;
- 3.2.3 the representations and warranties provided by the Purchaser and Mr Ching in the Second SPA being true, complete and accurate in all material respects as at the completion of the Second Acquisition;
- 3.2.4 all other necessary governmental or regulatory filings, permits or approvals required in connection with the Second SPA and the transactions contemplated having been made or obtained, and being in full force and effect and not having been withdrawn, suspended, amended, or revoked, and if such approval, consents, and/or waivers are granted or obtained subject to any conditions, and if such conditions affect the Purchaser and/or Mr Ching, such conditions being reasonably acceptable to the party concerned, and if such conditions are to be fulfilled before specific dates, such conditions being fulfilled before such dates.

3.3 **Terms of payment**

The Ching Consideration will be paid fully in cash on completion, and upon such payment Mr Ching will transfer the Ching Shares and assign the Shareholder's Loan to the Purchaser.

3.4 **Source of funds**

The Ching Consideration will be fully funded by the Hafary Group's internal resources.

3.5 **Value of the Ching Shares**

Based on the audited accounts of WFH for the financial year ended 31 December 2020 ("**FY2020**"), the net tangible liabilities attributable to the Ching Shares is S\$1,007,000.

3.6 Net profit attributable to the Ching Shares

Based on the audited accounts of WFH for FY2020, WFH recorded a net profit (after taxation) of approximately S\$150,000. As such, the net profit attributable to the Sale Shares is approximately S\$38,000.

4. Rationale for the Second Acquisition

4.1 The Company had sought the consent of JTC Corporation ("**JTC**", being the lessor of the Property) for the First Acquisition on 16 July 2021. On 6 December 2021, JTC consented to the First Acquisition on condition that the Company completes both the First Acquisition and the Second Acquisition (collectively the "**WFH Acquisitions**") by 6 March 2022. As such, pursuant to such consent, the Company entered into the Second SPA on 29 December 2021.

4.2 The Second Acquisition would enable the Hafary Group to rationalise the ownership of WFH. WFH holds the Property, which is primarily used for, among others, warehousing, storage, assembly, servicing and research & development of stone slab/products and tiles. Neither Mr Ching nor Sitra Agencies are in the business of stone slab/products or tiles. Upon the completion of the First Acquisition and the Second Acquisition, WFH will be owned as to 81.0% by the Hafary Group, and 19.0% by Mr Low See Ching. Mr Low See Ching is a substantial shareholder of the Company and the Company's Non-Independent, Non-Executive Director.

Based on the above considerations, the Board believes that the Second Acquisition will be beneficial to and is in the best interests of the Company and the Hafary Group.

5. Relative figures computed on the bases set out in Rule 1006 of the Listing Manual

5.1 Relative figures of the Second Acquisition

The relative figures of the Second Acquisition under Listing Rule 1006 of the SGX-ST Listing Manual ("**Mainboard Rules**") based on the audited consolidated financial statements of Hafary Group for FY2020 (being the latest announced consolidated accounts), are set out below.

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Hafary Group's net asset value	Not applicable ⁽¹⁾
(b)	Net profits attributable to the assets acquired, compared with the Hafary Group's net profits	0.72% ⁽²⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	3.05% ⁽³⁾

Rule 1006	Bases	Relative Figures (%)
(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 ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Hafary Group's proven and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) This basis is not applicable to the Second Acquisition.
- (2) The net profits attributable to the Ching Shares is approximately S\$38,000 and the Hafary Group recorded a profit after tax of \$5,260,000 based on Hafary Group's audited consolidated financial statements for FY2020.
- (3) The net tangible liabilities attributable to the Ching Shares is S\$1,007,000. For purposes of Rule 1006(c), the Company has aggregated the net tangible liabilities attributable to the Ching Shares with the consideration payable of S\$1.17 million for the Ching Shares in accordance with paragraph 3.2(b)(iv) of Practice Note 10.1 (excluding amounts paid by the Purchaser for the Shareholder's Loan). The Company's market capitalisation is based on the weighted average price of the Company's shares last transacted on the SGX-ST on 16 December 2021, being the latest available full market day in which the Company's shares were traded prior to the date of this announcement.
- (4) This basis is not applicable as no equity securities are to be issued as part of the Consideration.
- (5) This basis is not applicable to the Second Acquisition.

None of the relative figures under Rule 1006 of the Mainboard Rules exceeds 5%. As such, the Second Acquisition does not constitute a "discloseable transaction" as defined in Chapter 10 of the Mainboard Rules.

5.2 Relative figures of the WFH Acquisitions

The relative figures of the WFH Acquisitions under Listing Rule 1006 of the SGX-ST Listing Manual ("**Mainboard Rules**") based on the audited consolidated financial statements of Hafary Group for FY2020 (being the latest announced consolidated accounts), are set out below.

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Hafary Group's net asset value	Not applicable ⁽¹⁾
(b)	Net profits attributable to the assets acquired, compared with the Hafary Group's net profits	1.01% ⁽²⁾

Rule 1006	Bases	Relative Figures (%)
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	8.94% ⁽³⁾
(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 ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Hafary Group's proven and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) This basis is not applicable to the WFH Acquisitions.
- (2) The net profits attributable to the Shares to be acquired under the WFH Acquisitions (the "**Sale Shares**") is approximately S\$52,000 and the Hafary Group recorded a profit after tax of \$5,260,000 based on Hafary Group's audited consolidated financial statements for FY2020.
- (3) The net tangible liabilities attributable to the Sale Shares is S\$1,521,000. For purposes of Rule 1006(c), the Company has aggregated the net tangible liabilities attributable to the Sale Shares with the consideration payable for the Sale Shares (i.e. S\$1.17 million payable to Ching for the Ching Shares and S\$3.7 million payable to Sitra Agencies for 100,000 ordinary shares in WFH) in accordance with paragraph 3.2(b)(iv) of Practice Note 10.1. The Company's market capitalisation is based on the weighted average price of the Company's shares last transacted on the SGX-ST on 16 December 2021, being the latest available full market day in which the Company's shares were traded prior to the date of this announcement.
- (4) This basis is not applicable as no equity securities are to be issued as part of the consideration.
- (5) This basis is not applicable to the WFH Acquisitions.

As the relative figure under Rule 1006 of the Mainboard Rules exceeds 5% but does not exceed 20%, the WFH Acquisitions when viewed in aggregate constitutes a "discloseable transaction" as defined in Chapter 10 of the Mainboard Rules.

6. Financial effects of the WFH Acquisitions

6.1 General

The proforma financial effects of the WFH Acquisitions on the net tangible assets ("**NTA**") per share and the earnings per share ("**EPS**") of the Hafary Group are set out below. The proforma financial effects have been prepared based on:-

- (a) the audited consolidated financial results of the Hafary Group for FY2020 (being the most recently announced consolidated full-year financial statements of the Group); and
- (b) the audited accounts of WFH for FY2020.

The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Hafary Group after the WFH Acquisitions have been fully completed.

6.1.1 NTA

For illustrative purposes only, the proforma financial effects of the WFH Acquisitions on the Hafary Group's NTA per share, assuming that the WFH Acquisitions had been completed on 31 December 2020, being the end of the most recently completed financial year, are set out below:

NTA	Before the WFH Acquisitions	After the WFH Acquisitions
NTA (S\$'000)	71,309	64,918
Number of issued shares ('000)	430,550	430,550
NTA per share (cents)	16.6	15.1

6.1.2 Earnings per Share

For illustrative purposes only, the proforma financial effects of the WFH Acquisitions on the consolidated earnings of the Hafary Group, assuming that the WFH Acquisitions had been completed on 1 January 2020, being the beginning of the most recently completed financial year, are set out below:

EPS	Before the WFH Acquisitions	After the WFH Acquisitions
Profits attributable to the owners of Hafary (S\$'000)	5,260	5,260
Weighted average number of issued shares ('000)	430,550	430,550
EPS - Basic (cents)	1.2	1.2

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Second Acquisition.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Second Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Second SPA and the Second Amendment Letter are available for inspection during normal business hours at the Company's registered office at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, for a period of three (3) months commencing from the date of this announcement.

By Order of the Board

Low Kok Ann
Executive Director and CEO
29 December 2021