

**CIRCULAR DATED 24 MARCH 2016**

**THIS CIRCULAR TO SHAREHOLDERS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**This Circular is issued by Hafary Holdings Limited (the “Company”). 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 ordinary shares in the capital of the Company (the “Shares”) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee.

If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with the CDP, you should immediately forward this Circular together with the Notice of EGM and the enclosed Proxy Form 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.

Capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



合發利控股有限公司  
**HAFARY HOLDINGS LIMITED**  
(Company Registration No. 200918637C)  
(Incorporated In the Republic of Singapore)

## **CIRCULAR TO SHAREHOLDERS**

in relation to

### **PROPOSED GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

Independent Financial Adviser to the Independent Directors



**TATA CAPITAL MARKETS PTE LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200820715M)

### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	9 April 2016 at 12.00 p.m.
Date and time of EGM	:	11 April 2016 at 12.00 p.m. (or as soon thereafter as the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place is concluded or adjourned)
Place of EGM	:	8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095

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## DEFINITIONS

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

<b>“Audit Committee”</b>	:	The audit committee of the Company as at the date of this Circular, 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 Circular 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>“Circular”</b>	:	This circular to Shareholders dated 24 March 2016
<b>“Companies Act”</b>	:	The Companies Act (Cap.50) of Singapore
<b>“Company”</b>	:	Hafary Holdings Limited
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 11 April 2016 at 12.00 p.m. (or as soon thereafter as the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place is concluded or adjourned), notice of which is set out on page 26 of this Circular
<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 Group”</b>	:	Hap Seng Consolidated Berhad, its subsidiaries (save for the Group) and its associates
<b>“HSIHPL”</b>	:	Hap Seng Investment Holdings Pte Ltd
<b>“IFA”</b>	:	Tata Capital Markets Pte Ltd, the independent financial adviser appointed by the Company to advise the Independent Directors on the Proposed IPT General Mandate
<b>“IFA Letter”</b>	:	The letter from the IFA to the Independent Directors dated 24 March 2016
<b>“Independent Directors”</b>	:	The Directors other than the Interested Directors who are regarded as independent in respect of the Proposed IPT General Mandate

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## DEFINITIONS

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<b>“Interested Directors”</b>	:	Datuk Edward Lee Ming Foo, JP, Ms. Cheah Yee Leng and Mr. Yeow Wai Siaw
<b>“Interested Persons”</b>	:	The MMSB Group and the HSCB Group
<b>“Interested Person Transactions”</b>	:	Transactions with the Group which fall within the scope of the Proposed IPT General Mandate, as set out in Section 2.4 of this Circular
<b>“Latest Practicable Date”</b>	:	14 March 2016, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	:	The mainboard rules of the listing manual of the SGX-ST
<b>“MML”</b>	:	MML Marketing Pte Ltd
<b>“MMSB”</b>	:	Malaysian Mosaics Sdn Bhd
<b>“MMSB Group”</b>	:	MMSB and its subsidiaries
<b>“Notice of EGM”</b>	:	The notice of EGM as set out on page 26 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“Proposed IPT General Mandate”</b>	:	The general mandate from Shareholders proposed to be obtained by the Company at the EGM pursuant to Chapter 9 of the Listing Manual, permitting the Company, its subsidiaries and associated companies to enter into the Interested Person Transactions with the Interested Persons
<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 Circular
<b>“Threshold 2”</b>	:	Has the meaning ascribed to it in Section 3.2.3(a) of this Circular
<b>“S\$”</b>	:	Singapore dollars, being the lawful currency of Singapore
<b>“%”</b>	:	Per centum or percentage

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## DEFINITIONS

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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 Circular 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 Circular 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 Circular.

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

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

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

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## LETTER TO SHAREHOLDERS

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### 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, JP  
Mr. Low See Ching  
Ms. Cheah Yee Leng  
Mr. Yeow Wai Siaw  
Mr. Terrance Tan Kong Hwa  
Mr. Chow Wen Kwan Marcus

#### Registered Office:

105 Eunos Avenue 3  
Hafary Centre  
Singapore 409836

24 March 2016

To: The Shareholders of Hafary Holdings Limited

Dear Sir/Madam

### PROPOSED GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 1. INTRODUCTION

- 1.1 Pursuant to Chapter 9 of the Listing Manual, the Directors intend to seek Shareholders' approval at an EGM to be held on 11 April 2016 for the adoption of the Proposed 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 2.4 of this Circular. Information on the Interested Persons is set out in Section 2.2 of this Circular.
- 1.2 The purpose of this Circular is to provide Shareholders with the relevant information relating to and explaining the rationale for the Proposed IPT General Mandate and to seek Shareholders' approval for the resolution in respect thereof to be tabled at the EGM, the notice of which is set out on page 22 of this Circular.
- 1.3 Shareholders should read this Circular and the letter from the IFA in the **Appendix** carefully and consider the recommendation of the Directors in Section 8 of this Circular and the advice of the IFA to the Independent Directors in the **Appendix** in respect of the Proposed IPT General Mandate.

#### 2. PROPOSED 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\$26,634,000 comprising 429,000,000 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. On 23 February 2015, the Group became a subsidiary of HSIHPL which is in turn a wholly-owned subsidiary of HSCB.

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## LETTER TO SHAREHOLDERS

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

#### ***HSCB Group***

HSCB is a company incorporated in Malaysia under the Malaysian Companies Act 1965 on 24 March 1976 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 60.65%, comprising 55.67% direct shareholding and 4.98% indirect shareholding via its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd.

HSCB has a total of 82 subsidiaries, and the core businesses of the HSCB Group are:-

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

As described in Section 2.1 of this Circular, HSCB is a subsidiary of Gek Poh Holdings, and is also the holding company of HSIHPL.

#### ***MMSB Group***

MMSB is a private limited company incorporated in Malaysia under the Malaysian Companies Act 1965 on 28 February 1964. As at the Latest Practicable Date, MMSB has an authorised share capital of RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each, of which RM158,599,450 comprising 158,599,450 ordinary shares of RM1.00 each have been issued and fully paid-up. MMSB is a wholly-owned subsidiary of Gek Poh Holdings and is principally engaged in investment holding and the manufacture and sale of mosaic and ceramic tiles.

MML is a private limited company incorporated in Singapore under the Companies Act on 25 July 2003. As at the Latest Practicable Date, MML has an issued and paid-up share capital of S\$200,000 comprising 200,000 ordinary shares. MML is one of the wholly-owned subsidiaries of MMSB and is principally engaged in the distribution of mosaic and ceramic tiles.

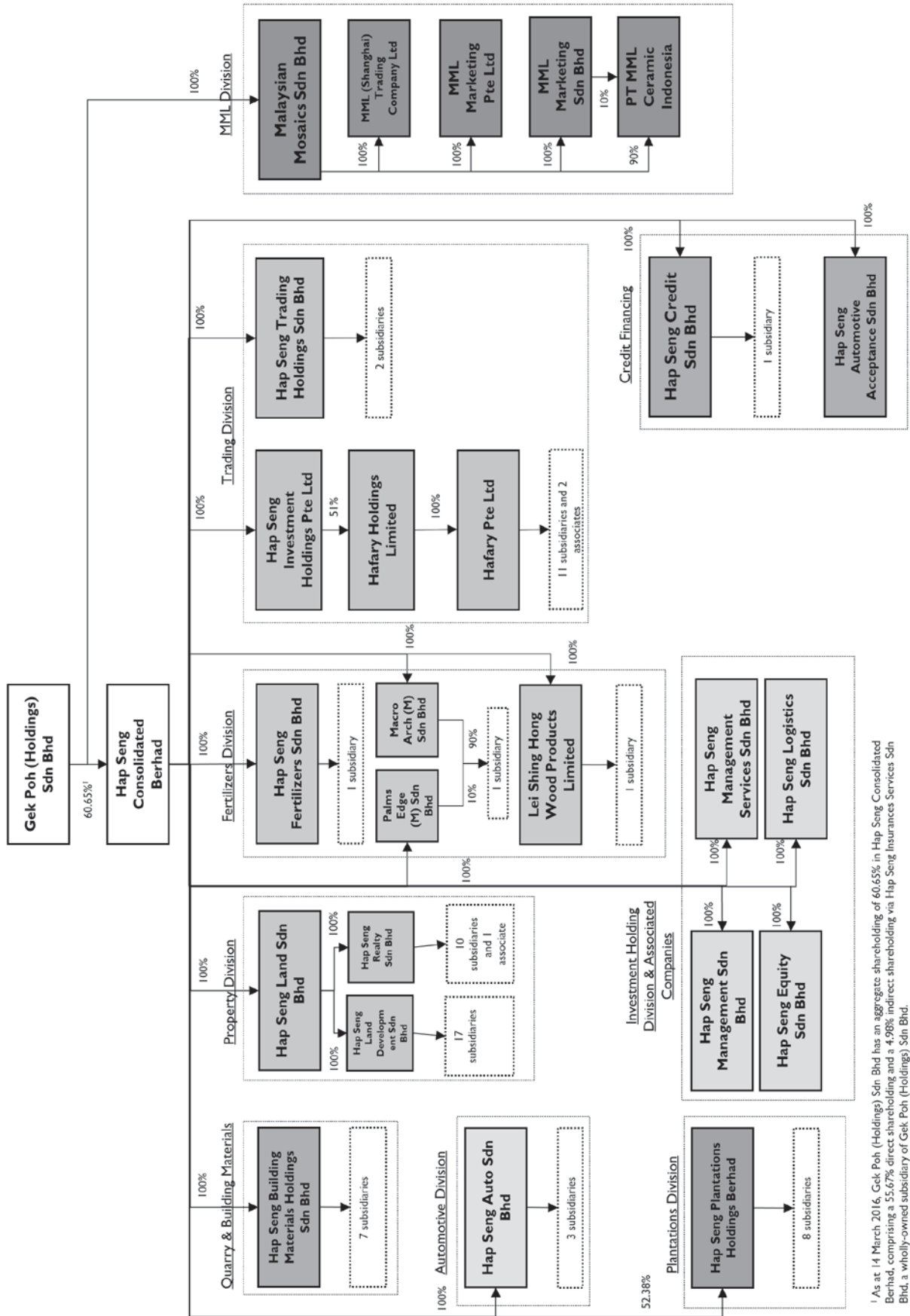
#### ***The HSCB Group and the MMSB Group as Interested Persons***

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 (i) the Group and the MMSB Group; and (ii) the Group and the HSCB Group, will be regarded as Interested Person Transactions and will be subject to Chapter 9 of the Listing Manual.

HSCB has on 1 March 2016 announced on Bursa Malaysia that it will be acquiring the MMSB Group from Gek Poh Holdings. As completion of this proposed restructuring is conditional upon the fulfilment of certain conditions precedent, the Company is unable to ascertain the exact completion date. However, shareholders should note that further to this acquisition, Gek Poh Holdings will remain the ultimate holding company of the MMSB Group, and the MMSB Group will still be an Interested Person under the Proposed IPT General Mandate, and the relevant review procedures under this IPT General Mandate will continue to apply.

The group structure chart of the HSCB Group and the MMSB Group as at the Latest Practicable Date is set out below:-

# LETTER TO SHAREHOLDERS



<sup>1</sup> As at 14 March 2016, Gek Poh (Holdings) Sdn Bhd has an aggregate shareholding of 60.65% in Hap Seng Consolidated Berhad, comprising a 55.67% direct shareholding and a 4.98% indirect shareholding via Hap Seng Insurances Services Sdn Bhd, a wholly-owned subsidiary of Gek Poh (Holdings) Sdn Bhd.



## LETTER TO SHAREHOLDERS

### 2.3 Previous Transactions with the HSCB Group and the MMSB Group

The Group has, among other things, from time to time purchased tiles (including floor, wall and homogeneous tiles) from the MMSB Group in the ordinary course of business of the Group. Details of the transactions (including transactions below S\$100,000 in value) entered into by the Group with the HSCB Group and the MMSB Group from 23 February 2015 (being the day the Company became a subsidiary of HISHPL) to 31 December 2015 (the “**FY2015 Transactions**”) and from 1 January 2016 to the Latest Practicable Date are set out below:

#### **HSCB Group**

Interested Person	Transactions	Value (S\$'000)	% of the Group's FY2015 audited NTA <sup>(1)</sup>
<b>23 February 2015 to 31 December 2015</b>			
Hap Seng Building Materials Marketing Pte Ltd	Rental of office space at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836	24	0.05
	<b>Total</b>	24	0.05
<b>1 January 2016 to Latest Practicable Date</b>			
Hap Seng Building Materials Marketing Pte Ltd	Rental of office space at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836	7	0.01
	<b>Total</b>	7	0.01

#### **MMSB Group**

Interested Person	Transactions	Value (S\$'000)	% of the Group's FY2015 audited NTA <sup>(1)</sup>
<b>23 February 2015 to 31 December 2015</b>			
MMSB	Purchase of tiles (including floor, wall and homogeneous tiles)	505	0.99
MML	Purchase of tiles (including floor, wall and homogeneous tiles)	1,372	2.70
MML (Shanghai) Trading Company Ltd	Rental of warehouse space at North Fangxun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangdong Province, the People's Republic of China	26	0.05
	<b>Total</b>	1,903	3.74

## LETTER TO SHAREHOLDERS

Interested Person	Transactions	Value (S\$'000)	% of the Group's FY2015 audited NTA <sup>(1)</sup>
<b>1 January 2016 to Latest Practicable Date</b>			
MMSB	Purchase of tiles (including floor, wall and homogeneous tiles)	242	0.48
MML	Purchase of tiles (including floor, wall and homogeneous tiles)	454	0.89
MML (Shanghai) Trading Company Ltd	Rental of warehouse space at North Fangxun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangdong Province, the People's Republic of China	9	0.02
	<b>Total</b>	705	1.39

**Notes:**

(1) Based on the Group's FY 2015 audited NTA of S\$50,787,000.

It is envisaged that the Group may continue to enter into certain recurring transactions in the ordinary course of business with the HSCB Group and the MMSB Group.

### 2.4 Scope of Transactions under the Proposed IPT General Mandate

The Group wishes to obtain Shareholders' approval for the Proposed IPT General Mandate, under which the Group may enter into recurrent transactions of a trading nature or those necessary for its day-to-day operations with the Interested Persons (being the MMSB Group and the HSCB 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.

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## LETTER TO SHAREHOLDERS

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The Proposed 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 Proposed IPT General Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other provisions of the Listing Manual.

### **2.5 Rationale for and Benefit of the Proposed IPT General Mandate**

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 and the MMSB 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 2.6.1(d) of this Circular.

In addition, the Group is principally engaged in the trading of building materials and has been purchasing building materials from 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.

The transactions with the Interested Persons set out in Section 2.4 of this Circular 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.

The Proposed 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.

In view of the time-sensitive nature of commercial transactions, the Proposed 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.

### **2.6 Guidelines And Review Procedures Under The Proposed IPT General Mandate**

#### **2.6.1 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

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## LETTER TO SHAREHOLDERS

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practicable. While other factors (as set out in this Section 2.6.1) 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 2.6.1) 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).

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## LETTER TO SHAREHOLDERS

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### 2.6.2 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:

Approval Limits	Approving Authority
IPT not exceeding S\$1 million <sup>(1)</sup>	CEO or Financial Controller.  Failing which, an Executive Officer of the Group who: <ul style="list-style-type: none"> <li>a) does not have any interest (direct or indirect) in relation to the transaction;</li> <li>b) is not from the relevant department which raise the purchase request; and</li> <li>c) is not a director of MMSB and MML</li> </ul>
IPT above S\$1 million <sup>(1)</sup>	Audit Committee

**Note:-**

*(1) S\$1 million equates to approximately 1.97% of the Group's latest audited NTA (FY2015).*

- (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; and
- (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 2.6.2(a) of this Circular.
- (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 2.6.1(d) of this Circular applies, the considerations in determining whether the price and terms offered are fair and reasonable as set out in Section 2.6.1(d) of this Circular are properly taken into account and documented.
- (e) 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

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## LETTER TO SHAREHOLDERS

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limits are intended to act as an additional safeguard to supplement the review procedures as set out above.

### **2.6.3 Additional Controls**

In addition to the review procedures as set out in Section 2.6.1 of this Circular, 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 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 2.6.1 of this Circular 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.

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## LETTER TO SHAREHOLDERS

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

If approved by Shareholders at the EGM, the Proposed 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 renewal of the Proposed 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 Proposed 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.

### **2.6.5 Disclosure**

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

In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the Proposed 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:

- (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;



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## LETTER TO SHAREHOLDERS

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- (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 all voting shares 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 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 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; and
- (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.

### 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, 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.



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## LETTER TO SHAREHOLDERS

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### 3.3 Illustration

For illustration purposes and based on the Group's latest audited accounts for FY2015, the Group's latest audited consolidated NTA as at 31 December 2015 was approximately S\$50,787,000. Accordingly, in relation to the Group, for the purpose of Chapter 9 for the current financial year, Shareholders' approval is required where:

- (a) the transaction is of a value equal to, or more than, approximately S\$2,539,000, being 5% of the Group's latest audited consolidated NTA as at 31 December 2015; 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\$2,539,000, being 5% of the Group's latest audited consolidated NTA as at 31 December 2015. 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 General Mandate

Part VIII of Chapter 9 allows a listed company to seek 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. A general mandate granted by shareholders is subject to annual renewal.

## 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	35,404,703	8.25	-	-
Datuk Edward Lee Ming Foo, JP	-	-	-	-
Mr. Low See Ching <sup>(1)</sup>	113,900	0.03	69,553,400	16.21
Cheah Yee Leng	-	-	-	-
Yeow Wai Siaw	-	-	-	-
Terrance Tan Kong Hwa	-	-	-	-
Chow Wen Kwan Marcus	-	-	-	-

Substantial shareholders (other than Directors)	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
HSIHPL <sup>(2)</sup>	-	-	218,790,000	51.00
Ching Chiat Kwong <sup>(3)</sup>	-	-	32,156,730	7.50

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## LETTER TO SHAREHOLDERS

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### Notes:

- (1) *In relation to Mr. Low See Ching's Shares, 12,387,700 Shares are held in the name of Bank of Singapore Nominees Pte Ltd; 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; and 5,000,000 Shares are held in the name of DB Nominees (Singapore) Pte Ltd.*
- (2) *All of HSIHPL's Shares are held in the name of Maybank Nominees (Singapore) Private Limited.*
- (3) *In relation to Mr. Ching Chiat Kwong's Shares, 6,081,400 Shares are held in the name of Bank of Singapore Nominees Pte Ltd; 17,497,700 Shares are held in the name of DB Nominees (Singapore) Pte Ltd; 412,200 Shares are held in the name of OCBC Securities Private Limited; and 8,165,430 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 EGM, and will not accept appointments as proxies unless specific instructions as to voting are given.

## 6. OPINION OF THE IFA

- 6.1 Pursuant to Rule 920(1)(b)(v) of the Listing Manual, Tata Capital Markets Pte Ltd has been appointed as the independent financial adviser to render an opinion on the sufficiency of the review procedures to ensure that the Interested Person Transactions under the Proposed IPT General Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 6.2 Subject to the qualifications and assumptions made in the IFA Letter, Tata Capital Markets Pte Ltd is of the opinion that the guidelines and review procedures for determining transaction prices of Interested Person Transactions as set out in Section 2.6 of this Circular, 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 IFA Letter is reproduced in the **Appendix** to this Circular. Shareholders are advised to read the IFA Letter carefully and consider it in the context of this Circular.

## 7. STATEMENT OF THE AUDIT COMMITTEE

Having considered, **among other things**, the terms, rationale and benefits of the Proposed IPT General Mandate together with the opinion of the IFA, the Audit Committee is satisfied that the guidelines and review procedures proposed by the Company as set out in Section 2.6.1 of this Circular 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.

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## LETTER TO SHAREHOLDERS

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### 8. 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 IPT General Mandate to be tabled at the EGM. The Interested Directors will also not accept appointments as proxies for voting in respect of the ordinary resolution set out in the Notice of EGM 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 IPT General Mandate.

The Directors (save for the Interested Directors), having considered, **among other things**, the terms, rationale and benefits of the Proposed IPT General Mandate, the review procedures of the Company for the Interested Person Transactions, the role of the Audit Committee in enforcing the Proposed IPT General Mandate and the opinion of Tata Capital Markets Pte Ltd, are of the view that the guidelines and review procedures for determining transaction prices of the Interested Person Transactions as set out in Section 2.6.1 of this Circular, 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 EGM.

### 9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 26 of this Circular, will be held on 11 April 2016 at 12.00 p.m. (or as soon thereafter as the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place is concluded or adjourned) at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095, for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution as set out in the Notice of EGM.

### 10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy or proxies to attend and vote on their behalf, will find enclosed with this Circular, a Proxy Form which they are requested to complete, sign and return, in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to arrive at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy or proxies should he subsequently wish to do so.

### 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed 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 Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

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## LETTER TO SHAREHOLDERS

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### 12. CONSENT OF THE IFA

The IFA has given and has not withdrawn its written consent to the issuance of this Circular with the inclusion of its name, the IFA Letter reproduced in the **Appendix** to this Circular and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, during normal business hours from the date hereof up to and including the date of the EGM:

- (a) Constitution of the Company;
- (b) the annual report of the Company for FY2014;
- (c) the IFA Letter set out in the **Appendix** to this Circular; and
- (d) the IFA consent letter referred to under Section 12 of this Circular.

Yours faithfully

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

Low Kok Ann  
Executive Director and CEO

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## APPENDIX – IFA LETTER

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### **TATA CAPITAL MARKETS PTE LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200820715M)  
8 Shenton Way #19-01 AXA Tower  
Singapore 068811

24 March 2016

The Independent Directors  
Hafary Holdings Limited  
105 Eunos Avenue 3  
Hafary Centre  
Singapore 409836

Dear Sirs,

#### **THE PROPOSED ADOPTION OF A SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS**

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to shareholders of the Company dated 24 March 2016 (the "**Circular**").*

#### **1. INTRODUCTION**

- 1.1 Hafary Holdings Limited (the "**Company**") is seeking shareholders' approval for the proposed adoption of an interested person transaction general mandate (the "**Proposed IPT General Mandate**") for the Company, its subsidiaries and associated companies (together, the "**Group**") which are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") to enter into certain recurrent transactions (the "**Recurrent Transactions**") with the interested persons (the "**Interested Persons**") set out in Section 2.2 of the Circular.
- 1.2 In compliance with the requirements of Chapter 9 of the Listing Manual, Tata Capital Markets Pte. Ltd. ("**Tata Capital**") has been appointed as the independent financial adviser ("**IFA**") to provide an opinion on whether the proposed guidelines and review procedures (the "**Guidelines and Review Procedures**") for determining transaction prices of the Recurrent Transactions under the Proposed IPT General Mandate are sufficient to ensure that the Recurrent Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 1.3 This letter ("**Letter**") is addressed to the Independent Directors and sets out, **among other things**, our opinion on the Guidelines and Review Procedures for the Recurrent Transactions under the Proposed IPT General Mandate. This Letter forms part of the Circular which provides, **among other things**, the details of the Proposed IPT General Mandate and the recommendation of the Independent Directors thereon.

#### **2. APPLICATION OF CHAPTER 9 OF THE LISTING MANUAL**

##### **2.1 Proposed adoption of the Proposed IPT General Mandate**

The Group would, in its ordinary course of business, enter into transactions including but not limited to the transactions set out in Section 2.4 of the Circular with persons who are considered "Interested Persons" as defined in Chapter 9 of the Listing Manual.

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## APPENDIX – IFA LETTER

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Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, such as the purchase and sale of supplies and materials, but not the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

The Company will be seeking the approval from the Shareholders at the forthcoming EGM for the adoption of the Proposed IPT General Mandate in respect of the Recurrent Transactions with the MMSB Group and the HSCB Group which may be entered into by the Group in its ordinary course of business with a high degree of frequency.

For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the Proposed IPT General Mandate. Further, the Proposed IPT General Mandate will not cover any transaction entered into by a member of the Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would 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 Proposed IPT General Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other provisions of the Listing Manual.

### 3. TERMS OF REFERENCE

Tata Capital has been appointed as the IFA to the Independent Directors to opine on whether the methods or procedures for determining the transaction prices of the Recurrent Transactions, in connection with the Proposed IPT General Mandate, are sufficient to ensure that these Recurrent Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We are not and were not involved or responsible, in any aspect, of the discussions on the scope of the Proposed IPT General Mandate, nor were we involved in the deliberations leading up to the decision on the part of the Directors to seek Shareholders' approval for the Proposed IPT General Mandate.

In the course of our evaluation, we have held discussions with the Directors, the management of the Company (the "**Management**") and/or their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and/or their professional advisers, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and exercised our judgment on the reasonable use of such information, and have found no reason to doubt the accuracy or reliability of the information. In this regard, we noted that the Directors have collectively and individually accepted full responsibility for the accuracy of the information given in the Circular as set out in the "Directors' Responsibility Statement" in Section 11 of the Circular.

We have not evaluated and have not been requested to opine on, and we do not express any opinion on, the strategic or commercial merits or the risks of the Recurrent Transactions and the Proposed IPT General Mandate or the prospects or earnings potential of the Group and such evaluation shall remain the responsibility of the Directors. As such, we do not warrant or make any representation in relation to the merits of the Recurrent Transactions and the Proposed IPT General Mandate. Further, we have not conducted a comprehensive review of the business, operations and financial condition of the Group or the Recurrent Transactions, and do not warrant the implementation of the methods or procedures for determining the transaction prices in relation to the Recurrent Transactions by the Group.

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## APPENDIX – IFA LETTER

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The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement, and do not provide any advice (financial or otherwise), in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this Letter).

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Proposed IPT General Mandate and their advice to the minority Shareholders arising thereof. The recommendation made to the minority Shareholders in relation to the Proposed IPT General Mandate remains the sole responsibility of the Independent Directors.

Our opinion in relation to the Proposed IPT General Mandate should be considered in the context of the entirety of this Letter and the Circular.

### **4. EVALUATION OF THE GUIDELINES AND REVIEW PROCEDURES FOR THE RECURRENT TRANSACTIONS**

#### **4.1 Interested Persons under the Proposed IPT General Mandate**

Background information relating to the Interested Persons are set out in Section 2.2 of the Circular.

The Interested Persons of the Company falling under the Proposed IPT General Mandate, for purposes of Chapter 9 of the Listing Manual, refers to Malaysian Mosaics Sdn Bhd (“**MMSB**”) and its subsidiaries (the “**MMSB Group**”), and Hap Seng Consolidated Berhad, its subsidiaries (save for the Group) and its associates (the “**HSCB Group**”).

#### **4.2 Scope of Transactions under the Proposed IPT General Mandate**

The scope of transactions under the Proposed IPT General Mandate is set out in Section 2.4 of the Circular, and Shareholders should read the information contained therein carefully.

#### **4.3 Expiry and Renewal of the Proposed IPT General Mandate**

If approved by Shareholders at the EGM, the Proposed 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 renewal of the Proposed 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 Proposed 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.

#### **4.4 Rationale for and benefits of the Proposed IPT General Mandate**

We reproduce below in italics the rationale for, and benefits of, the Proposed IPT General Mandate, as set out in Section 2.5 of the Circular:

*“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*



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## APPENDIX – IFA LETTER

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*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 and the MMSB 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 2.6.1(d) of this Circular.*

*In addition, the Group is principally engaged in the trading of building materials and has been purchasing building materials from 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.*

*The transactions with the Interested Persons set out in Section 2.4 of this Circular 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.*

*The Proposed 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.*

*In view of the time-sensitive nature of commercial transactions, the Proposed 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."*

#### **4.5 Guidelines and Review Procedures under the Proposed IPT General Mandate**

The details of the Guidelines and Review Procedures for the Recurrent Transactions under the Proposed IPT General Mandate have been set out in Section 2.6 of the Circular.

#### **5. OUR OPINION**

In arriving at our opinion, we have taken into account the following key considerations which we consider to be pertinent in our assessment of the Guidelines and Review Procedures pursuant to the Proposed IPT General Mandate:

- (a) Rationale for and benefit of the Proposed IPT General Mandate;
- (b) Scope of transactions under the Proposed IPT General Mandate; and
- (c) Guidelines and review procedures under the Proposed IPT General Mandate.

**Having considered all of the above, we are of the opinion that the Guidelines and Review Procedures for determining transaction prices of the Recurrent Transactions under the Proposed IPT General Mandate, if adhered to, are sufficient to ensure that the Recurrent Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.**

Our opinion is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Proposed IPT General Mandate. The recommendation to be made by them to the minority Shareholders shall remain the sole responsibility of the Independent Directors.



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## APPENDIX – IFA LETTER

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Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the forthcoming EGM and for the purpose of the Proposed IPT General Mandate.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

For and on behalf of

**TATA CAPITAL MARKETS PTE. LTD.**

Wayne Lee Chin Ing  
CEO & Executive Director  
Head of Corporate Finance

Foo Say Nam  
Senior Vice President  
Corporate Finance

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### HAFARY HOLDINGS LIMITED

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

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of **HAFARY HOLDINGS LIMITED** (the “**Company**”) will be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on Monday, 11 April 2016 at 12.00 p.m. (or as soon thereafter as the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place is concluded or adjourned), for the purpose of considering, and if thought fit, passing with or without modification(s), the ordinary resolution as set out below. All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular to the shareholders of the Company dated 24 March 2016 (the “**Circular**”).

### ORDINARY RESOLUTION

### PROPOSED GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

IT WAS RESOLVED THAT:

- (a) pursuant to Chapter 9 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited, approval be and is hereby given for the Company, and any of its subsidiaries and associated companies that is an “entity at risk” (as defined in Chapter 9 of the Listing Manual), to enter into any of the Interested Person Transactions (as defined in the Circular) with any of the Interested Persons (as defined in the Circular), provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of the Company and its minority Shareholders (as defined in the Circular) and are in accordance with the review procedures for such Interested Person Transactions as set out in the Circular;
- (b) the directors of the Company be and are hereby authorised to complete and to do all such acts and things (including but not limited to the execution of all such agreements and documents as may be required) as they/he may consider necessary, desirable, expedient or in the interests of the Company to give effect to this resolution; and
- (c) the authority conferred by this resolution shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

By Order of the Board

Tay Eng Kiat Jackson  
Company Secretary

24 March 2016

### Notes:

1. A member of the Company entitled to attend and vote at the EGM of the Company is entitled to appoint not more than two proxies to attend in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, not less than 48 hours before the time appointed for holding the EGM.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **General:**

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

### **Personal data privacy:**

By submitting an instrument appointing proxy or proxies, and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy(ies) and/or representative(s) appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure of such individual's personal data for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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## PROXY FORM

### HAFARY HOLDINGS LIMITED

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

(Please read notes overleaf before completing this form.)

Extraordinary General Meeting

\*I/We, \_\_\_\_\_ (Name) \*NRIC/Passport/Co. Reg. No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a \*member/members of Hafary Holdings Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

\*and/or

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the Extraordinary General Meeting (the "**EGM**"), as \*my/our proxy/proxies to vote for \*me/us on \*my/our behalf, at the EGM to be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on Monday, 11 April 2016 at 12.00 p.m. (or as soon thereafter as the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place is concluded or adjourned) and at any adjournment thereof.

\*I/We direct \*my/our proxy/proxies to vote for or against the special and/or ordinary resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion, as \*he/she/they will on any other matter arising at the EGM.

All resolutions put to vote at the EGM shall be decided by way of poll.

ORDINARY RESOLUTION	No. of votes for**	No. of votes against**
<b>Proposed general mandate for interested person transactions</b>		

\*Delete accordingly

\*\*Please indicate the number of votes as appropriate

Date this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total Number of Shares held in :	
CDP Register	
Register of Members	

\_\_\_\_\_  
\*Signature(s) of member(s) or common seal of corporate shareholder

**IMPORTANT: PLEASE READ THE NOTES OVERLEAF**

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## PROXY FORM

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### Notes:

1. A member of the Company entitled to attend the EGM and vote is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

**"Relevant intermediary"** means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, not less than 48 hours before the time set for the EGM.
  4. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
  5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the EGM.
  6. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
  8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
  9. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the general meeting, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

### General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 24 March 2016.

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