

HAFARY HOLDINGS LIMITED

(Company Registration No: 200918637C)
(Incorporated in the Republic of Singapore)
("Hafary" or the "Company")

JOINT VENTURE FOR THE PROPOSED ACQUISITION OF SHOPHOUSE LOCATED AT 532 BALESTIER ROAD, SINGAPORE 329859

1. INTRODUCTION

The Board of Directors of the Company (together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 16 March 2016 in relation to the incorporation of a joint venture company, namely Hafary Balestier Showroom Pte. Ltd. (the "**JV Co**"), by the Company's wholly-owned subsidiary, Hafary Pte Ltd ("**HPL**"), together with Mr. Low See Ching.

The Group is pleased to announce that the JV Co has entered into a sale and purchase agreement (the "**Agreement**") with the administrator for the estate of Mr. Pang Teck Wah (the "**Vendor**"), for the purpose of purchasing one unit of shophouse (the "**Proposed Acquisition**") located at 532 Balestier Road, Singapore 329859, Lot No. MK17-1015X (the "**Property**") (the "**Proposed Joint Venture**").

2. THE PROPOSED JOINT VENTURE AS AN INTERESTED PERSON TRANSACTION

2.1 Details of the Interested Person Transaction

Mr. Low See Ching is a director of the Company, and hence would be regarded as an "interested person" as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"). HPL is a wholly-owned subsidiary of the Company and would be regarded as an "entity at risk" as defined in Chapter 9 of the Listing Manual.

Accordingly, the Proposed Joint Venture would be regarded as an interested person transaction and the requirements under Chapter 9 of the Listing Manual shall apply.

2.2 Total Value of Interested Person Transactions

The current total value of all interested person transactions (excluding transactions which are less than S\$100,000) with (i) Mr. Low See Ching; and (ii) all interested persons (as defined in Chapter 9 of the Listing Manual) of the Company for the period from 1 January 2016 to the date of this announcement (prior to and including the Proposed Joint Venture), and the percentage of the Group's audited net tangible assets ("**NTA**") as at 31 December 2015 represented by such values, are as follows:-

Prior to the Proposed Joint Venture	Conducted under shareholders' mandate pursuant to Rule 920 (S\$'000)	Not conducted under shareholders' mandate pursuant to Rule 920 (S\$'000)	Total amount (S\$'000)	Percentage of audited NTA of the Group (%)
Total value of all transactions with Mr. Low See Ching	-	-	-	-
Total value of all interested person transactions with all interested persons of the Company	-	1,164	1,164	2.3%

Including the Proposed Joint Venture	Conducted under shareholders' mandate pursuant to Rule 920 (S\$'000)	Not conducted under shareholders' mandate pursuant to Rule 920 (S\$'000)	Total amount (S\$'000)	Percentage of audited NTA of the Group (%)
Total value of all transactions with Mr. Low See Ching	-	2,066 ⁽¹⁾	2,066	4.1%
Total value of all interested person transactions with all interested persons of the Company	-	1,164	1,164	2.3%

Note:

- (1) This includes the amount of HPL's total investment in the share capital of the JV Co, which comprises:-
- (a) HPL's equity participation of 51% in the JV Co;
 - (b) a corporate guarantee to be given by HPL and/or the Group in connection with the bank borrowings for the Proposed Transaction, to be given in proportion to HPL's shareholding interest in the JV Co; and
 - (c) a shareholder's loan to be granted by HPL to the JV Co for any remaining expenses required to be incurred for the Proposed Transaction, to be given in proportion to HPL's shareholding interest in the JV Co.

As the value of the Proposed Joint Venture to the Company is expected to be more than 3% but less than 5% of the latest audited NTA of the Group, the Company is making this announcement in accordance with Rule 905 of the Listing Manual.

2.3 **Statement of the Audit Committee**

The audit committee of the Company (the "**Audit Committee**") has reviewed the terms of the Proposed Joint Venture and is of the view that:-

- (a) the risks and rewards of the Proposed Joint Venture are in proportion to the equity of each of the parties to the Proposed Joint Venture;
- (b) the terms of the Proposed Joint Venture are not prejudicial to the interests of the Company and its minority shareholders; and
- (c) the provision of any corporate guarantee by HPL and/or the Group to secure the obligations of the JV Co would be in proportion to HPL's shareholding interest in the JV Co, and will not be prejudicial to the interests of the Company and its minority shareholders.

3. **THE PROPOSED ACQUISITION AS A DISCLOSEABLE TRANSACTION**

3.1 **Information on the Property**

The Property is a two-storey freehold shophouse occupying a land area of 2,428 square feet.

3.2 **Purchase Consideration and Value of the Property**

The purchase consideration for the Proposed Acquisition is S\$4,050,000 (the "**Purchase Consideration**"). The Purchase Consideration was arrived at on a willing-buyer willing-seller basis upon arm's length negotiations with the Vendor after taking into consideration, *inter alia*, various commercial factors such as the location of the Property, the property market in the vicinity and the prevailing market conditions, factors and indicatives, as well as recent transacted prices of similar shophouses within the vicinity of the Property. As at the date of this announcement, no valuation of the Property has been undertaken.

3.3 **Material Conditions of the Proposed Acquisition**

Pursuant to the terms of the Agreement, the JV Co had paid a deposit of S\$405,000 (being 10% of the Purchase Consideration) to the Vendor. The balance of the Purchase Consideration shall be paid to the Vendor upon completion of the Proposed Acquisition.

The Proposed Acquisition is subject to the fulfilment of certain conditions precedent including but not limited to the following:-

- (i) the JV Co's solicitors having received satisfactory replies to all requisitions sent by them to the various Government Departments, satisfactory drainage plan and/or roadline/interpretation plan from the competent authorities and satisfactory reply from the Land Transport Authority; and
- (ii) the Property being sold with vacant possession to be given upon completion.

The sale and purchase of the Property shall be completed on or before 15 June 2016 or three weeks from date of the Agreement, whichever is later.

3.4 Rationale for the Proposed Acquisition

The Proposed Acquisition would allow the Group to further establish its presence along Balestier Road which is an active commercial area in Singapore with many home decoration retailers. The Proposed Acquisition would also enable the Group to secure its presence and to remain highly visible to customers in the vicinity. In addition, the central location of the Property is expected to provide greater convenience for the customers.

The Group will continue to maintain its Balestier showroom at 560/ 560A, Balestier Road, Singapore 329876 until a shift to the Property is required.

3.5 Source of Funds for the Proposed Acquisition

The Proposed Acquisition will be financed through bank borrowings and internal resources of the Company.

3.6 Relative Figures computed based on Rule 1006 of the Listing Manual

The relative figures for the Proposed Acquisition computed based on Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") are set out below:-

Basis of Calculation	Relative Figures
Rule 1006(a) Net asset value of assets to be disposed of, compared with the Group's net asset value	Not applicable as this transaction is an acquisition and not a disposal of assets.
Rule 1006(b) Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not applicable as there are no net profits attributable to the Property.
Rule 1006(c) Aggregate value of consideration given, compared with the Company's market capitalisation as at 19 May 2016	The Purchase Consideration of S\$4,050,000 represents approximately 5.4% of the Company's market capitalisation of approximately S\$74,600,000. ⁽¹⁾
Rule 1006(d) Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities are to be issued as part of the Purchase Consideration
Rule 1006(e) Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable.

Note:

- (1) Based on the closing price of the Company's shares transacted on the SGX-ST on 19 May 2016, being the trading day prior to the date of this Announcement.

Based on the above, the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

3.7 Financial Effects of the Proposed Acquisition

The Proposed Acquisition is not expected to have any material impact on the earnings per share and net tangible assets per share of the Group for the current financial year ending 31 December 2016.

The proforma financial effects of the Proposed Acquisition presented below are strictly for illustrative purposes only, and do not reflect the actual financial position and/or results of the Group's operations following the completion of the Proposed Acquisition and are not indicative of the future financial position and performance of the Group.

The illustrative financial effects of the Proposed Acquisition are as follows:-

- (a) Net tangible assets ("**NTA**")

Assuming the Proposed Acquisition had been completed on 31 December 2015 and based on the audited financial statements of the Group for the financial year ended 31 December 2015 ("**FY2015**"), the financial effects on the consolidated NTA of the Group for FY2015 are as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ (\$'000)	50,787	50,787
No. of shares ('000)	429,000	429,000
NTA per share (cents)	11.8	11.8

Note:

- (1) Equity attributable to shareholders as at 31 December 2015.

- (b) Earnings per Share ("**EPS**")

Assuming the Proposed Acquisition had been completed on 1 July 2014 and based on the audited financial statements of the Group for FY2015, the financial effects on the EPS of the Group for FY2015 are as follows:-

	Without the Proposed Acquisition	Assuming completion of the Proposed Acquisition on 1 July 2014 (beginning of FY2015)
Net profit attributable to owners (\$'000)	22,176	22,036
Weighted average no. of shares ('000)	429,000	429,000
EPS (cents)	5.2	5.1

3.8 **Service Contracts**

There was no appointment of additional director in the Company in connection with the Proposed Acquisition. Accordingly, no service contract was entered into between the Company and any such person.

4. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed above, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (save for their respective shareholdings in the Company).

5. **DOCUMENTS FOR INSPECTION**

A copy of the Agreement may be inspected during normal business hours at the registered office of the Company 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
20 May 2016