

## HAFARY HOLDINGS LIMITED

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

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### PROPOSED ACQUISITION OF 10% OF THE ISSUED SHARE CAPITAL OF WORLD FURNISHING HUB PTE. LTD. BY THE COMPANY'S SUBSIDIARY, HAFARY PTE LTD

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#### 1. INTRODUCTION

- 1.1 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 11 December 2012, 6 February 2013, 29 April 2013, 3 July 2013, 22 July 2013, 14 October 2013, 15 October 2013, 2 December 2013, 26 March 2014 and 4 April 2014.
- 1.2 The Company wishes to announce that its wholly-owned subsidiary, Hafary Pte Ltd (the "**Purchaser**") had, on 24 March 2021, entered into a sale and purchase agreement ("**SPA**") with Sitra Agencies Pte Ltd (the "**Seller**"), a wholly-owned subsidiary of Sitra Holdings (International) Limited ("**Sitra Holdings**"), in relation to the proposed acquisition of the Seller's entire stake in World Furnishing Hub Pte. Ltd. ("**WFH**") which comprises 10% of the issued share capital in WFH (the "**Sale Shares**") (the "**Proposed Acquisition**").
- 1.3 On completion of the Proposed Acquisition, the Purchaser will be the legal and beneficial owner of 56% of the issued and paid up share capital of WFH.

#### 2. INFORMATION ON THE PROPOSED ACQUISITION

##### 2.1 Information on WFH

WFH was incorporated in Singapore on 2 July 2013 by the Purchaser, the Seller, Mr Ching Chiat Kwong ("**Mr Ching**") and Mr Low See Ching ("**Mr Low**"), and is a company limited by shares, with an issued and paid-up share capital of S\$1,000,000 comprising 1,000,000 ordinary shares.

Mr Low is the Company's Non-Independent, Non-Executive Director and is a controlling shareholder of the Company. Mr Ching ceased to be a substantial shareholder of the Company on 15 January 2021.

WFH was incorporated as a special purpose vehicle for purposes of:

- 2.1.1 acquiring the leasehold interest of the property located at 18 Sungei Kadut Street 2, Singapore 729236 (the "**Property**") from Sitra Holdings. To this end, Sitra Holdings, WFH, the Purchaser, the Seller, Mr Ching and Mr Low had entered into a sale and purchase agreement on 2 December 2013 (the "**2013 SPA**");
- 2.1.2 developing the Property in accordance with the objectives, concept and development strategy envisioned for the International Furniture Park in Sungei Kadut Singapore by certain government organisations, including JTC Corporation; and
- 2.1.3 to hold the property for the purposes of and in accordance with the usage approved by JTC Corporation and the Urban Redevelopment Authority of Singapore.

The Purchaser, the Seller, Mr Ching and Mr Low had, on 2 December 2013, entered into a shareholders agreement to regulate their rights and obligations in the conduct of the business and affairs WFH (the "**Shareholders Agreement**").

In addition, the Purchaser, the Seller, Mr Ching and Mr Low had entered into a put and call option deed on 2 December 2013 (the "**Put and Call Option Deed**", which was subsequently amended and supplemented by a supplemental deed to the put and call option deed dated 23 January 2014) granting the Seller a put option, and granting Hafary, Mr Ching and Mr Low a call option, in respect of the Sale Shares, both at the market value of the Property prevailing as at the date of exercise.

The Hafary Group currently owns 46% of WFH and considers WFH as a subsidiary as the Hafary Group has management control through its indirect interest in WFH.

## 2.2 Information on the Seller

The Seller is a private company limited by shares incorporated in Singapore with its registered office at 15 Hillview Terrace, Hillview Industrial Estate, Singapore 669226. The Seller is a wholly-owned subsidiary of Sitra Holdings, a company incorporated in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

## 3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

### 3.1 Aggregate value of consideration

The consideration for the Proposed Acquisition is an aggregate sum of S\$3,700,000 (the "**Consideration**"), which was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Purchaser and the Seller, taking into account, *inter alia*, the following factors:

- 3.1.1 the prevailing market conditions (including the impact of the COVID-19 pandemic);
- 3.1.2 the business prospects of WFH;
- 3.1.3 the market value of the unencumbered remaining leasehold interest in the Property, pursuant to a valuation conducted by Knight Frank Pte Ltd as at 18 November 2020 (the "**Knight Frank Report**") and commissioned by WFH, being S\$5,525,000<sup>1</sup>; and
- 3.1.4 the fact that the Proposed Acquisition constitutes a disposal of a minority stake in WFH.

### 3.2 Material conditions

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

- 3.2.1 a deed of termination and settlement in respect of the termination of the Put and Call Option Deed and the mutual waiver and release of claims in relation to the Shareholders Agreement, the 2013 SPA, the Property and the Put and Call Option

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<sup>1</sup> Based on the undivided 10% share and on an "As is" basis, subject to existing tenancies and occupational arrangements and a balance lease term of about 22.8 years.

Deed having been duly executed between the Purchaser, the Seller, Mr Low and Mr Ching (the "**Deed of Termination and Settlement**");

- 3.2.2 JTC Corporation's consent to the transfer of the Sale Shares to the Purchaser having been received;
- 3.2.3 Sitra Holdings having obtained the approval of its shareholders in an extraordinary general meeting for the Proposed Acquisition, and if such approval is subject to any condition or restriction imposed by the SGX-ST, and if such conditions affect any of the parties, such conditions being acceptable to the party concerned, and if such conditions are to be fulfilled before specific dates, such conditions being fulfilled before such dates;
- 3.2.4 Mr Ching and Mr Low having waived their rights and entitlements of pre-emption and/or rights of first refusal in respect of the sale and purchase of Sale Shares arising under the constitution of WFH, the Shareholders Agreement of WFH and/or otherwise;
- 3.2.5 the representations and warranties provided by the Purchaser and the Seller in the SPA being true, complete and accurate in all material respects as at the relevant dates of Completion; and
- 3.2.6 all other necessary governmental or regulatory filings, permits or approvals required in connection with the 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 the Seller, 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 Consideration will be paid in cash in the following manner:

- 3.3.1 The Purchaser will pay S\$185,000 (being 5.0% of the Consideration) to the Seller on the date of the SPA (the "**Deposit**"), in cash by telegraphic transfer to the Seller. The Deposit is refundable in the event 1<sup>st</sup> Completion (as defined below) does not take place within five (5) business days from 30 June 2021;
- 3.3.2 50.0% of the Consideration (being a sum equal to S\$1,850,000) is payable five (5) business days after fulfilment of the last of the conditions precedent ("**1<sup>st</sup> Completion Date**"), the Deposit shall be applied to the payment of the Consideration at the 1<sup>st</sup> Completion Date and the Seller shall transfer to the Purchaser 50,000 Sale Shares, being 5% of the issued and paid up capital of WFH;
- 3.3.3 the remaining 50.0% of the Consideration is payable in 5 separate tranches, in accordance with the following, and upon such payment the Seller will transfer the relevant number of Sale Shares to the Purchaser:

<b>Tranche</b>	<b>Completion Dates</b>	<b>Amount of Consideration Payable</b>	<b>No. of Sale Shares to be transferred</b>
Tranche 2	Last Business Day of the first month immediately after the 1 <sup>st</sup> Completion Date	S\$370,000 being 10.0% of the Consideration	10,000
Tranche 3	Last Business Day of the second month immediately after the 1 <sup>st</sup> Completion Date	S\$370,000 being 10.0% of the Consideration	10,000
Tranche 4	Last Business Day of the third month immediately after the 1 <sup>st</sup> Completion Date	S\$370,000 being 10.0% of the Consideration	10,000
Tranche 5	Last Business Day of the fourth month immediately after the 1 <sup>st</sup> Completion Date	S\$370,000 being 10.0% of the Consideration	10,000
Tranche 6	Last Business Day of the fifth month immediately after the 1 <sup>st</sup> Completion Date	S\$370,000 being 10.0% of the Consideration	10,000

#### 3.4 **Source of funds**

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

#### 3.5 **Value of Sale Shares**

Based on the management accounts of WFH for the financial year ended 31 December 2020 ("FY2020"), the net tangible liabilities attributable to the Sale Shares is S\$514,000. As disclosed in paragraph 3.1.3, the market value attributable to the Sale Shares is S\$5,525,000.

#### 3.6 **Net profit attributable to the Sale Shares**

Based on the management 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\$15,000.

### 4. **RATIONALE FOR THE PROPOSED ACQUISITION**

4.1 The Proposed Acquisition is an opportunity to increase the Company's stake in WFH at a favourable price.

4.2 Upon completion of the Proposed Acquisition, the Company's legal and beneficial ownership in the share capital of WFH will increase from 46.0% to 56.0%. This will

allow the Company to consolidate a higher percentage of WFH's financial results and performance in the future, and may improve the Company's profitability and enhance shareholders' value in the long term.

- 4.3 While WFH is in a net tangible liabilities position (based on the management accounts of WFH for FY2020), the Company recognizes the performance and continuing potential of the Property and is of the view that the Company will benefit from better operational productivity and cost efficiencies.

Based on the above considerations, the Board believes that the Proposed 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 The relative figures of the Proposed Acquisition under Listing Rule 1006 of the SGX-ST Listing Manual ("**Mainboard Rules**") based on the unaudited consolidated financial statements of Hafary Group for FY2020 (being the latest announced consolidated accounts), are set out below.

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures (%)</b>
(a)	Net asset value of the assets to be disposed of, compared with the Hafary Group's net asset value	Not applicable <sup>(1)</sup>
(b)	Net profits attributable to the assets acquired, compared with the Hafary Group's net profits	0.3% <sup>(2)</sup>
(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	6.5% <sup>(3)</sup>
(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 <sup>(4)</sup>
(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 <sup>(5)</sup>

Notes:

- (1) This basis is not applicable to the Proposed Acquisition.
- (2) The net profits attributable to the Sale Shares is approximately S\$15,000 and the Hafary Group recorded a profit of \$5,260,000 (after taxation) based on Hafary Group's unaudited consolidated financial statements for FY2020.
- (3) The net tangible liabilities attributable to the Sale Shares is S\$514,000. For purposes of Rule 1006(c), the Company has aggregated the net tangible liabilities attributable to the Sale Shares with the Consideration

payable 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 18 March 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 Proposed Acquisition.

5.2 As the relative figure under Rule 1006 of the Mainboard Rules exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a "discloseable transaction" as defined in Chapter 10 of the Mainboard Rules.

## 6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

### 6.1 General

The proforma financial effects of the Proposed Acquisition 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 unaudited 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 management 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 Proposed Acquisition has been fully completed.

#### 6.1.1 NTA

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

<b>NTA</b>	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA (S\$'000)	71,309	67,095 <sup>(1)</sup>
Number of issued shares ('000)	430,550	430,550
NTA per share (cents)	16.6	15.6

Note:-

- (1) The Proposed Acquisition is a transaction with owners in their capacity as owners that does not result in a loss of control. As such, in accordance with FRS 1 Para 106(d)(iii), this will be presented as an "Acquisition of a non-controlling interest without a change in control" in the Statement of Changes in Equity. There will be no impact on the Statement of Profit or Loss of Hafary Group.

### 6.1.2 Earnings per Share

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

<b>EPS</b>	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
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 Company), in the Proposed Acquisition.

### 8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed 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 SPA and the Knight Frank Report 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  
24 March 2021