

HAFARY HOLDINGS LIMITED

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

INTERESTED PERSONS TRANSACTIONS BETWEEN THE COMPANY AND MALAYSIAN MOSAICS SDN BHD AND MML MARKETING PTE LTD

1. INTRODUCTION

The Board of Directors of Hafary wishes to announce that the Company and its subsidiaries (the "**Group**"), have entered into transactions with Malaysian Mosaics Sdn Bhd ("**MMSB**") and MML Marketing Pte Ltd ("**MML**") being interested persons transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST (the "**Mainboard Rules**")) at an aggregate amount of S\$1,364,000 during the current financial year, which have exceeded 3% of the Group's latest audited net tangible assets as at 30 June 2014 ("**FY2014 NTA**") (the "Interested Persons Transactions").

MMSB and MML are collectively referred to as the "MMSB Group".

2. DETAILS OF THE INTERESTED PERSONS TRANSACTIONS

2.1 Information on Hafary

Hafary is a company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited. As 31 October 2015 and the date hereof, Hafary 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. Hafary is a subsidiary company of Hap Seng Investment Holdings Pte Ltd ("**HSHPL**") which is in turn a wholly-owned subsidiary of Hap Seng Consolidated Berhad ("**HSCB**").

HSCB is a company incorporated in Malaysia on 24 March 1976 under the Companies Act, 1965 and is listed on the main market of Bursa Malaysia Securities Berhad. Gek Poh Holdings Sdn Bhd ("**Gek Poh**"), a company incorporated in Malaysia, is the holding company of HSCB. As at 31 October 2015, Gek Poh's aggregate shareholding in HSCB is 56.49%, comprising 53.40% direct shareholding and 3.09% indirect shareholding via its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd.

2.2 Information on MMSB

MMSB is a private limited company incorporated in Malaysia on 28 February 1964 under the Company Ordinances, 1940 - 1946. As at 31 October 2015, MMSB has an authorised share capital of Ringgit Malaysia (RM) 1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each, of which RM378,599,450 comprising 378,599,450 ordinary shares of RM1.00 each have been issued and fully paid-up. MMSB is principally engaged in investment holding and the manufacture and sale of mosaic and ceramic tiles. MMSB is a wholly-owned subsidiary of Gek Poh.

2.3 Information on MML

MML is a private limited company incorporated in Singapore on 25 July 2003 under the Companies Act (Cap 50). As at 31 October 2015, MML has an issued and paid-up share capital of S\$200,000 comprising 200,000 ordinary shares. MML is principally engaged in the distribution of mosaic and ceramic tiles. MML is a wholly-owned subsidiary of MMSB.

As such, MMSB Group are associates of HSIHPL and are deemed Interested Persons for the purposes of Chapter 9 of the Mainboard Rules. Accordingly, any transactions entered into between the Group and MMSB Group will be regarded as Interested Persons Transactions and will be subject to Chapter 9 of the Mainboard Rules.

- 2.4 The Group has from time to time purchased tiles from MMSB Group in the ordinary course of business of the Group, of which is necessary for the day-to-day operations of the Group. Details of the Interested Persons Transactions entered into by the Group with MMSB Group from 23 February 2015 to 31 October 2015 (the "FY2015 Transactions") are set out below:

Name of Interested Person	Details of Interested Person Transactions carried out from *23 February 2015 to 31 October 2015	Value of Interested Person Transactions (S\$'000)
MMSB	Purchase of tiles (including floor, wall and homogeneous tiles)	295
MML	Purchase of tiles (including floor, wall and homogeneous tiles)	1,069
	Total	1,364

* Hafary became a 51 per cent. subsidiary of HSIHPL upon completion of the voluntary conditional cash partial offer by HSIHPL on 23 February 2015.

- 2.5 Based on the Group's latest audited consolidated financial statements for the financial year ended 30 June 2014, FY2014 NTA was S\$37,649,000. Accordingly, the total value of the FY2015 Transactions (up to 31 October 2015) set out above amounted to 3.62% of the Group's FY2014 NTA.

Save as disclosed in the aforementioned paragraph, there are no other interested persons transactions with HSIHPL and its associates for the financial year ending 31 December 2015. The total value of all interested person transactions (excluding interested person transactions less than S\$100,000) entered into between the Group and all interested persons during the current financial year is approximately S\$2,234,000.

The FY2015 Transactions were carried out on an arm's length basis and on normal commercial terms.

3. RATIONALE FOR THE FY2015 TRANSACTIONS

The Group is in the trading of building materials and has been purchasing tiles from MMSB Group due to competitive pricing and market demand. In addition, MMSB Group is able to meet the Group's requirements in terms of quality and timeliness of delivery.

4. AUDIT COMMITTEE'S STATEMENT

The audit committee of the Company ("Audit Committee") has reviewed the terms of the FY2015 Transactions. The Audit Committee and the Board of Directors are of the view that the FY2015 Transactions were entered into on an arm's length basis and on normal commercial terms that were not prejudicial to the interests of the Company as well as its minority shareholders.

5. FUTURE TRANSACTIONS

The Group intends to enter into future transactions of similar nature with MMSB Group in the current financial year (the "**Future Transactions**"). The terms and conditions of the Future Transactions will be agreed upon between the Group and MMSB Group, having regard to prevailing market rates of similar products, and will be based on normal commercial terms transacted on an arm's length basis.

The aggregate value of any further Interested Persons Transactions during the current financial year and the FY2015 Transactions is not expected to exceed the threshold of 5% prescribed under Rule 906(1) of the Mainboard Rules.

The Company will seek a general mandate from shareholders for Future Transactions which are recurrent transactions, as and when required or when the need arises.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

By virtue of Gek Poh being the holding company of both HSCB and MMSB, Gek Poh, HSCB and HSIHPL are deemed interested in the Interested Persons Transactions.

Save as disclosed above, none of the other directors or substantial shareholders of the Company has any interest, direct or indirect, in the Interested Persons Transactions.

By Order of the Board

Low Kok Ann
Executive Director and CEO
3 November 2015