

CIRCULAR DATED 11 OCTOBER 2022

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the contents in relation to this Circular or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other independent professional adviser immediately.

This Circular was prepared by the Company with assistance from TSMP Law Corporation. TSMP Law Corporation has not independently verified the contents of this Circular.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

This Circular has been made available on SGXNet and may be accessed on the Company's website at the following URL: <https://www.hafary.com.sg/>. Printed copies of this Circular, the Notice of Extraordinary General Meeting ("EGM") and the accompanying Proxy Form will NOT be despatched to Shareholders.

If you have sold or transferred all your shares in the capital of the Company, you should immediately inform the purchaser or transferee or bank, stockbroker or agent through whom the sale or transfer was effected for onward notification to the purchaser or transferee, that this Circular (together with the Notice of EGM and accompanying Proxy Form) may be accessed at SGXNET or the Company's website at the following URL: <https://www.hafary.com.sg/>.

The EGM is being convened and will be held physically pursuant to the COVID-19 (Temporary Measures) (Control Order) Regulations 2020. The Company has the discretion to review and calibrate these measures as it deems necessary in its discretion in line with the evolving COVID-19 situation.



合發利控股有限公司
HAFARY HOLDINGS LIMITED
Incorporated in the Republic of Singapore
Company Registration Number 200918637C

CIRCULAR TO SHAREHOLDERS

EXTRAORDINARY GENERAL MEETING IN RELATION TO

- (1) THE PROPOSED DIVERSIFICATION OF THE BUSINESS SCOPE OF THE GROUP TO INCLUDE MANUFACTURING;**
- (2) THE PROPOSED ACQUISITION OF CONSERVATION SHOPHOUSE BLOCK AT 161 LAVENDER STREET, LAVENDER PLACE, SINGAPORE 338750; AND**
- (3) THE PROPOSED GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**



RHT Capital Pte. Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201109968H)

Independent Financial Adviser in relation to the proposed General Mandate for Interested Person Transactions

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form
Date and time of EGM
Place of EGM

: 24 October 2022 at 11.30 a.m.
: 26 October 2022 at 11.30 a.m.
: RSM Chio Lim LLP, 8 Wilkie Rd, #03-08 Wilkie Edge, Singapore 228095

TABLE OF CONTENTS

1.	INTRODUCTION	7
2.	THE PROPOSED BUSINESS DIVERSIFICATION.....	9
3.	THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION.....	23
4.	THE PROPOSED ADOPTION OF THE NEW IPT MANDATE	27
5.	INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	41
6.	EXTRAORDINARY GENERAL MEETING.....	42
7.	DIRECTORS' RECOMMENDATION	42
8.	ACTION TO BE TAKEN BY SHAREHOLDERS	43
9.	ABSTENTION FROM VOTING	45
10.	DIRECTORS' RESPONSIBILITY STATEMENT	45
11.	DOCUMENTS AVAILABLE FOR INSPECTION	46
	NOTICE OF EXTRAORDINARY GENERAL MEETING	N-1
	PROXY FORM	P-1

APPENDIX A – IFA LETTER

APPENDIX B – HSCB GROUP STRUCTURE

APPENDIX C – INDEPENDENT VALUATION CERTIFICATE

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

"AGM"	Annual general meeting of the Company
"Audit Committee"	The audit committee of the Company as at the date of this Circular, comprising the audit committee chairman Mr Ong Beng Chye, Mr Terrance Tan Kong Hwa, Mr Foo Yong How (Fu Yonghao)
"Board"	The board of directors of the Company for the time being
"CDP" or "Depository"	The Central Depository (Pte) Limited
"CEO"	Chief Executive Officer
"Circular"	This circular dated 11 October 2022 issued by the Company
"CNAPL"	CNA Pte. Ltd., a private company incorporated in Singapore on 24 June 2019 with an issued and paid-up share capital of S\$100,000, and which is held in equal proportions by Mr Su Wei Tao and Mr Ng Yuen Tok
"Company"	Hafary Holdings Limited
"Companies Act"	The Companies Act 1967 of Singapore, or any statutory modification or re-enactment thereof for the time being in force
"Consideration"	Has the meaning ascribed to it in Section 3.2
"Constitution"	The constitution of the Company, as amended or modified from time to time
"Completion Date"	Has the meaning ascribed to it in Section 3.3
"COVID-19"	Coronavirus disease
"CPF"	The Central Provident Fund
"CPF Agent Banks"	Agent banks approved by CPF
"Directors"	The directors of the Company for the time being
"EGM"	The extraordinary general meeting to be convened and held on 26 October 2022 at 11.30 a.m.
"EPS"	Earnings per share

DEFINITIONS

"Existing IPT Mandate"	The general mandate first approved by Shareholders on 11 April 2016 and renewed at the last AGM of the Company, pursuant to Chapter 9 of the Listing Rules, to authorise the Company and its subsidiaries which are considered to be "entities at risk" within the meaning of Rule 904(2) of the Listing Rules, in their ordinary course of businesses, to enter into certain categories of transactions with specified Interested Persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders
"Financial Controller"	Refers to the chief financial officer of the Group or such executive officer managing and overseeing the finances of the Group
"FY"	Financial year ended or ending, as the case may be, 31 December of a particular year as stated
"FY2021"	Has the meaning ascribed to it in Section 3.4
"Gek Poh Holdings"	Gek Poh Holdings Sdn Bhd
"Group"	The Company and its subsidiaries
"GST"	Has the meaning ascribed to it in Section 3.2
"Guangdong ITA"	Guangdong ITA Element Building Material Co., Limited is the Group's joint venture company in the People's Republic of China and is owned as to 50.0% by our wholly-owned subsidiary, Hafary Building Materials Pte. Ltd., 35.0% owned by Mr Wei, Beizan and 15.0% owned by Mr Chen, Zaifeng
"Hafary Element"	Hafary Element Pte. Ltd., a subsidiary of the Group. Hafary Pte. Ltd. and Guangdong ITA each hold 85.71% and 14.29% of the entire issued and paid-up share capital in Hafary Element
"Hap Seng Undertaking"	The written irrevocable undertaking dated 19 September 2022 executed by HSIHPL under which HSIHPL has undertaken to vote in favour of the resolutions to be tabled at the EGM relating to the Proposed Acquisition
"HSBC"	HSBC International Trustee Limited
"HSCB"	Hap Seng Consolidated Berhad
"HSCB Directors"	Has the meaning ascribed to it in Section 7.1
"HSCB Group"	HSCB, its subsidiaries (save for the Group) and its associates

DEFINITIONS

"HSIHPL"	Hap Seng Investment Holdings Pte Ltd
"HY2022"	The six-month period ended 30 June 2022
"ICMH SG"	International Ceramic Manufacturing Hub Pte. Ltd., which holds the entire issued and paid-up share capital in International Ceramic Manufacturing Hub Sdn Bhd. Hafary Element and CNAPL each hold 70% and 30% of the entire issued and paid-up share capital in ICMH SG respectively
"ICMH MY"	International Ceramic Manufacturing Hub Sdn. Bhd., a wholly-owned subsidiary of ICMH SG
"IFA"	RHT Capital Pte. Ltd., the independent financial adviser in relation to the proposed adoption of the New IPT Mandate
"IFA Letter"	The letter from the IFA in respect of the New IPT Mandate, as set out in Appendix A (IFA Letter) of this Circular
"Independent Property Valuer"	Knight Frank Pte Ltd, the independent property valuer commissioned by the Company to value the Property
"Independent Valuation Certificate"	The valuation certificate provided by the Independent Property Valuer based on the Independent Valuation Report, as set out in Appendix C (Independent Valuation Certificate) of this Circular
"Independent Valuation Report"	The independent valuation report prepared by the Independent Property Valuer
"Interested Persons"	Has the meaning ascribed to it in the Listing Manual
"Interested Person Transactions" or "IPTs"	Refers to the transactions between the Group and Interested Persons
"Joint Venture"	The joint venture between the Group and CNAPL governed under the joint venture agreement entered into by the Group and CNAPL on 22 July 2022
"Latest Practicable Date"	7 October 2022
"Listing Manual"	The listing manual of the SGX-ST, as may be amended or modified from time to time
"Listing Rules"	The Mainboard Listing Rules of the SGX-ST
"Mandated Interested Persons"	Has the meaning ascribed to it in Section 4.5

DEFINITIONS

"Mandated Transactions"	Has the meaning ascribed to it in Section 4.3
"MMSB"	Malaysian Mosaics Sdn Bhd, a wholly-owned subsidiary of the Company's controlling shareholder, Hap Seng Consolidated Berhad
"MPAL"	Magic Principle Assets Limited
"Mr Ng"	Mr Ng Yuen Tok, one of the two shareholders in CNAPL
"Mr Su"	Mr Su Wei Tao, one of the two shareholders in CNAPL
"New Business"	Has the meaning ascribed to it in Section 2.2
"New IPT Mandate"	Has the meaning ascribed to it in Section 1.3
"Notice of EGM"	The notice of the EGM set out in pages N-1 to N-4 of this Circular
"NTA"	Net tangible assets
"Option"	Has the meaning ascribed to it in Section 1.2
"Ordinary Resolution"	A resolution passed in accordance with the Companies Act, being a resolution passed by a majority of not less than half of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy present at a General Meeting of which not less than 14 days' written notice specifying the intention to propose the resolution as an ordinary resolution has been duly given
"Property"	The property located at 161 Lavender Street, Lavender Place, Singapore 338750
"Proposed Acquisition"	Refers to purchase of the Property
"Proposed Business Diversification"	Has the meaning ascribed to it in Section 1.1
"Proposed Transactions"	Has the meaning ascribed to it in Section 1.4
"Proxy Form"	The proxy form in respect of the EGM as attached to this Circular
"Purchaser"	Hafary Flagship Store Pte. Ltd.
"Relevant Intermediary"	Has the same meaning ascribed to it in Section 181 of the Companies Act

DEFINITIONS

"SFA"	The Securities and Futures Act 2001 of Singapore or any statutory modification or re-enactment thereof for the time being in force
"SGX-ST"	Singapore Exchange Securities Trading Limited
"SGXNet"	Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies
"Shareholders"	Registered holders of Shares, except that where the registered holder is CDP, the term " Shareholders " shall, in relation to such Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with Shares
"Share Registrar"	Boardroom Corporate & Advisory Services Pte. Ltd.
"Shares"	Ordinary shares in the share capital of the Company
"SRS"	Has the meaning ascribed to it in Section 8.2
"SRS Operators"	Agent banks included under the SRS
"Substantial Shareholder"	A shareholder who has an interest or interests in one or more voting Shares (excluding treasury Shares) in the company and the total votes attached to that share, or those Shares, is not less than 5% of the total votes attached to all voting Shares (excluding treasury Shares) in the Company, in line with the definition set out in Section 2 of the SFA and Listing Manual.
"Vendor"	Has the meaning ascribed to it in Section 3.1
"S\$" and "cents"	Singapore dollars and cents respectively, being the currency of Singapore
"sqft"	Square foot
"%" or "per cent."	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term "**subsidiary**" shall have the meaning ascribed to it under Section 5 of the Companies Act.

Words importing the similar shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

DEFINITIONS

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated. Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any term defined under the SFA, the Companies Act or the Listing Manual, or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the SFA, the Companies Act or the Listing Manual, or such modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

References to "Section" are to sections of this Circular, unless otherwise stated.

[The remainder of this page is deliberately left blank]

LETTER TO SHAREHOLDERS

HAFARY HOLDINGS LIMITED

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

Directors:

Mr Ong Beng Chye, *Independent Non-Executive Chairman*
Mr Low Kok Ann, *Executive Director and Chief Executive Officer*
Mr Low See Ching, *Non-Independent Non-Executive Director*
Datuk Edward Lee Ming Foo, JP, *Non-Independent Non-Executive Director*
Ms Cheah Yee Leng, *Non-Independent Non-Executive Director*
Mr Yong Teak Jan @ Yong Teak Jan, *Non-Independent Non-Executive Director*
Mr Terrance Tan Kong Hwa, *Independent Director*
Mr Foo Yong How (Fu Yonghao), *Independent Director*

**Registered
Office:**

Hafary Centre
105 Eunos
Avenue 3
Singapore 409836

11 October 2022

To: The Shareholders of Hafary Holdings Limited

Dear Sir/Madam

EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS IN RELATION TO:

- (1) THE PROPOSED DIVERSIFICATION OF THE BUSINESS SCOPE OF THE GROUP TO INCLUDE MANUFACTURING;
- (2) THE PROPOSED ACQUISITION OF CONSERVATION SHOPHOUSE BLOCK AT 161 LAVENDER STREET, LAVENDER PLACE, SINGAPORE 338750; AND
- (3) THE PROPOSED GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS.

1. INTRODUCTION

The Directors are convening an EGM to be held at 8 Wilkie Rd, #03-08 Wilkie Edge, Singapore 228095 on 26 October 2022 at 11:30 a.m. to seek the approval of the Shareholders for the following matters.

SHAREHOLDERS ARE ADVISED TO READ THIS CIRCULAR CAREFULLY AND IN ITS ENTIRETY BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE ORDINARY RESOLUTIONS SET OUT IN THE NOTICE OF EGM.

IN PARTICULAR, SHAREHOLDERS ARE TO NOTE THAT THERE IS NO ASSURANCE THAT THE COMPANY WILL UNDERTAKE THE PROPOSED BUSINESS DIVERSIFICATION, AND IN THE EVENT THE COMPANY DOES UNDERTAKE THE PROPOSED BUSINESS DIVERSIFICATION, THERE IS NO GUARANTEE THAT THE GROUP WOULD BE ABLE TO ACHIEVE ITS STATED OBJECTIVES. THE COMPANY MAKES NO REPRESENTATION AS TO WHEN SUCH PROPOSED BUSINESS DIVERSIFICATION WOULD BE COMPLETED, IF AT ALL.

LETTER TO SHAREHOLDERS

1.1 The Proposed Business Diversification

The Group is a distributor and supplier of premium tiles, stone, mosaic, wood-flooring, quartz top and sanitary ware and fittings in Singapore, Vietnam, Myanmar and China, and purchases and imports all of the products that it distributes from suppliers in Europe (mainly Italy and Spain) and Asia. Given the rising freight costs and COVID-19's lasting impact on global supply chains, the Group intends to diversify into the manufacturing of tile and ceramic surfacing solutions (the "**Proposed Business Diversification**"), which the Group believes would allow it to have more control over its cost of goods. In such an event, the Board believes that the expansion of the Group's operating activities arising from any Proposed Business Diversification may materially change the risk profile of the Group. As such, the Company is seeking the approval of Shareholders for the Proposed Business Diversification at the forthcoming EGM.

Please refer to pages 9 to 23 of this Circular for further details in relation to the Proposed Business Diversification.

1.2 The Proposed Acquisition of a Conservation Shophouse Block

The Group had, on 11 July 2022, announced that it had exercised an option (the "**Option**") to purchase the property at 161 Lavender Street, Lavender Place, Singapore 338750 (the "**Property**").

In line with the strong growth in the Group's "General" business segment recorded in the Group's interim financial statements for the six-month period ended 30 June 2022, which includes sales to retail "walk-in" customers who purchase tiles or surfacing materials from the showrooms, the Group had disclosed in an SGXNet announcement on 11 July 2022 that it intends to establish a new flagship store at the Property.

The Board wishes to update Shareholders that the Company has since re-assessed the gross floor area requirements for its flagship store at the Property. While the present intention of establishing a new flagship store at the Property remains, it is now expected that the gross floor area in excess of such requirements would be leased to third parties.

In addition, the Company has also since received the Hap Seng Undertaking, under which HSIHPL has undertaken to vote in favour of the resolutions to be tabled at the EGM relating to the Proposed Acquisition. As at the Latest Practicable Date, HSIHPL has a direct interest in such number of Shares representing 50.82% of the Company's issued share capital.

Notwithstanding the foregoing, the Company is convening the EGM to seek the approval of Shareholders to give Shareholders an opportunity to have their say on the Proposed Acquisition.

Please refer to pages 23 to 27 of this Circular for further details in relation to the Proposed Acquisition.

1.3 The Proposed Adoption of the New IPT Mandate

Chapter 9 of the Listing Rules allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue nature or for those necessary

LETTER TO SHAREHOLDERS

for its day-to-day operations. These transactions may not include the purchase or sale of assets, undertakings or businesses which are not part of the day-to-day operations.

The Group first adopted its Existing IPT Mandate on 11 April 2016, which was renewed by Shareholders at the previous AGM. However, the nature and volume of transactions between the Group and the Mandated Interested Persons is expected to change moving forward, and the Group intends to adopt a new Shareholders' general mandate in relation to IPTs (the "**New IPT Mandate**") for the Mandated Transactions with Mandated Interested Persons, for reasons set out in Section 4.2.

The New IPT Mandate will, among others, include updated review procedures to cater to the larger volume of transactions anticipated with interested persons, upon the Group's establishment of the tile manufacturing plants. Once approved, the New IPT Mandate will substitute and replace the Existing IPT Mandate.

The Company is seeking the Shareholders' approval for the New IPT Mandate at the forthcoming EGM. Please refer to pages 27 to 41 of this Circular for further details in relation to the New IPT Mandate.

1.4 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to and to seek Shareholders' approval for (i) the Proposed Business Diversification; (ii) the Proposed Acquisition; and (iii) the New IPT Mandate (collectively the "**Proposed Transactions**"), at the forthcoming EGM.

Specifically, approval by way of Ordinary Resolution will be sought for each of the Proposed Transactions.

The Notice of EGM is set out in pages N-1 to N-4 of this Circular.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons other than the Shareholders for any other purpose.

2. THE PROPOSED BUSINESS DIVERSIFICATION

2.1 Introduction

The Directors are seeking Shareholders' approval for the diversification of the Group's business to include the manufacturing of tiles at the EGM to be convened as set out in the Notice of EGM. This Section is intended to provide Shareholders with information relating to and explaining the rationale for the Group's diversification into the New Business.

2.2 Existing business and the New Business

As at the date of this Circular, the Group is a distributor and supplier of premium tiles, stone, mosaic, wood-flooring, quartz top and sanitary ware and fittings in Singapore, Vietnam, Myanmar and China. As at the Latest Practicable Date, the Group has not commenced the New Business and

LETTER TO SHAREHOLDERS

mainly sources its products from tile manufacturers located in Europe (in particular, Italy and Spain) and Asia.

To supplement the Group's existing business and as a means of hedging against supply chain risks, the Board proposes to diversify the Group's business into the manufacturing of tile and ceramic surfacing solutions, which would include the operating of tile manufacturing plants (the "**New Business**"). The New Business will involve the Group establishing tile and ceramic solutions manufacturing plants through internally generated funds and borrowings from financial institutions. In so doing, the Group will lease industrial properties and/or purchase factory assets to establish such tile manufacturing plants. The tile and ceramic surfacing solutions manufactured in such plants will be sold to the Group's existing customers under the Group's existing "General" segment, which comprises the sale of tiles and ceramic surfacing solutions to retail "walk-in" customers who purchase tiles and ceramic surfacing solutions from our showrooms or customers (such as architecture, interior design and renovation firms) who make ad-hoc purchases for home renovation or small property development, and, the Group's existing "Project" segment, which comprises the sale of tiles and ceramic surfacing solutions to customers who are involved in major property development projects in residential, commercial, public and industrial sectors.

In addition, the New Business will result in a new business segment, that is the "Manufacturing" segment, under which the Group will sell tiles and ceramic surfacing solutions manufactured by the Group to distributors outside of Singapore.

The Group is seeking the approval of Shareholders for the Proposed Business Diversification as it expects the New Business to have a future impact on the risk profile of the Group. As at the date of this Circular, the Group has not identified any potential acquisition targets and does not have any intention to acquire any potential targets in relation to the New Business.

The Group may also, in connection to the New Business, invest in, lease, purchase or otherwise acquire or dispose of any such assets, investments and shares or interests in any entity as required for the conduct of the New Business from time to time. The New Business shall upon approval of the Proposed Business Diversification by the Shareholders at the EGM, constitute part of the ordinary course of business of the Group. As at the date of this Circular, while the Group intends to engage in the New Business on a prudent basis with discretion, Shareholders should note that there is no assurance that the Company will undertake the Proposed Business Diversification, and in the event the company undertakes the Proposed Business Diversification, there is no guarantee that the group would be able to achieve its stated objectives.

The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the New Business as and when the opportunity arises. For example, the Group may enter into joint ventures with established tile manufacturing factory operators to carry on the New Business. The decision on whether a project should be undertaken by the Group on its own or in collaboration with third parties will be made by the Board after taking into consideration various factors, including but not limited to, the nature and scale of each project, amount of investment required and risks associated with such an investment, nature of expertise required, the period of time that is required to complete the project and conditions in the market, taking into account the opportunities available.

LETTER TO SHAREHOLDERS

2.3 Rationale for the Proposed Business Diversification

The Board proposes to diversify into the New Business for the following reasons:

2.3.1 *Upstream diversification*

The Proposed Business Diversification would allow the Company to broaden its footprint upstream along the tile manufacturing supply chain. In so doing, the Company would have greater control over the tile manufacturing process, including as to the raw materials used in the tile manufacturing process and the quality of the tile products that it manufactures. This would in turn provide the Group with a steady and reliable supply of high-quality tile products which would contribute to the Group's available stock for supply to its customers. In this regard, the Group endeavours to leverage on the experience and knowledge of its joint venture partner, CNAPL, in the operation of tile manufacturing plants to provide a competitive advantage to the Group as a new entrant in the manufacturing industry and to synergise the New Business with the Group's existing operations.

As disclosed in the Company's announcement released on SGXNet on 22 July 2022, CNAPL is a private company incorporated in Singapore and is owned as to 50.0% by Mr Su Wei Tao and 50.0% by Mr Ng Yuen Tok.

Mr Su graduated from Jingdezhen Ceramic University majoring in Silicate. Mr Su has extensive experience in the industry and established the Fujian Weixiang Ceramic Factory and the MUSES brand in China, which focuses on high-end ceramic tile designs.

Mr Ng is a graduate of The Chinese University of Hong Kong. With more than 20 years of experience in the international ceramic tile market and new product development, the DOMOGRES brand, which Mr. Ng helms, has become an established brand in the high-end ceramic market. CNAPL focuses on ceramic tile manufacturing and currently have over 3 years of experience in operating tile factories in Malaysia.

2.3.2 *Reduce reliance on the Group's suppliers*

The Group currently imports all of its products which it distributes from tile manufacturers in Asia and Europe (in particular, Italy and Spain). A diversification into the New Business would enable the Group to manufacture in-house certain tiles and surface coverings that it currently distributes, reducing the Group's reliance on its suppliers in Asia and additionally affording the Group a measure of control of its cost of goods and mitigate any future supply chain disruptions.

2.3.3 *Additional and recurrent revenue streams with a view to achieving long-term growth*

The Board envisions that the Proposed Business Diversification would provide additional and recurrent revenue streams for the Group. Such additional and recurrent revenue streams arising from the Proposed Business Diversification may include, amongst others, the manufacture and sale of in-house tiles in the Company's existing markets and new markets such as Malaysia and other export markets.

LETTER TO SHAREHOLDERS

2.3.4 ***Greater business opportunities***

The Board envisions that the scope of the New Business will augment and strengthen the Group's existing businesses by allowing the Group to manufacture its brand of products which can be an additional offering to its existing network of customers and business partners.

2.3.5 ***Diversity of business and income base, and reduced reliance on the Group's existing suppliers***

The Proposed Business Diversification will be beneficial to the Group's efforts to sustained performance in the future. Given the uncertainties prevailing in the current global economic outlook, the Board believes that it is prudent to take active steps to reduce reliance on the third-party suppliers. The Proposed Business Diversification would provide the Group with a more diversified business and income base for future growth.

2.3.6 ***Flexibility to enter into transactions relating to the New Business in the ordinary course of business***

In the event Shareholders approve the Proposed Business Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the New Business without having to seek Shareholders' approval. This will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the New Business arise. This will allow the Group greater flexibility to pursue business opportunities which may be time-sensitive in nature and may also substantially reduce the expenses associated with the convening of general meetings from time to time.

The New Business will involve the Group establishing tile manufacturing plants through internally generated funds and borrowings from financial institutions. As at the date of this Circular, the Group has not identified any potential acquisition targets and does not have any intention to acquire any potential targets in relation to the New Business.

2.4 **Management and relevant expertise**

The Group's existing business involves the distribution of tiles, ceramic and surfacing solutions. With the establishment of the New Business, the Group would additionally be in the business of the manufacturing of tile and ceramic surfacing solutions, which would include (a) conceptualising new tile, ceramic and surfacing solutions based on existing and future market trends; (b) manufacturing such tiles, ceramic and surfacing solutions; and (c) distributing such tiles, ceramic and surfacing solutions manufactured by the Group to third party customers. Given that the existing businesses of the Group involves the distribution of the same type of products that the Group is intending to manufacture under the New Business, the Board recognises that the relevant experience and expertise can be acquired and developed internally or externally, by way of joint ventures or partnerships. In particular, as announced by the Group on 22 July 2022, the Group entered into the Joint Venture with CNAPL, which is owned as to 50.0% by Su Wei Tao ("**Mr Su**") and 50.0% by Ng Yuen Tok ("**Mr Ng**"). Both Mr Su and Mr Ng have considerable experience in the manufacturing of tiles, ceramic and surfacing solutions, with Mr Su having experience in establishing the Fujian Weixiang Ceramic Factory and the "MUSES" brand of tiles in China and Mr

LETTER TO SHAREHOLDERS

Ng having overseen the development of the "DOMOGRES" brand of ceramic tiles in China. Both the "MUSES" and "DOMOGRES" brands are well regarded high-end ceramic tile brands. The Group intends leverage on the business networks and know-how of Mr Su and Mr Ng and to acquire and develop the Group's expertise in operating tile manufacturing plants.

The strategic management of the New Business shall be managed by our CEO, Mr Low Kok Ann. Mr Low has more than 42 years of experience in the tiles, ceramic and surfacing solutions business, and has been pivotal in the growth of our Company.

Our CEO will be supported by our Chief Operating Officer, Mr Jackson Tay and Project Director, Mr Frank Goh. Mr Tay currently overseas our Group's tile, ceramic and surfacing solutions operations, including corporate secretarial, business development and investor relations. Mr Goh has more than 15 years' experience in the industry and has considerable experience in the European market.

In addition to the knowledge and experience of CNAPL, the Group will also leverage on the experience of its existing joint venture partner for Guangdong ITA, who was previously the General Manager of a high-end tile manufacturer in China.

The Group will appoint, if required, new management executives of the New Business and, where necessary, the Group will hire external consultants, industry experts and professionals. The Group may also outsource certain functions where appropriate and in doing so, the Group will take into account the specific expertise and competencies necessary for the New Business.

In addition, the Group may obtain management and other business administrative and support services from certain entities within the HSCB Group as may be permitted the terms of its Existing IPT Mandate. In doing so, the Group will ensure its compliance with the Listing Rules as well as the guidelines and review procedures of the Existing IPT Mandate.

Following the Group's undertaking of the Proposed Business Diversification, as the nature, type and volume of transactions with Mandated Interested Persons may change, the Group is concurrently seeking the approval of Shareholders for a New IPT Mandate. Please refer to pages 27 to 41 of this Circular for more information relating to the Group's adoption of the New IPT Mandate.

Based on the foregoing, the Group possesses the requisite experience, expertise and resources to carry out the New Business.

2.5 Licenses

As and where necessary and if required, or where any research or marketing activities or any other matters carried out under the New Business requires any particular licenses, permits and/or approval, the Group will apply for the requisite licenses, permits and/or approvals for the New Business. Where it is not possible or practicable for the Group to obtain such required licenses, permits and/or approval, the Group intends to seek strategic partnerships or collaborations with entities which are in possession of such required licenses, permits and/or approval.

LETTER TO SHAREHOLDERS

2.6 Funding for the New Business

The Company intends to fund the diversification into the New Business through a combination of internal sources of funds and borrowings from financial institutions. As and when necessary and deemed appropriate, the Group may explore secondary fund-raising exercises by tapping the capital markets, including but not limited to rights issues, share placements and/or issuance of debt instruments.

2.7 Risk factors associated with the New Business

The diversification of the Group's business into the New Business involves a number of risks, some of which, including operational, legal and regulatory risks, could be material. If any of the factors and/or uncertainties described below develops into actual events affecting the New Businesses, this may have a material and adverse impact on the New Business and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly impacted.

The risks described below are not intended to be exhaustive. New risk factors may emerge from time to time, and it is not possible for the management to predict all risk factors, nor can the Group assess the impact of all factors on the New Businesses or the extent to which any factor, or combination of factors, may affect the New Businesses. There may also be other risks associated with the entry into the New Businesses which are not presently known to the Group, or that the Group may currently deem immaterial and as such, have not been included in the discussion below. Shareholders should carefully evaluate the following considerations and the other information in this Circular before deciding on how to cast their votes at the EGM.

2.7.1 ***The Group's performance in the New Business will be subject to exposure to macro-economic risks***

The New Business can be affected by many factors which are beyond the Group's control. Any of the following factors may cause fluctuations and/or declines in the markets in which the Group operates or invests:

- (a) legal and regulatory changes;
- (b) government policies;
- (c) economic and political conditions;
- (d) level and volatility of liquidity and risk aversion;
- (e) concerns about natural disasters, terrorism and war;
- (f) the level and volatility of equity, debt, property, commodity and other financial markets;
- (g) the level and volatility of interest rates and foreign currency exchange rates;
- (h) concerns over inflation; and
- (i) changes in investor confidence levels.

Any of the above-mentioned factors could adversely impact the performance of the New Business, which in turn may affect the Group's revenue, results of operations and/or financial condition.

LETTER TO SHAREHOLDERS

2.7.2 *The Group may not be successful in implementing its strategies*

The Group's expansion strategy into the New Business will include a number of risks. Such risks include the risk that the expected results may not materialise, the new strategies may have certain conflict which may or may not be resolved in order for the strategies to materialise, detract from or compete against its existing businesses, or the processes, controls and procedures that the Group develop will prove insufficient or inadequate, among other risks. If the Group is not successful in implementing its expansion strategies in the event that conflicts are not resolved and ensuring that all the businesses of the Group do not adversely affect one another, there may be a material adverse effect on the Group's reputation, business, growth prospects, fee income, results of operations and/or financial condition.

2.7.3 *The Group has no prior track record in manufacturing and the New Business may not be viable or successful*

As the Company does not have a proven track record in manufacturing, the New Business may not be commercially viable or successful. Unsuccessful attempts to undertake the New Business may have an adverse effect on the Company's business, financial condition and results of operations.

The setup of manufacturing facilities for the manufacturing of tiles may require substantial capital expenditure and investment costs before they reach a revenue producing stage. Hence, in the event that the Company engages in such activities pursuant to the New Business, the Company may not be able to generate positive cash flows from such activities immediately. A cash flow deficit may have a negative impact on the working capital and the financial position of the Company. Furthermore, as such business activities may need time to generate profits, to the extent that the Company is unable to generate sufficient profits from its existing business and the New Business to cover its operating costs, the Company will suffer an adverse effect on its business, financial performance, financial condition and operating cash flow.

2.7.4 *The Group's success in carrying out the New Business depends on the Group's ability to attract highly skilled personnel*

The Group's success to carry out the New Business will depend on its ability to attract, train, retain and motivate skilled employees and professionals in the relevant fields of expertise and with the relevant track record for the New Business. If the Group is unable to attract, retain and/or motivate the necessary highly skilled personnel, there may be a material adverse effect on the Group's business, growth prospects, fee income, results of operations and/or financial condition. The Group's ability to attract, train, retain and motivate skilled employees and professionals is dependent on the Group's ability to offer attractive remuneration and incentives, among other benefits. Efforts to attract, train, retain and motivate such personnel may result in significant additional expenses, which could adversely affect the financial condition of the Group.

2.7.5 *The Group may not be successful in applying for and maintain the requisite registrations and/or licences*

LETTER TO SHAREHOLDERS

The New Business may be subject to governmental regulations and rules by the relevant authorities. Some of these include the requirement to apply for and obtain certain registrations, licences and approvals, as well as fulfilling all continuing obligations in connection with such registrations, licences and approvals. There can be no assurance that the Group will be successful in applying for and obtaining the requisite registrations, licences and approvals, or that the Group will be able to maintain and/or renew these licences. Failure to obtain and/or renew registrations, licences and approvals when necessary may delay the commencement of, or prevent revenue growth in the New Business, which may materially and adversely affect the results of operations or financial position of the Group.

2.7.6 *The Group may be exposed to risk of loss and potential liabilities that may not be covered by insurance*

While the Group will, where appropriate, obtain insurance policies to cover losses for its New Business, the insurance obtained may not be sufficient to cover all potential losses. Examples of such potential losses include losses arising out of extraordinary events such as natural disasters like earthquakes or floods. Losses arising out of damages not covered by insurance policies in excess of the amount that is being insured would affect the Group's profitability. The Group may also have to commit additional resources to meet the uninsured losses which would also adversely affect the financial performance of the Group.

2.7.7 *The Group may be affected by the actions of its employees and/or the professionals it engages*

Whilst the Group intends to put in place internal policies and risk management guidelines, such precautions may not be effective in all cases. It may not always be possible to detect employee misconduct. Employee misconduct and/or negligence may result in legal liability, regulatory sanctions and unquantifiable damage to the Group's reputation. This may materially and adversely affect the Group's business operations and financial performance. In addition, the laws, rules and regulations applicable to the professionals engaged by the Group may also impose restrictions and/or penalties on the Group in the event such laws, rules or regulations are breached, or alleged to be breached by the professionals, and the Group's competitiveness and financial performance may consequently be materially and adversely affected.

2.7.8 *The Group will be dependent on certain key personnel for the success of the New Business*

The Group's success in the New Business will be highly reliant on the contributions and expertise of the Group's CEO. The success and growth in the New Business will also depend, to a large extent, on the Group's ability to retain and motivate other key management personnel in the business. The loss of service of the Group's CEO or any of the other management executives without suitable and timely replacement, or the inability to attract and retain other qualified personnel, would have an adverse impact on our prospects, operations and financial performance.

2.7.9 *The Group's investments, acquisitions, joint ventures or other arrangements may expose the Group to increased risks*

LETTER TO SHAREHOLDERS

The Group may, from time to time, undertake investments, acquisitions, joint ventures or other arrangements to develop the New Business. Such potential investments, acquisitions, joint ventures and other arrangements may expose the Group to additional business and operating risks and uncertainties, including the possible diversion of management's attention from the Group's existing business operations and the loss of capital deployed in such investments, acquisitions, joint ventures, strategic alliances or other arrangements. Furthermore, the Group may fail to select appropriate investments, acquisition targets or joint venture partners, or may not be able to negotiate optimal arrangements, including arrangements to finance any acquisition. There is also a risk that if any of the partners or alliances is unable to deliver their obligations or commitments, or if any dispute arises between the counterparties, it may result in additional costs, such as legal cost, to the Group. In such events, the Group's operations, financial position and financial condition may be adversely affected.

2.7.10 ***The Group may be exposed to litigation***

Notwithstanding that there is no on-going litigation as at the Latest Practicable Date in respect of the New Business, the New Business may subject the Group to a complex legal and regulatory environment in future. Any litigation brought against the Group in the future in relation to the New Business could have a material adverse effect on the Group's reputation, business, growth prospects, fee income, results of operations and/or financial performance.

2.7.11 ***The Group may face events beyond the control of the Group***

In addition to the general macroeconomic conditions and business environment of various jurisdictions and sectors that may affect the New Business, diverse factors such as natural disasters, epidemics, pandemics or acts of terrorism and international disputes that affect economic and business conditions may disrupt the operations of the New Business. Consequently, the costs of funding, revenue, financial performance and business prospects of the Group may thereby be materially and adversely affected.

2.7.12 ***The outbreak and spread of COVID-19 or other highly infectious diseases may adversely impact the New Business and customers of the New Business and disrupt its operations***

The spread of COVID-19 or other infectious diseases could have a material adverse effect on the Group's business, financial condition and operations. In the event that any of the employees in the premises or facilities, or those of the suppliers, is affected with COVID-19 or other infectious diseases, (a) the Group or the suppliers may be required to temporarily shut down their premises and facilities to prevent the spread of such diseases; (b) there may be quarantine restrictions imposed on customers who came into close contact with the Group or the suppliers; and (c) the New Business may also be affected.

Further, the outbreak and spread of COVID-19 have already resulted in restrictions on travel and public transport and prolonged closures of workplaces, premises and facilities, causing the slowing down or disruption of supply chains and business activities in general.

LETTER TO SHAREHOLDERS

2.7.13 ***The Company may be subject to risks arising from foreign exchange fluctuations***

The business of the Company is denominated in Singapore Dollars while the business of the New Business, its cost of sales, operating expenses, and salaries are typically denominated in Malaysian Ringgit. As such, the Company may be exposed to adverse fluctuations in the currency exchange rates for Singapore Dollars and Malaysian Ringgit which may be affected by various factors, including international political and economic conditions. Further, the countries in which the New Business operates may face significant budget deficits, limited foreign currency reserves, volatile exchange rates and less sophisticated banking sectors. Any significant unfavourable fluctuations in foreign currency exchange rates against the Company's functional currency may have an adverse effect on its operating results.

2.7.14 ***The New Business is subject to general risks associated with operating businesses outside Singapore***

There are risks inherent in operating businesses overseas, which include unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding the Group's liability and enforcement, changes in local laws and controls on the repatriation of capital or profits. Any of these risks could adversely affect the Company's overseas operations and consequently, its business, financial performance, financial condition and operating cash flow.

In addition, if the governments of countries in which the Company operates, such as Malaysia, tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currencies, it may affect the ability of the Company's overseas operations to repatriate profits to the Company and, accordingly, the cash flow of the Company will be adversely affected.

2.7.15 ***The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events***

In addition, on 24 February 2022, Russia launched a large-scale invasion of Ukraine. As a result, the United States, the United Kingdom, the member states of the European Union and other public and private actors have levied severe sanctions on Russia. The geopolitical and macroeconomic consequences of this invasion and associated sanctions cannot be predicted, and such events, or any further hostilities in Ukraine or elsewhere, could severely impact the world economy. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected and may continue to adversely affect the global demand and supply of the Group's for the goods. This may lead to a decline in the general demand for the Group's services and products, and an erosion of their procurement or sale prices. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continues, the Group's business, financial condition and results of operations may be adversely affected.

LETTER TO SHAREHOLDERS

2.7.16 *Fluctuations in interest rates and refinancing risks may be difficult to predict*

Interest rate fluctuations are of particular concern to a capital-intensive industry such as that of manufacturing. The Company faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities and long-term financings. The Company's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict.

2.7.17 *Environmental risks*

The New Business operations are subject to laws and regulations regarding environmental matters, including the discharge of any hazardous waste or materials. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, or non-compliance with environmental laws or regulations. The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and accepted industrial practices. Shareholders should also take note that at any given time, if the New Business fails to comply with any environmental laws or conditions of licences granted by the relevant authority, stop-work orders could be issued and any prolonged work stoppages could affect the Company's financial position adversely.

2.7.18 *We may be affected by disruptions to the supply of raw materials*

The New Business would depend heavily on the steady supply of raw materials, and we would be dependent on our suppliers for timely delivery of raw materials. There is no assurance that our suppliers will be able to deliver the necessary raw materials on time. In addition, we may not be able to purchase sufficient quantities of or to secure competitive prices for raw materials to meet our production requirements. In the event of a delay or disruption to the supply of our raw materials, we may be unable to source raw materials from alternative suppliers in a timely manner and at competitive prices, or at all. This may in turn disrupt our manufacturing activities and our contractual obligations to our customers may be affected, which may in turn affect our customers' confidence in us or expose us to potential liability.

2.7.19 *We may be affected by fluctuations in the costs of raw materials sold to us and used in the manufacture of our products*

The New Business would require our Group to purchase raw materials and other intermediate goods. The price of raw materials may fluctuate due to factors such as global demand and supply conditions for such materials and changes in global economic conditions. Such factors may also cause our suppliers to raise prices of our raw materials. If we are not able to pass on such an increase to our customers or we are unable to find alternative sources of raw materials, our operations and financial performance will be adversely affected.

LETTER TO SHAREHOLDERS

2.7.20 ***We may experience industrial-related accidents which may expose us to liability claims***

Due to the nature of the New Business, following the Proposed Business Diversification, we would be subject to the risk of our employees or third parties being involved in accidents at our premises. Accidents resulting in disruptions to our business operations will have a material adverse impact on our corporate image and financial performance. In the event of accidents which are not covered by our insurance or workmen compensation policies taken up by our Group, or if claims arising from such accidents are in excess of our insurance coverage and/or any of our insurance claims is contested by the insurance companies, we will be required to pay such compensation and the financial performance of our Group may be materially and adversely affected. In addition, the payment by our insurers on such insurance claims may result in increases in our insurance premiums. This may also have an adverse effect on the financial performance of our Group.

Our business, financial performance and financial position may also be affected if we have to spend a significant amount of resources in legal costs in the event that we are involved in legal proceedings. In addition, our reputation may suffer irreversible damage as a result of such proceedings.

2.7.21 ***We may be exposed to potential product liability***

We are subject to the laws and regulations relating to product liability arising from the manufacture and sale of our products. In addition, we may incur liability under our contracts with our customers for any loss or damage suffered by third parties arising out of defective products supplied by us, if such loss or damage is the result of a defect attributable to our negligence. In addition, we may incur liability under our contracts with our customers for defective products or non-compliance with their specifications. Although we have not experienced any product liability claims or claims for breach of contract to date, we cannot assure you that our customers or users of our products will not claim against us in the future.

If product liability claims are made against us in the future, there is no certainty that our product liability insurance in respect of our products will be sufficient to indemnify us against all such liabilities or that we will not suffer damage to our corporate image and product reputation.

<p>THE RISKS LISTED IN THIS SECTION ARE NOT EXHAUSTIVE. THESE RISKS AND OTHERS WHICH ARE NOT SPECIFICALLY MENTIONED MAY ADVERSELY AFFECT THE FINANCIAL PERFORMANCE OR OPERATIONS OF THE NEW BUSINESS, AND THEREFORE, IN TURN THE COMPANY.</p>
--

2.8 Risk management measures and safeguards

The Group recognises that the New Business is different from its existing business. Before undertaking any investment in the New Business or transaction in relation to the New Business, the management will prepare a proposal containing a cost-benefit analysis, credentials of the management of the New Business, joint venture partners or co-investor partners (if any) and will, if

LETTER TO SHAREHOLDERS

necessary, seek the advice of external consultants and experts. The Board will also assess and consider whether the Group has sufficient financial resources to invest in the project and the gearing ratios and liquidity of the Group as a result of such a project. Further, the Board will assess whether the management team has the relevant experience and expertise to manage such a project and, if not, whether any lack of such experience can be supplemented by professional advisors. In evaluating any new projects or investments based on the aforementioned factors, the Board is guided by the overarching consideration of whether the project will be able to generate revenue for the Group and optimise returns to Shareholders.

Investments and/or transactions above an internally-determined threshold (as approved by the Board) must be specifically approved by the Audit Committee. In addition, the Board and the Audit Committee, which review the risk exposure of the businesses of the Group at regular intervals, will review the risk exposure of the New Business at intervals of not less than half-yearly.

Before undertaking any investment activity into a new jurisdiction for any new project or investment under the New Business, the Group will conduct market research and analysis and carry out due diligence. As and where necessary and if required, the Group will apply for the requisite licenses and/or permits required in relation to any project or investment under the New Business.

The risk management and internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault. As such, there is no assurance that the risk management and internal control systems are adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies may result in investigations and/or disciplinary actions, or even prosecution being taken against the Group and/or its employees, disruption to the risk management system, and an adverse effect on the Group's financial condition and results of operations.

As at the Latest Practicable Date, the Audit Committee comprises Mr Ong Beng Chye, Mr Terrance Tan Kong Hwa and Mr Foo Yong How (Fu Yonghao).

2.9 **Disclosure of financial results of the New Business**

The New Business will be accounted for as a new business segment in the Group's financial statements in line with the Singapore Financial Reporting Standards (International) and accordingly, the Group will disclose the financial results of the New Business with the Group's financial statements. The financial results of the New Business together with the Group's financial statements will be periodically announced pursuant to the requirements as set out in Chapter 7 of the Listing Rules. In these periodic announcements, the Group may provide segmented financial results relating to the New Business where appropriate or if required under any applicable accounting standards.

2.10 **Application of Chapter 10 of the Listing Rules**

Upon the approval by Shareholders of the Proposed Business Diversification, any acquisition or disposal which is in or in connection with the New Business may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Listing Rules.

LETTER TO SHAREHOLDERS

Accordingly, the Group may possibly, in its ordinary course of business, enter into transactions relating to the New Business which do not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek for Shareholders' approval as and when such potential transactions arise. This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

As set out in Practice Note 10.1 of the Listing Rules, an acquisition that is regarded to be in, or in connection with, the ordinary course of an issuer's business, is not subject to the requirements under Chapter 10 of the Listing Rules (except for Part VIII on very substantial acquisitions or reverse takeovers). An acquisition can be regarded to be in, or in connection with, the ordinary course of an issuer's business, if: (a) the asset to be acquired is part of the issuer's existing principal business; and (b) the acquisition does not change the issuer's risk profile.

Pursuant to Rule 1014 of the Listing Rules, a major transaction is a transaction (as defined in Rule 1002(1) of the Listing Rules) where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Rules exceeds 20% but is less than 100% must be made conditional upon approval by shareholders in a general meeting.

Notwithstanding the foregoing, in accordance with the SGX-ST's recommended practice in relation to diversification of business, as the Company has not to-date operated substantively in the New Business space and is not able at this time to provide more specific information on the intended or actual operations, transactions, and/or investments that it will be carrying out in relation to the New Businesses, in seeking Shareholders' approval for the Proposed Business Diversification, when the Company enters into its first major transaction (as defined in Rule 1014 of the Listing Rules) involving the New Business ("**First Major Transaction**"), or where any of the relevant figures computed based on Rule 1006 of the Listing Rules in respect of several transactions involving the New Businesses which when aggregated exceeds 20% ("**Aggregated Transactions**"), such First Major Transaction or the last of the Aggregated Transactions will be made conditional upon Shareholders' approval at a separate general meeting of the Company to be convened then.

For the avoidance of doubt, notwithstanding that Shareholders' approval of the Proposed Diversification has been obtained:-

- (a) where an acquisition of assets (whether or not the acquisition is deemed in the ordinary course of business of the Company) is one where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Rules is 100% or more, or is one which will result in the change of control of the Company whether or not in the Company's ordinary course of business (which will include the New Business), the transaction is classified as a very substantial acquisition or reverse takeover and would be subject to Rule 1015 of the Listing Rules and would be subject to approval of Shareholders at a general meeting;
- (b) Practice Note 10.1 of the Listing Rules will apply and Shareholders' approval would be required for any transaction (which falls within the definition as set out in Rule 1002(1) of the Listing Rules) which changes the risk profile of the Company;
- (c) the First Major Transaction or the last of the Aggregated Transactions will be made conditional upon Shareholders' approval at a general meeting, if applicable; and

LETTER TO SHAREHOLDERS

- (d) where any transaction constitutes an "interested person transaction" as defined under Chapter 9 of the Listing Rules, Chapter 9 of the Listing Rules will apply to such a transaction and the Company will comply with the provisions of Chapter 9 of the Listing Rules.

Pursuant to Rule 1005 of the Listing Rules, separate transactions completed within the last 12 months may also be aggregated and treated as if they were one transaction in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004 of the Listing Rules.

The Company will also be required to comply with any applicable and prevailing Listing Rules as amended or modified from time to time.

3. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

3.1 Information on the Property and Property Vendor

According to a land title search conducted with the Singapore Land Authority on 21 June 2022, Broadway Textile Pte. Ltd. (the "**Vendor**") is the registered proprietor of the Property. The Property is a leasehold property with a tenure of ninety-nine years which commenced on 2 December 2016. The Vendor is a third party independent of the Company, the Directors and its controlling shareholders, and is not related to the Company.

The Property comprises a row of 11 contiguous conservation shophouses with 4-storey rear extension and 10 covered car parking lots sitting on an island block. The Property is highly visible and commands over 110-metre triple road frontage onto Lavender Street, Foch Road and Tyrwhitt Road, and offers potential signage and naming rights. Being located in a convenient city fringe location, the Property is within a short walking distance to Bendemeer MRT station and a 10-minute drive to the Central Business District.

The Property has a gross floor area of approximately 45,212 sqft. As at the date of the Company's announcement dated 11 July 2022, 43.0% of the Property's net lettable area is leased to tenants.

The Company has appointed Knight Frank Pte Ltd, the Independent Property Valuer to prepare an Independent Valuation Report in compliance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS). Based on the Independent Valuation Report, the market value of the Property is approximately S\$71,280,000, based on its existing physical condition. A copy of the Independent Valuation Certificate prepared based on the Independent Valuation Report is attached hereto as **Appendix C (Independent Valuation Certificate)**.

Prior to the Purchaser exercising the Option, the Purchaser had reviewed the roadline plan and rail protection plan relating to the Property. In addition, the Purchaser had also conducted legal requisitions from the Land Transport Authority Land Divisions (Rapid Transit Systems) on the Property.

LETTER TO SHAREHOLDERS

3.2 Consideration

The aggregate value of the consideration for the Proposed Acquisition is S\$71,280,000 (excluding the prevailing goods and services tax ("**GST**") and stamp duty payable in connection with the Proposed Transaction) (the "**Consideration**").

The Consideration is equal to the valuation of the Property as set out in the Independent Valuation Report prepared by the Independent Property Valuer, and was arrived based on arm's length negotiations between the parties after taking into account prevailing market conditions, the transaction prices for other comparable transactions in Singapore.

The book value of the Property is S\$73,413,000 (which includes stamp duty amounting to S\$2,133,000 to be paid by the Company's wholly-owned subsidiary, Hafary Flagship Store Pte. Ltd. (the "**Purchaser**") in connection with the Proposed Acquisition).

3.3 Salient Terms of the Option

Pursuant to the terms of the Option, the Consideration shall be fully satisfied in cash and payable to the Vendor in the following manner:

- (a) the Purchaser has paid a deposit of S\$3,564,000 (including an option fee of S\$712,800), equal to 5% of the Consideration, upon the Purchaser's exercise of the Option on 8 July 2022; and
- (b) 95% of the Consideration shall be payable by the Purchaser on the Completion Date (as defined below), together with the prevailing GST.

As the Purchaser exercised the Option on 8 July 2022, the Option operates as a valid binding agreement for the sale and purchase of the Property and completion of the Proposed Transaction must occur no later than 4 months from the date of the Option ("**Completion Date**").

The Proposed Acquisition is subject to "The Law Society of Singapore's Conditions of Sale 2020", insofar as they are not contrary to or in conflict with the following:

- (a) The Conveyancing & Law of Property (Conveyancing) Rules 2011 as promulgated under the Conveyancing & Law of Property Act 1886 of Singapore; and
- (b) The Singapore Academy of Law (Conveyancing Money) Rules 2011 as promulgated under the Singapore Academy of Law Act 1988 of Singapore.

3.4 Rationale for the Proposed Acquisition

For the financial year ended 31 December 2021 ("**FY2021**"), the Group's General business segment registered revenues of S\$82,700,000, being a rise of S\$28,900,000 or 53.7% from S\$53,800,000 for the financial year ended 31 December 2020.

In tandem with the Group's growth in its retail business, the Group is undertaking the Proposed Acquisition in order to establish a new flagship store at the Property. The Group is of the view that a centrally located large-format flagship store would allow the Group to showcase a wider

LETTER TO SHAREHOLDERS

range of its products in a more accessible and convenient location, in order for the Group to better service the needs of its retail customers in Singapore.

3.5 Source of Funds

The Proposed Acquisition is expected to be funded as follows, subject to agreement between the Company and the lending bank:

- (a) S\$53.46 million through borrowings from financial institutions; and
- (b) S\$17.82 million of its internal funds.

In addition, the Group expects to incur approximately S\$2.0 million in fit-out costs to establish its new flagship store at the property. The Group intends to fund such costs through internally generated funds.

3.6 Financial Effects of the Proposed Acquisition

The proforma financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") per share and the earnings per share ("**EPS**") of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the Group for FY2021 (being the most recently announced consolidated full-year financial statements of the Group). The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after the Proposed Acquisition has been fully completed.

3.6.1 NTA

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the Group's NTA per share, assuming that the Proposed Acquisition had been completed on 31 December 2021, being the end of the most recently completed financial year, are set out below:

NTA	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	75,475	75,475
Number of issued Shares ('000)	430,550	430,550
NTA per Share (cents)	17.5	17.5

3.6.2 Earnings per Share

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the consolidated earnings of the Group, assuming that the Proposed Acquisition had been completed on 1 January 2021, being the beginning of the most recently completed financial year, are set out below:

LETTER TO SHAREHOLDERS

EPS	Before the Proposed Transaction	After the Proposed Transaction
Profits attributable to the owners of the Group (S\$'000)	11,580	11,580
Weighted average number of issued Shares ('000)	430,550	430,550
EPS - Basic (cents)	2.69	2.69

The above proforma financial effects of the Proposed Acquisition on the consolidated earnings of the Group was prepared on the basis of the following assumptions:

- (i) the Group recording S\$1,833,000 in rental income for its rental of the gross floor area of the Property in excess of the Group's requirements for its flagship store to third parties;
- (ii) the Group financing 75.0% of the Consideration by a property loan at an interest rate of 3.50% per annum;
- (iii) the Group incurring maintenance costs (including air condition servicing, lift servicing and other repair and maintenance costs) related to the Property of S\$180,000, payroll costs or management agent fees of S\$90,000 and property tax of S\$183,000 (based on 10.0% of the expected rental income); and
- (iv) the rental savings of S\$324,000 that the Group will enjoy upon the consolidation of its operations after commencing operations of its flagship store at the Property.

3.7 Relative Figures

The relative figures of the Proposed Acquisition under Rule 1006 of the Listing Rules and based on the Company's interim financial statements for HY2022, being the latest announced consolidated accounts, are set out below.

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾
(b)	Net profits attributable to the assets acquired, compared with the Group's net profits ⁽²⁾	Not applicable ⁽³⁾
(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	91.2% ⁽⁴⁾

LETTER TO SHAREHOLDERS

(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 ⁽⁵⁾
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Group's proven and probable reserves	Not applicable ⁽⁶⁾

Notes:

- (1) This basis is not applicable as the Proposed Acquisition does not involve disposal of assets.
- (2) Under Rule 1002(3)(b) of the Listing Rules, "net profits" profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) There are no net profits attributable to the Property.
- (4) Based on the Consideration and the market capitalisation of the Company of approximately S\$80,513,000 as at 30 June 2022 (being the full market day immediately preceding the date of the Option). Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of Shares in issue excluding treasury Shares, being 430,550,000 Shares, and the volume weighted average price of S\$0.187 per share on 30 June 2022.
- (5) This basis is not applicable as no equity securities are to be issued as part of the Consideration.
- (6) The Company is not a mineral, oil or gas company.

3.8 Hap Seng Undertaking

As at the Latest Practicable Date, HSIHPL has executed written undertakings under which HSIHPL has undertaken to vote in favour of the resolutions to be tabled at the EGM relating to the Proposed Acquisition. As at the Latest Practicable Date, HSIHPL has a direct interest in such number of Shares representing 50.82% of the Company's issued share capital.

Notwithstanding the foregoing, the Company is convening the EGM to seek the approval of Shareholders to give Shareholders an opportunity to have their say on the Proposed Acquisition.

4. THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

4.1 Chapter 9 of the Listing Rules

4.1.1 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.

4.1.2 For the purposes of Chapter 9 of the Listing Rules:

LETTER TO SHAREHOLDERS

- (a) **"approved exchange"** means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Rules;
- (b) an **"associate"** in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e. spouse, children, adopted children, step-children, siblings and parents), the trustees of any trusts 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 substantial shareholder or 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;
- (c) 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;
- (d) a **"chief executive officer"** means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company;
- (e) a **"controlling shareholder"** is a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the listed company (unless otherwise excepted by the SGX-ST) or in fact exercises control over a company;
- (f) **"entity at risk"** means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) 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.
- (g) **"interested person"** means:
 - (i) a director, chief executive officer, or controlling shareholder of the listed company; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.

The SGX-ST may deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into: (a) a transaction with an entity at risk;

LETTER TO SHAREHOLDERS

and (b) an agreement or arrangement with an interested person in connection with that transaction.

- (h) **"interested person transaction"** means a transaction between an entity at risk and an interested person, and a "transaction" includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of goods or 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.

- 4.1.3 An immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

In particular, an immediate announcement is required where:

- (a) the value of the proposed transaction is equal to or more than 3% of the latest audited NTA of the listed group; or
- (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year is equal to or more than 3% of the latest audited NTA of the listed group.

In addition to an immediate announcement, shareholders' approval is required where:

- (a) the value of the proposed transaction is equal to or more than 5% of the latest audited NTA of the listed group; or
- (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year is equal to or more than 5% of the latest audited NTA of the listed group.

In interpreting the term "same interested person" for the purpose of aggregation, the following applies:

- (i) transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person. Transactions between (X) an entity at risk and a primary interested person; and (Y) an entity at risk and another primary interested person, are deemed to be transactions between an entity at risk with the same interested person if the primary interested person is also an associate of the other primary interested person;
- (ii) transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person; and
- (iii) if an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other

LETTER TO SHAREHOLDERS

interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit and risk committees whose members are completely different.

The above requirements for immediate announcement and/or for shareholders' approval do not apply to any transaction below S\$100,000 and certain transactions such as those set out in Rules 915 and 916 of the Listing Rules. However, while such transactions below S\$100,000 are not normally aggregated under Rules 905(3) of the Listing Rules, the SGX-ST may aggregate any such transactions entered into during the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Listing Rules.

4.1.4 Based on the latest audited consolidated financial statements of the Company and the Group for FY2021, the latest audited NTA of the Group was S\$75,475,000. Accordingly, in relation to the Group, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated financial statements of the Group for the current financial year are published, Shareholders' approval is required where:

- (a) the transaction is of a value equal to, or more than, approximately S\$3,774,000, being 5% of the Group's latest audited NTA as at 31 December 2021; 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, S\$3,774,000. 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 approved by Shareholders.

4.1.5 Rule 920 of the Listing Rules permits a listed company to seek a general mandate from its shareholders for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, which may be carried out with interested persons of the listed company. It should be noted that no such mandate can be sought for the purchase or sale of assets, undertakings or businesses. In addition, a general mandate is subject to annual renewal.

4.2 Background, Rationale and Benefits of the New IPT Mandate

4.2.1 The Group first adopted its Existing IPT Mandate on 11 April 2016. Under the Existing IPT Mandate, the Group may enter into recurrent transactions of a trading nature or those necessary for its day-to-day operations with the Mandated Interested Persons 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;

LETTER TO SHAREHOLDERS

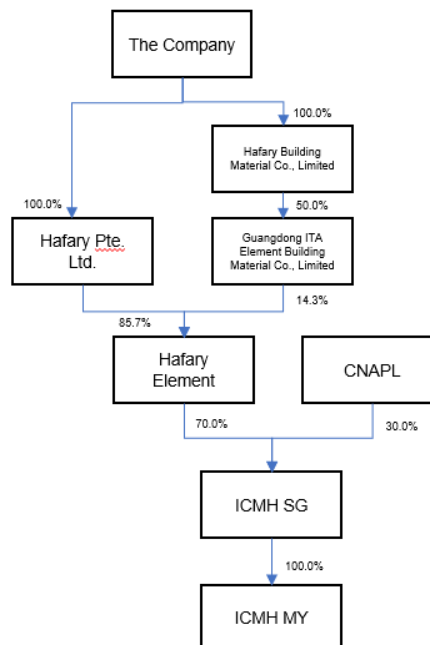
- (b) the receipt and provision of services, including but not limited to:
- (i) leasing of properties for residential, industrial and commercial purposes;
 - (ii) leasing of office and warehousing spaces; and
 - (iii) transport and logistics services,

to and from the Mandated Interested Persons, as the case may be.

4.2.2 The Existing IPT Mandate was last approved by shareholders at the Company's AGM on 7 April 2022.

4.2.3 The Company announced on 22 July 2022 that it had, among others, entered into the Joint Venture pursuant to which the parties have incorporated a joint venture company, International Ceramic Manufacturing Hub Pte. Ltd. ("**ICMH SG**"). Hafary Element and CNAPL each hold 70% and 30% of the entire issued share capital in ICMH SG respectively. ICMH SG in turn holds the entire issued share capital of International Ceramic Manufacturing Hub Sdn. Bhd. ("**ICMH MY**"), which currently provides technical and other services to and acquires ceramic tiles from Malaysian Mosaics Sdn Bhd ("**MMSB**"), a wholly-owned subsidiary of the Company's controlling shareholder, Hap Seng Consolidated Berhad, in reliance on the Existing IPT Mandate. Subject to Shareholders' approving the Proposed Business Diversification, the Group intends, in future, to operate MMSB's tile manufacturing plants, which would involve the leasing of industrial properties from MMSB. In such an event, the Group may sell ceramic tiles to MMSB and other Mandated Interested Persons.

Please see below for a diagrammatic representation of the Company's interest in ICMH MY and ICMH SG.



LETTER TO SHAREHOLDERS

- 4.2.4 As a result the Board expects an increase in the volume of transactions between the Group and the Mandated Interested Persons moving forward, and the Group intends to seek shareholders' approval for the New IPT Mandate which will, among others, include updated review procedures to cater to the larger volume of transactions anticipated with interested persons, upon the Group's establishment of the tile manufacturing plants.
- 4.2.5 Once approved, the New IPT Mandate will substitute and replace the Existing IPT Mandate.
- 4.2.6 In view of the time-sensitive and recurrent nature of these commercial transactions, and the need for smooth and efficient conduct of business, it would be advantageous for the Group to obtain the New IPT Mandate for the Group as it will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when Mandated Transactions arise, provided that such transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with convening general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

SHAREHOLDERS ARE TO NOTE THAT THERE IS NO ASSURANCE THAT THE COMPANY WILL UNDERTAKE THE PROPOSED BUSINESS DIVERSIFICATION, AND IN THE EVENT THE COMPANY DOES UNDERTAKE THE PROPOSED BUSINESS DIVERSIFICATION, THERE IS NO GUARANTEE THAT THE GROUP WOULD BE ABLE TO ACHIEVE ITS STATED OBJECTIVES. THE COMPANY MAKES NO REPRESENTATION AS TO WHEN SUCH PROPOSED BUSINESS DIVERSIFICATION WOULD BE COMPLETED, IF AT ALL.

4.3 Mandated Transactions

The categories of interested person transactions which will be covered by the New IPT Mandate are:

- (a) the sale and purchase of products, including but not limited to:
 - (i) tiles;
 - (ii) ceramics;
 - (iii) stone;
 - (iv) wood flooring; and
 - (v) 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, warehousing and factory spaces;

LETTER TO SHAREHOLDERS

- (iii) transport and logistics services;
- (iv) management and technical services, including technical advisory services in relation to the operation of tile manufacturing plants; and
- (c) the payment by the Group of royalty fees to Mandated Interested Persons for the Group's use of the Mandated Interested Persons' intellectual property,

to and from the Mandated Interested Persons, as the case may be (collectively, the "**Mandated Transactions**").

The IPT Mandate will not cover any interested person transaction which has a value below S\$100,000 as, pursuant to Rules 905(3) and 906(2) of the Listing Rules, the threshold and aggregation requirements of Chapter 9 of the Listing Rules do not apply to such transactions. However, as stated under Section 4.1.3, the SGX-ST may aggregate any such transactions below S\$100,000 that are entered into during the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Listing Rules.

Transactions with interested persons (including the Mandated Interested Persons) that do not fall within the ambit of the proposed IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Rules and/or other applicable provisions of the Listing Rules.

4.4 HSCB Group

Hap Seng Consolidated Berhad ("**HSCB**") is a company incorporated in Malaysia on 24 March 1976 under the Malaysian Companies Act 1965, registered under the Malaysian Companies Act 2016 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 Holdings' aggregate shareholding in HSCB is 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding via its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd.

HSCB has a total of 132 subsidiaries, and the core businesses of the HSCB Group are:

- (a) plantations;
- (b) property division (inclusive of holding, development and hospitality);
- (c) credit financing;
- (d) automotive;
- (e) trading; and
- (f) building materials.

As at the Latest Practicable Date, HSCB owns the entire issued share capital of Hap Seng Investment Holdings Pte Ltd, which has a 50.82% direct interest in the issued share capital of the Company. As such, HSCB is a controlling shareholder, and, together with its associates, are

LETTER TO SHAREHOLDERS

deemed Interested Persons for purposes of Chapter 9 of the Listing Manual, and accordingly, any transactions entered into between the Group and HSCB or its associates will be regarded as Interested Person Transactions for the purposes of Chapter 9 of the Listing Manual.

4.5 The Mandated Interested Persons

The interested persons to be covered under the New IPT Mandate are set out in the table below (collectively, the "**Mandated Interested Persons**"):

Name of entity	Relationship with HSCB	Country of incorporation	Principal business
MMSB	Wholly-owned subsidiary of HSCB ⁽¹⁾	Malaysia	Investment holding, manufacture and sale of porcelain and ceramic tiles.
MML (Shanghai) Trading Co., Ltd.	Wholly-owned subsidiary of MMSB ⁽²⁾	China	Trading and distribution of porcelain and ceramic tiles and fertilizers.
Hap Seng Trading (BM) Sdn. Bhd.	Wholly-owned subsidiary of Hap Seng Trading Holdings Sdn. Bhd. which is in turn a wholly-owned subsidiary of HSCB ⁽³⁾	Malaysia	Trading in building materials.

Notes:

- (1) MMSB is an associate of HSCB and is deemed an Interested Person for purposes of Chapter 9 of the Listing Manual.
- (2) MML (Shanghai) Trading Co., Ltd. is an associate of HSCB and is deemed an Interested Person for purposes of Chapter 9 of the Listing Manual.
- (3) Hap Seng Trading (BM) Sdn. Bhd. is an associate of HSCB and is deemed an Interested Person for purposes of Chapter 9 of the Listing Manual.

For Shareholders' information, an abridged group structure chart of the HSCB Group, reflecting the relationship between the HSCB Group, the Company and MMSB, as at the latest practicable date is set out in **Appendix B (HSCB Group Structure)**.

4.6 Validity Period

The New IPT Mandate is subject to the Shareholders' approval at the EGM. If approved by the Shareholders at the EGM, the New IPT Mandate will take effect from the passing of the Ordinary Resolution as set out in the Notice of EGM, and will continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting

LETTER TO SHAREHOLDERS

is required by law to be held, whichever is earlier (unless sooner revoked or varied by the Company in general meeting). Approval from the Shareholders will be sought for the renewal of the New IPT Mandate at each subsequent annual general meeting (or extraordinary general meeting held on the same day as the annual general meeting), subject to satisfactory review by the Audit and Risk Management Committee of its continued relevance and application and the sufficiency of the guidelines and review procedures under the New IPT Mandate to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4.7 Guidelines and review procedures under the New IPT Mandate

4.7.1 *Review procedures*

In general, there are procedures established by the Group to ensure that Mandated Transactions with the Mandated Interested Persons are undertaken on normal commercial terms consistent with the Group's usual business practices and policies, which are generally not less favourable to the Group than those offered by unrelated third parties and will not be prejudicial to the interests of the Company and its minority Shareholders.

In particular, the following review procedures will be implemented by the Group:

- (a) when making purchases of goods or receiving services (including management services) from the Mandated 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 practicable. While other factors (as set out in this Section 4.7.1) 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 Mandated 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 4.7.1) will be taken into consideration, the Mandated 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 Mandated Interested Persons, the Group will only enter into leases or renew existing leases with the Mandated 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) in relation to royalty fees paid by the Group to Mandated Interested Persons for the utilisation of the Mandated Interested Person's intellectual property in the Group's manufacturing activities, any such royalty fee payable will be set out in a licensing agreement between the Group and the relevant Mandated Interested

LETTER TO SHAREHOLDERS

Person. The terms of the licensing agreement (including the royalty fee payable) shall be approved by any two of the Independent Directors, Executive Directors and/or executive officers of the Group with no interest, direct or indirect, in the Mandated Transaction prior to the Group's entry into such licensing agreement, with input from independent professionals on the range of similar royalty fees. This is to ensure that the royalty fees or rates are not less favourable than comparable royalty fees or rates offered by unrelated third parties;

- (e) 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 for certain brands of products manufactured solely by the Mandated Interested Persons, where the purchase of such products from the Mandated 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 under brands solely manufactured by the Mandated 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 a Mandated 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;
- (viii) availability of preferential rates (whether for bulk purchases or otherwise);

LETTER TO SHAREHOLDERS

- (ix) the cost of provision of such service and any applicable transfer pricing requirements guidelines issued by the relevant authorities; and/or
- (x) gross profit margin test.

4.7.2 **Approval and review thresholds**

The Group will monitor and categorise all Mandated Transactions as follows:

- (a) for all Mandated Transactions above S\$100,000, such transactions are to be approved on the following basis:

Approval Limits	Approving Authority
Mandated Transactions not exceeding S\$1,000,000 ⁽¹⁾	CEO or Financial Controller. Failing which, an executive officer of the Group who: <ul style="list-style-type: none">a) does not have any interest (direct or indirect) in relation to the transaction;b) is not from the relevant department which raised the purchase request; andc) is not a director of a Mandated Interested Person.
Mandated Transactions exceeding S\$1,000,000	Approval by the Audit Committee.

Note:

- (1) S\$1,000,000 equates to approximately 1.32% of the Group's audited consolidated NTA for FY2021. This threshold was adopted when the Company first sought Shareholders' approval for the Existing IPT Mandate in 2016 and was determined by the Company after having considered the anticipated value of the Mandated Transactions balanced with the need for the smooth and efficient conduct of business. The Company has reviewed its operations and transactions with the Mandated Interested Persons annually since and has determined that the threshold is still relevant and appropriate.

- (b) where the value of any individual transaction, when aggregated with other transactions entered into with the same Mandated Interested Person during the same financial year, is equal to or exceeds 15.0% of the listed group's latest audited consolidated NTA (the "**Lower Financial Limit**") but is less than 30.0% of the listed group's latest audited consolidated NTA (the "**Upper Financial Limit**"), it must be approved by both the CEO and the Financial Controller or any two executive officers of the Group who (i) do not have any interest (direct or indirect) in relation to the transaction; (ii) is not from the relevant department which raised the purchase request; and (iii) is not a director of a Mandated Interested Person;

LETTER TO SHAREHOLDERS

- (c) where the value of any individual transaction, when aggregated with other transactions entered into with the same Mandated Interested Person during the same financial year, is equal to or exceeds 30.0% of the listed group's latest audited consolidated NTA (i.e. the Upper Financial Limit), it must be approved by the Audit Committee prior to entry. The Lower Financial Limit and the Upper Financial Limit were determined taking into account (i) the forecasted increase in volume of transactions between the Group and the Mandated Interested Persons in light of the Company's entry into the Joint Venture; (ii) the forecasted increase in the volume of transactions between the Group and the Mandated Interested Persons in the event the Company undertakes the Proposed Business Diversification successfully and commences the manufacturing of tiles; and (iii) the nature and frequency of the Mandated Transactions. The Audit Committee, having considered the foregoing factors as well as the financial risk arising from the Group's exposure to the Mandated Interested Persons, are of the view that the Lower Financial Limit and the Upper Financial Limit are reasonable;
- (d) where the value of any individual transaction, when aggregated with other transactions entered into with the same Mandated Interested Person during the same financial year, is below the Lower Financial Limit, it must be approved in accordance with the approval limits and corresponding approving authority as described in Section 4.7.2(a); and
- (e) any transaction to be made with a Mandated 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 Mandated Interested Person than those extended to unrelated parties, and (ii) not less favourable than those received from unrelated parties; or
 - (ii) where Section 4.7.1(e) applies, the considerations in determining whether the price and terms offered are fair and reasonable as set out in Section 4.7.1(e) are properly taken into account and documented.

For the purposes of this Section, 15.0% of the latest audited NTA of the Group (being the Lower Financial Limit) would be S\$11,321,200 and 30.0% of the latest audited NTA of the Group (being the Upper Financial Limit) would be S\$22,642,400.

4.7.3 **Additional controls**

In addition to the review procedures as set out in Section 4.7.1, the Group will also implement the following additional procedures:

- (a) the Audit Committee will review all Mandated Transactions on a half-yearly 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 IPT General

LETTER TO SHAREHOLDERS

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 Mandated Interested Persons and will disseminate the list to the relevant staff of the companies within the Group to enable the identification of the Mandated Interested Persons.
- (c) the Company will maintain a register to record all Mandated 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 Mandated Transactions. The register shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the Mandated 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 Mandated Transactions entered into pursuant to the New IPT 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 Mandated 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 Mandated 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 4.7.2 are not sufficient to ensure that the Mandated 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 Mandated 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 Mandated 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.

4.7.4 **Further compliance**

The Directors will ensure that all disclosure, approval and other requirements on Mandated

LETTER TO SHAREHOLDERS

Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

4.8 Disclosure in the Annual Report and Financial Statements

The following will be undertaken in respect of the Mandated Transactions:

- (a) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Mandated Transactions conducted with Mandated Interested Persons pursuant to the New IPT Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the New IPT Mandate is in force;
- (b) announcements will be made with regard to the aggregate value of transactions conducted pursuant to the New IPT Mandate for the financial periods which the Company is required to report on pursuant to Rule 705(1) and Rule 705(2) (if applicable) of the Listing Rules within the time required for the announcement of such report; and
- (c) disclosures of the Mandated Transactions will be presented in the form set out in Rule 907 of the Listing Rules as follows:

Name of Interested Person(s)	Nature of the relationship	Aggregate value of all Mandated Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all Mandated Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)

4.9 Opinion of the IFA

RHT Capital Pte. Ltd. has been appointed as the IFA to opine on whether the guidelines and review procedures for the Mandated Transactions as set out Section 4.7 are sufficient to ensure that the Mandated Transactions covered under the New IPT Mandate 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 is of the opinion that the guidelines and review procedures for determining the pricing and terms of the Mandated Transactions as set out in Section 4.7, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

The IFA Letter dated 11 October 2022, is reproduced and appended as **Appendix A (IFA Letter)** to this Circular. Shareholders are advised to read the IFA Letter carefully and consider it in the context of this Circular.

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter 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.

4.10 Statement of the Audit Committee

Having considered, among other things, the terms, the rationale and the benefits of the proposed New IPT Mandate together with the opinion of the IFA, the Audit Committee confirms that it concurs with the view of the IFA and is satisfied that the guidelines and review procedures proposed by the Company as set out in Section 4.7 for determining the transaction prices and terms of the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1 Directors' Interests

The interest of the Directors in the Shares as record in the Register of Directors' Shareholdings of the Company as at the date of this Circular are set out below:

	Direct Interest		Indirect Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Mr Ong Beng Chye	-	-	-	-	-	-
Mr Low Kok Ann	36,847,403	8.56	-	-	36,847,403	8.56
Datuk Edward Lee Ming Foo, JP	-	-	-	-	-	-
Mr Low See Ching	109,547,280	25.44	-	-	109,547,280	25.44
Ms Cheah Yee Leng	-	-	-	-	-	-
Mr Yong Teak Jan @ Yong Teck Jan	-	-	-	-	-	-
Mr Terrance Tan Kong Hwa	-	-	-	-	-	-
Mr Foo Yong How (Fu Yonghao)	-	-	-	-	-	-

5.2 Interests of Substantial Shareholders

The interest of the Substantial Shareholders in the Shares as record in the Register of Substantial Shareholders as at the date of this Circular are set out below:

LETTER TO SHAREHOLDERS

	Direct Interest		Indirect Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
HSIHPL	218,790,000	50.82	-	-	218,790,000	50.82
HSCB ⁽¹⁾	-	-	218,790,000	50.82	218,790,000	50.82
Gek Poh Holdings ⁽¹⁾	-	-	218,790,000	50.82	218,790,000	50.82
MPAL ⁽²⁾	-	-	218,790,000	50.82	218,790,000	50.82
HSBC ⁽¹⁾	-	-	218,790,000	50.82	218,790,000	50.82
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ⁽³⁾	-	-	218,790,000	50.82	218,790,000	50.82
Ms Low Bee Lan Audrey	22,133,857	5.14	-	-	22,133,857	5.14

Notes:

- (1) Gek Poh Holdings holds a 62.64% comprising direct and indirect interest of 54.63% and 8.01% respectively in HSCB, which wholly-owns HSIHPL. Gek Poh Holdings and HSCB are each deemed to be interested in the 218,790,000 Shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act.
- (2) MPAL holds a 44% interest in Gek Poh Holdings, and is wholly-owned by HSBC. MPAL and HSBC are deemed interested in the 218,790,000 Shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act.
- (3) Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak holds a 56% interest in Gek Poh Holdings, and is deemed to be interested in the 218,790,000 Shares which HSIHPL is interested in, pursuant to Section 7 of the Companies Act.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in pages N-1 to N-4 of this Circular, will be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 26 October 2022 at 11:30 a.m. for the purpose of considering and if thought fit, passing, with or without any modification to the Proposed Transactions set out in the Notice of EGM.

7. DIRECTORS' RECOMMENDATION

7.1 The Proposed Business Diversification

Our Non-Independent and Non-Executive Director, Datuk Edward Lee Ming Foo, is the managing director of HSCB and Gek Poh Holdings, the holding company of HSCB, our Non-Independent and Non-Executive Director, Ms Cheah Yee Leng, is an executive director of HSCB and our Non-Independent and Non-Executive Director, Mr Yong Teak Jan @ Yong Teck Jan, is a director of MMSB (collectively, the "**HSCB Directors**").

Given that the Group may, upon the completion of the Proposed Business Diversification, enter into transactions with Mandated Interested Persons in accordance with the terms of the Existing IPT Mandate or the New IPT mandate, if approved by Shareholders at the EGM, in line with Principle 1 of the Code of Corporate Governance 2018, the HSCB Directors shall abstain from making any recommendations on the Proposed Business Diversification at the forthcoming EGM.

LETTER TO SHAREHOLDERS

Save as disclosed above, none of the other Directors have any interest, direct and indirect, in the Proposed Business Diversification.

Having considered the rationale for and the benefits of the Proposed Business Diversification, the Board, save for the HSCB Directors, is of the view that the Proposed Business Diversification is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the resolution relating to the Proposed Business Diversification to be proposed at the EGM.

7.2 The Proposed Acquisition

None of the Directors has any interest, direct or indirect, in the Proposed Acquisition.

Having reviewed and considered, among other things, the terms and conditions of the Option and the rationale for and benefits of the Proposed Acquisition, the Board is of the view that the Proposed Acquisition is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the resolution relating to the Proposed Acquisition to be proposed at the EGM.

7.3 New IPT Mandate

Given that the Mandated Interested Persons are direct or indirect wholly-owned subsidiaries of HSCB, in line with Principle 1 of the Code of Corporate Governance 2018, the HSCB Directors shall abstain from making any recommendations on the approval of the New IPT Mandate at the forthcoming EGM. Save as disclosed above, none of the other Directors have any interest, direct and indirect, in the New IPT Mandate.

Having reviewed and considered the guidelines and review procedures in relation to the New IPT Mandate, the rationale for and benefits of the New IPT Mandate, the role of the Audit Committee in enforcing the New IPT Mandate and the opinion of the IFA, as contained in the IFA Letter, the Board, save for the HSCB Directors, is of the view that the guidelines and review procedures for determining transaction prices and terms of the Mandated Transactions as set out in Section 4.7, if adhered to, are sufficient to ensure that the Mandated 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 Board, save for the HSCB Directors, recommend that Shareholders vote in favour of resolution relating to the New IPT Mandate to be proposed at the forthcoming EGM.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

8.1 Submission of Questions in Advance of the EGM

- (a) All Shareholders may submit substantial and relevant questions relating to the business of the EGM up till 18 October 2022 at 11:30 a.m., being seven (7) calendar days from the date of this Circular either:
 - (i) via post to Company's registered office at 105 Eunos Avenue 3, Singapore 409836; or

LETTER TO SHAREHOLDERS

- (ii) via electronic mail to enquiry@hafary.com.sg.

Shareholders who submit questions in advance of the EGM should provide their full name, address, contact number, email and the manner in which they hold Shares (if you hold Shares directly, please provide your account number with The Central Depository (Pte) Limited ("**CDP**"); otherwise, please state if you hold your Shares through CPF or SRS or other Relevant Intermediary), for our verification purposes.

- (b) The Company will endeavour to address all substantial and relevant questions:
 - (i) (if received by the deadline set out in Section 8.1(a) above) by 22 October 2022 at 11:30 a.m. (being more than 48 hours prior to the closing date and time for the lodgement of the proxy forms), via an announcement on SGXNet and the Company's website; or
 - (ii) (if received after the deadline set out in Section 8.1(a) above) during the EGM.
- (c) The Company will also, within one (1) month after the date of the EGM, publish the minutes of the EGM on SGXNet and the Company's website, and the minutes will include the responses to the questions referred to above.

8.2 Voting

Shareholders who wish to exercise their voting rights at the EGM may:

- (a) (where the Shareholder is an individual) attend and vote at the EGM; or
- (b) (where the Shareholder is an individual or a corporate) appoint a proxy to vote on their behalf.

Each of the resolutions to be put to the vote of members at the EGM (and at any adjournment thereof) will be voted on by way of a poll.

Shareholders (including Relevant Intermediaries) who wish to vote on any or all of the resolutions at the EGM via proxy must submit a Proxy Form to appoint the proxy. The Proxy Form must be submitted to the Company in the following manner:

- (a) if submitted by post, be lodged at the office of the Company's registered office at 105 Eunos Avenue 3, Singapore 409836; or
- (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg,

in either case **by no later than 11:30 a.m. on 24 October 2022, being 48 hours before the time appointed for the EGM.**

The accompanying Proxy Form for the EGM may be accessed via the Company's corporate website <https://www.hafary.com.sg/>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

LETTER TO SHAREHOLDERS

Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

A member can appoint the Chairman of the Meeting as his/her/its proxy, but this is not mandatory. A proxy need not be a member of the Company.

In the case of submission of the Proxy Form appointing the Chairman of the EGM as proxy, it must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the Chairman of the EGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

An investor who holds shares through the CPF or the Supplementary Retirement Scheme ("**SRS**") and wishes to vote, should approach their respective CPF Agent Banks or SRS Operators to submit their votes to appoint the Chairman of the EGM as their proxy, at least 7 working days before the EGM (i.e. 14 October 2022). A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to vote at the EGM.

8.3 **Voting Results**

An independent scrutineer will be appointed by the Company to direct and supervise the counting and validation of all valid votes cast at the EGM. The voting results will be announced during the EGM and the Company will also issue an announcement on SGXNet on the results of the resolutions put to vote at the EGM.

9. **ABSTENTION FROM VOTING**

HSCB will abstain and has undertaken to ensure that its associates will abstain from voting on the resolutions relating to the Proposed Business Diversification and the New IPT Mandate. HSCB and its associates will also refrain from accepting nominations as proxy or otherwise vote at the EGM in respect of the resolutions relating to the Proposed Business Diversification and the New IPT Mandate unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

10. **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

LETTER TO SHAREHOLDERS

of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group, 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Constitution of the Company;
- (b) the Option;
- (c) the Annual Report of the Company for FY2021;
- (d) the Independent Valuation Certificate; and
- (e) the IFA Letter.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of **HAFARY HOLDINGS LIMITED** ("**Company**") will be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 26 October 2022 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions herein under:

ORDINARY RESOLUTION 1

Proposed Business Diversification

That:

- (a) approval be and is hereby given, for the Company to diversify its existing business to include manufacturing of tile and ceramic surfacing solutions, which would include the operating of tile manufacturing plants, and for all necessary steps to be taken to obtain the necessary approval for the proposed diversification; and
- (b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.

ORDINARY RESOLUTION 2

Proposed Acquisition

That:

- (a) approval be and is hereby given, for the purpose of Chapter 10 of the Listing Rules for the acquisition of the property located at 161 Lavender Street, Lavender Place, Singapore 338750 (the "**Property**"), for a consideration of S\$71,280,000, on the terms and subject to the conditions of the option to purchase the Property; and
- (b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.

ORDINARY RESOLUTION 3

New IPT Mandate

That:

- (a) approval be and is hereby given, for the adoption of a new Shareholders' general mandate in relation to interested person transactions in respect of Hap Seng Consolidated Berhad, its subsidiaries and its associates; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.

By Order of the Board

Low Kok Ann
Executive Director and Chief Executive Officer
Singapore
11 October 2022

Notes:

- (1) The EGM will be held, in a wholly physical format, at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 26 October 2022 at 11:30 a.m. **There will be no option for Shareholders to participate virtually.**
- (2) Printed copies of this Notice of EGM will **NOT** be sent to Shareholders. Instead, this Notice of EGM will be made available to Shareholders by electronic means via publication on the Company's corporate website <https://www.hafary.com.sg/>. This Notice of EGM will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- (3) **Submission of Questions in Advance of the EGM**
- (a) All Shareholders may submit substantial and relevant questions relating to the business of the EGM up till 18 October 2022 at 11:30 a.m., being seven (7) calendar days from the date of this Notice of EGM either:
- (i) via post to Company's registered office at 105 Eunos Avenue 3, Singapore 409836; or
 - (ii) via electronic mail to enquiry@hafary.com.sg.
- Shareholders who submit questions in advance of the EGM should provide their full name, address, contact number, email and the manner in which they hold Shares (if you hold Shares directly, please provide your account number with The Central Depository (Pte) Limited ("CDP"); otherwise, please state if you hold your Shares through CPF or SRS or other Relevant Intermediary), for our verification purposes.
- (b) The Company will endeavour to address all substantial and relevant questions:
- (i) (if received by the deadline set out in note (3)(a) above) by 22 October 2022 at 11:30 a.m. (being more than 48 hours prior to the closing date and time for the lodgement of the forms of proxy), via an announcement on SGXNet and the Company's website; or
 - (ii) (if received after the deadline set out in note (3)(a) above) during the EGM.
- (c) The Company will also, within one (1) month after the date of the EGM, publish the minutes of the EGM on SGXNet and the Company's website, and the minutes will include the responses to the questions referred to above.
- (4) **Voting**
- Shareholders who wish to exercise their voting rights at the EGM may:
- (a) (where the Shareholder is an individual) attend and vote at the EGM; or
 - (b) (where the Shareholder is an individual or a corporate) appoint a proxy to vote on their behalf.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Each of the resolutions to be put to the vote of members at the EGM (and at any adjournment thereof) will be voted on by way of a poll.

Shareholders (including Relevant Intermediaries, as defined in Section 181 of the Companies Act 1967 of Singapore) who wish to vote on any or all of the resolutions at the EGM via proxy must submit a form of proxy to appoint the proxy ("**Proxy Form**"). The Proxy Form must be submitted to the Company in the following manner:

- (a) if submitted by post, be lodged at the office of the Company's registered office at 105 Eunos Avenue 3, Singapore 409836; or
- (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg,

in either case **by no later than 11:30 a.m. on 24 October 2022, being 48 hours before the time appointed for the EGM.**

The accompanying Proxy Form for the EGM may be accessed via the Company's corporate website <https://www.hafary.com.sg/>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

A member can appoint the Chairman of the Meeting as his/her/its proxy, but this is not mandatory. A proxy need not be a member of the Company.

In the case of submission of the Proxy Form appointing the Chairman of the EGM as proxy, it must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the Chairman of the EGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

An investor who holds shares through the CPF or the Supplementary Retirement Scheme ("**SRS**") and wishes to vote, should approach their respective CPF Agent Banks (i.e. the agent banks approved by CPF) or SRS Operators (i.e. the agent banks included in the SRS) to submit their votes to appoint the Chairman of the EGM as their proxy, at least 7 working days before the EGM (i.e. 14 October 2022).

The name of a Depositor (as defined under Section 81SF of the Securities and Futures Act 2001 of Singapore) must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to vote at the EGM.

(5) **Voting Results**

An independent scrutineer will be appointed by the Company to direct and supervise the counting and validation of all valid votes cast at the EGM. The voting results will be announced during the EGM and the Company will also issue an announcement on SGXNet on the results of the resolutions put to vote at the EGM.

"**Relevant Intermediary**" has the same meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) 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) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**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), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) 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.

PROXY FORM

HAFARY HOLDINGS LIMITED

(Company Registration No.: 200918637C)

EXTRAORDINARY GENERAL MEETING PROXY FORM

IMPORTANT:

1. The Extraordinary General Meeting ("**EGM**" or the "**Meeting**") of Hafary Holdings Limited (the "**Company**") will be held, in a wholly physical format, at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 26 October 2022 at 11:30 a.m. There will be no option for Shareholders to participate virtually. Printed copies of the Notice of EGM and this form of proxy ("**Proxy Form**") will NOT be sent to Shareholders. Instead, the Notice of EGM and Proxy Form will be made available to Shareholders by electronic means via publication on the Company's website at the URL: <https://www.hafary.com.sg/> and the SGX website at the URL: <https://www.sgx.com/securities/company-announcements>.
2. The Circular to Shareholders dated 11 October 2022 ("**Circular**") may be accessed at the Company's website at the URL: <https://www.hafary.com.sg/> and the SGX website at the URL: <https://www.sgx.com/securities/company-announcements>. Unless otherwise defined, all capitalised terms used herein shall have the same meanings as the Circular.
3. Pursuant to Section 181 of the Companies Act 1967 of Singapore, Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the EGM.
4. For Central Provident Fund ("**CPF**")/Supplementary Retirement Scheme ("**SRS**") investors who have used their CPF/SRS monies to buy Shares in Hafary Holdings Limited, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
5. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 11 October 2022.

I/We _____ (Name), NRIC/Passport No. _____ of _____ (Address) being a member/members of HAFARY HOLDINGS LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	(%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	(%)

or failing whom the Chairman of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us* on my/our* behalf at the EGM of the Company to be held, in a wholly physical format, at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 26 October 2022 at 11:30 a.m., and at any adjournment thereof in the following manner.

I/We direct my/our proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

No.	Ordinary Resolution	For	Against	Abstain
Proposed Business Diversification				
1	THAT:			

PROXY FORM

No.	Ordinary Resolution	For	Against	Abstain
	<p>(a) approval be and is hereby given, for the Company to diversify its existing business to include manufacturing of tile and ceramic surfacing solutions, which would include the operating of tile manufacturing plants, and for all necessary steps to be taken to obtain the necessary approval for the proposed diversification; and</p> <p>(b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.</p>			
Proposed Acquisition				
2	<p>THAT:</p> <p>(a) approval be and is hereby given, for the purpose of Chapter 10 of the Listing Rules for the acquisition of the property located at 161 Lavender Street, Lavender Place, Singapore 338750 (the "Property"), for a consideration of S\$71,280,000, on the terms and subject to the conditions of the option to purchase the Property; and</p> <p>(b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.</p>			
New IPT Mandate				
3	<p>THAT:</p> <p>(a) approval be and is hereby given, for the adoption of a new Shareholders' general mandate in relation to interested person transactions in respect of Hap Seng Consolidated Berhad, its subsidiaries and its associates; and</p> <p>(b) the Directors of the Company and any one of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to this resolution.</p>			

* If you wish to exercise all your votes 'For' or 'Against', please tick (u) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2022

Total Number of Shares in	Number of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)/
Common Seal of Corporate shareholder

PROXY FORM

Notes:

Due to the fast-evolving COVID-19 situation in Singapore, the Company may be required to change its EGM arrangements at short notice.

1. Please insert the total number of ordinary shares in the issued share capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of members kept by the Share Registrar ("**Register of Members**"), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. Shareholders who wish to exercise their voting rights at the EGM may:
 - (a) (where the Shareholder is an individual) attend and vote at the EGM; or
 - (b) (where the Shareholder is an individual or a corporate) appoint a proxy to vote on their behalf.

Each of the resolutions to be put to the vote of members at the EGM (and at any adjournment thereof) will be voted on by way of a poll.

Shareholders (including Relevant Intermediaries, as defined in Section 181 of the Companies Act 1967 of Singapore) who wish to vote on any or all of the resolutions at the EGM via proxy must submit a Proxy Form to appoint the proxy. The Proxy Form must be submitted to the Company in the following manner:

- (a) if submitted by post, be lodged at the office of the Company's registered office at 105 Eunos Avenue 3, Singapore 409836; or
- (b) if submitted electronically, be submitted via email to enquiry@hafary.com.sg.

in either case **by no later than 11:30 a.m. on 24 October 2022, being 48 hours before the time appointed for the EGM.**

Shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

3. A member can appoint the Chairman of the Meeting as his/her/its proxy, but this is not mandatory. A proxy need not be a member of the Company.
4. In the case of submission of this Proxy Form appointing the Chairman of the EGM as proxy, it must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing the Chairman of the EGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
5. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
6. An investor who holds Shares through the CPF or the SRS and wishes to vote, should approach their respective CPF Agent Banks or SRS Operators to submit their votes to appoint the Chairman of the EGM as their proxy, at least 7 working days before the EGM (i.e. 14 October 2022).
7. The name of a Depositor (as defined under Section 81SF of the Securities and Futures Act 2001 of Singapore) must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to vote at the EGM.

PROXY FORM

8. Completion and return of this Proxy Form 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 meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

"**Relevant Intermediary**" has the same meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the EGM as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the EGM as proxy lodged if the Shareholder, 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 Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 11 October 2022.

APPENDIX A – IFA LETTER

[This page intentionally left blank]

**IFA LETTER IN RELATION TO THE
PROPOSED ADOPTION OF THE NEW IPT MANDATE**

RHT CAPITAL PTE. LTD.

(Company Registration Number: 201109968H)

(Incorporated in the Republic of Singapore)

6 Raffles Quay, #24-02

Singapore 048580

11 October 2022

To: The Independent Directors of Hafary Holdings Limited
(deemed to be independent in respect of the New IPT Mandate)

Mr. Low Kok Ann	(Executive Director and CEO)
Mr. Low See Ching	(Non-Independent Non-Executive Director)
Mr. Ong Beng Chye	(Independent Non-Executive Chairman)
Mr. Terrance Tan Kong Hwa	(Independent Director)
Mr. Foo Yong How	(Independent Director)

Dear Sirs,

**INDEPENDENT FINANCIAL ADVICE IN RELATION TO THE PROPOSED ADOPTION OF THE NEW IPT
MANDATE PURSUANT TO RULE 920(1)(b)(v) OF THE LISTING MANUAL**

*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 11 October 2022 (the “**Circular**”).*

1. INTRODUCTION

Hafary Holdings Limited (the “**Company**”) is seeking shareholders’ approval for the proposed adoption of the New IPT Mandate (“**New IPT 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**”), or any member of the Group, to enter into certain interested person transactions (the “**Interested Person Transactions**”) with the interested persons (the “**Interested Persons**”) set out in Section 4.4 and 4.5 of the Circular.

Hap Seng Consolidated Berhad (“**HSCB**”) owns all of the issued share capital of Hap Seng Investment Holdings Pte Ltd, which, as at the date of this Letter, has a 50.82% interest in the issued share capital of the Company. Malaysian Mosaics Sdn Bhd is a wholly-owned subsidiary of HSCB, and owns all the issued share capital of MML (Shanghai) Trading Co., Ltd. Hap Seng Trading (BM) Sdn. Bhd., is a wholly-owned subsidiary of Hap Seng Trading Holdings Sdn Bhd, which is in turn a wholly-owned subsidiary of HSCB.

Under the definitions set out in the Listing Manual of the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), MML (Shanghai) Trading Co., Ltd, Hap Seng Trading (BM) Sdn. Bhd. and Malaysian Mosaics Sdn. Bhd. (the "**Mandated Interested Persons**"), are deemed to be associates of Hap Seng Consolidated Berhad ("**HSCB**"). Pursuant to Rule 904(4) of the Listing Manual, the Mandated Interested Persons are interested persons ("**Interested Persons**") and pursuant to Rule 904(5) of the Listing Manual, transactions between an entity at risk and interested persons are deemed to be interested person transactions ("**Interested Person Transactions**"). Accordingly, any transactions entered into by the Group with Mandated Interested Persons would be deemed as Interested Person Transactions which would be subjected to approval by shareholders of the Company ("**Shareholders**") should the aggregate value of such Interested Person Transactions exceed 5.0% of the Group's audited net tangible assets for the latest audited financial year.

The Group would, in its ordinary course of business, enter into transactions including but not limited to the transactions set out in Section 4.3 of the Circular with persons who are considered "Interested Persons" as defined in Chapter 9 of the Listing Manual.

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 New IPT Mandate in respect of the Recurrent Transactions with the Mandated Interested Persons which may be entered into by the Group in its ordinary course of business with a high degree of frequency.

Pursuant to Rule 920(1)(b)(v) of the Listing Manual, the Company is required to appoint an independent financial adviser ("**IFA**") to opine on whether the methods or procedures for determining transaction prices are sufficient to ensure that the Interested Person Transactions pursuant to the New IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

In addition, HSCB, being the controlling shareholder which the Interested Persons are associates of, will abstain from voting and has undertaken to ensure its associates will abstain from voting on the resolution for the New IPT Mandate at the extraordinary general meeting ("**EGM**") of the Company to be convened. HSCB and its associates will also decline any appointment to act as proxies to vote at the EGM in respect of the ordinary resolution pertaining to the New IPT Mandate unless the Shareholders concerned have given specific voting instructions as to the manner in which their votes are to be cast for the said resolution.

In compliance with the requirements of Chapter 9 of the Listing Manual, RHT Capital Pte. Ltd. ("**RHTC**") has been appointed by the Company as the independent financial adviser ("**IFA**") pursuant to Rule 920(1)(b)(v) of the Listing Manual as well as to the Independent Directors to render the following opinions on whether the guidelines and review procedures under the New IPT Mandate are sufficient to ensure that all 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.

For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the New IPT Mandate. Further, the New IPT 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 New IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other provisions of the Listing Manual.

This letter (“**Letter**”) is addressed to the Independent Directors and sets out, inter alia, our evaluation and recommendation on the New IPT Mandate. This Letter forms part of the Circular which provides, inter alia, the details of the New IPT Mandate and the recommendation of the Independent Directors thereon.

2. TERMS OF REFERENCE

The purpose of this Letter is to provide independent opinions, for the purpose of Chapter 9 of the Listing Manual, on whether the guidelines and review procedures under the New IPT Mandate are sufficient to ensure that all 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.

We were neither a party to the negotiations entered into by the Company in relation to the New IPT Mandate nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the New IPT Mandate. We do not, by this Letter, warrant the merits of the New IPT Mandate other than to form an opinion on whether the guidelines and review procedures under the New IPT Mandate are sufficient to ensure that all 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.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made by the Directors, the management of the Company (“**Management**”) and the Company’s advisers. We have not independently verified such information, or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness and adequacy of such information. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge and belief, all facts stated and opinions expressed in the Circular which relate to the New IPT Mandate and the Company are fair and accurate and that there are no material facts or omissions of which would make any statement in the Circular misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of assessing the guidelines and review procedures under the New IPT Mandate and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment) and we have not been furnished with any such evaluation or appraisal.

Our opinions as set out in this Letter is based upon the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the New IPT Mandate which may be released by the Company after the Latest Practicable Date.

In rendering our opinions, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter set out in the Circular). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter set out in the Circular).

This Letter sets out, inter alia, our opinions on whether the guidelines and review procedures under the New IPT Mandate are sufficient to ensure that all 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 and should be considered in the context of the entirety of this Letter and the Circular.

3. THE PROPOSED ADOPTION OF THE NEW IPT MANDATE

We reproduce below in italics the Mandated Interested Persons to be covered under the New IPT Mandate as set out in Sections 4.4 and 4.5 of the Circular:

3.1 HSCB Group

*"Hap Seng Consolidated Berhad ("**HSCB**") is a company incorporated in Malaysia on 24 March 1976 under the Malaysian Companies Act 1965, registered under the Malaysian Companies Act 2016 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 Holdings' aggregate shareholding in HSCB is 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding via its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd.*

HSCB has a total of 132 subsidiaries, and the core businesses of the HSCB Group are:-

- (a) plantations;*
- (b) property division (inclusive of holding, development and hospitality);*
- (c) credit financing;*
- (d) automotive;*
- (e) trading; and*
- (f) building materials.*

As at the Latest Practicable Date, HSCB owns the entire issued share capital of Hap Seng Investment Holdings Pte Ltd, which has a 50.82% direct interest in the issued share capital of the Company. As such, HSCB is a controlling shareholder, and, together with its associates, are deemed Interested Persons for purposes of Chapter 9 of the Listing Manual, and accordingly, any transactions entered into between the Group and HSCB or its associates will be regarded as Interested Person Transactions for the purposes of Chapter 9 of the Listing Manual.

3.2 Mandated Interested Persons

The interested persons to be covered under the New IPT Mandate are set out in the table below (collectively, the "**Mandated Interested Persons**"):

Name of entity	Relationship with HSCB	Country of incorporation	Principal business
MMSB	Wholly-owned subsidiary of HSCB ⁽¹⁾	Malaysia	Investment holding, manufacture and sale of porcelain and ceramic tiles.
MML (Shanghai) Trading Co., Ltd.	Wholly-owned subsidiary of MMSB ⁽²⁾	China	Trading and distribution of porcelain and ceramic tiles and fertilizers.
Hap Seng Trading (BM) Sdn. Bhd.	Wholly-owned subsidiary of Hap Seng Trading Holdings Sdn. Bhd. which is in turn a wholly-owned subsidiary of HSCB ⁽³⁾	Malaysia	Trading in building materials.

Notes:

- (1) MMSB is an associate of HSCB and is deemed an Interested Person for purposes of Chapter 9 of the Listing Manual.
- (2) MML (Shanghai) Trading Co., Ltd. is an associate of HSCB and is deemed an Interested Person for purposes of Chapter 9 of the Listing Manual.
- (3) Hap Seng Trading (BM) Sdn. Bhd. is an associate of HSCB and is deemed an Interested Person for purposes of Chapter 9 of the Listing Manual.

For Shareholders' information, an abridged group structure chart of the HSCB Group, reflecting the relationship between the HSCB Group, the Company and MMSB, as at the latest practicable date is set out in **Appendix B (HSCB Group Structure)**."

3.3 Mandated Transactions

We reproduce below in italics the Mandated Transactions as set out in Section 4.3 of the Circular:

"The categories of interested person transactions which will be covered by the New IPT Mandate are:

- (a) *the sale and purchase of products, including but not limited to:*
 - (i) *tiles;*
 - (ii) *ceramics;*
 - (iii) *stone;*
 - (iv) *wood flooring; and*
 - (v) *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, warehousing and factory spaces;*
 - (iii) *transport and logistics services;*
 - (iv) *management and technical services, including technical advisory services in relation to the operation of tile manufacturing plants; and*
- (c) *the payment by the Group of royalty fees to Mandated Interested Persons for the Group's use of the Mandated Interested Persons' intellectual property,*

*to and from the Mandated Interested Persons, as the case may be (collectively, the "**Mandated Transactions**").*

The IPT Mandate will not cover any interested person transaction which has a value below S\$100,000 as, pursuant to Rules 905(3) and 906(2) of the Listing Rules, the threshold and aggregation requirements of Chapter 9 of the Listing Rules do not apply to such transactions. However, as stated under section 4.1.3 of this Circular, the SGX-ST may aggregate any such transactions below S\$100,000 that are entered into during the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Listing Rules.

Transactions with interested persons (including the Mandated Interested Persons) that do not fall within the ambit of the proposed IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Rules and/or other applicable provisions of the Listing Rules."

3.4 Validity Period

We reproduce below in italics the Validity Period as set out in Section 4.6 of the Circular:

"The New IPT Mandate is subject to the Shareholders' approval at the EGM. If approved by the Shareholders at the EGM, the New IPT Mandate will take effect from the passing of the ordinary resolution as set out in the Notice of EGM, and will continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is earlier (unless sooner revoked or varied by the Company in general meeting). Approval from the Shareholders will be sought for the renewal of the New IPT Mandate at each subsequent annual general meeting (or extraordinary general meeting held on the same day as the annual general meeting), subject to satisfactory review by the Audit and Risk Management Committee of its continued relevance and application and the sufficiency of the guidelines and review procedures under the New IPT Mandate to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders."

3.5 Background, Rationale and Benefits of the New IPT Mandate

We reproduce below in italics the Background, Rationale and Benefits of the New IPT Mandate, as set out in Section 4.2 of the Circular:

"4.2.1 The Group first adopted its Existing IPT Mandate on 11 April 2016. Under the Existing IPT Mandate, the Group may enter into recurrent transactions of a trading nature or those necessary for its day-to-day operations with the Mandated Interested Persons in respect of the following:

- (a) *the sale and purchase of products, including but not limited to:*

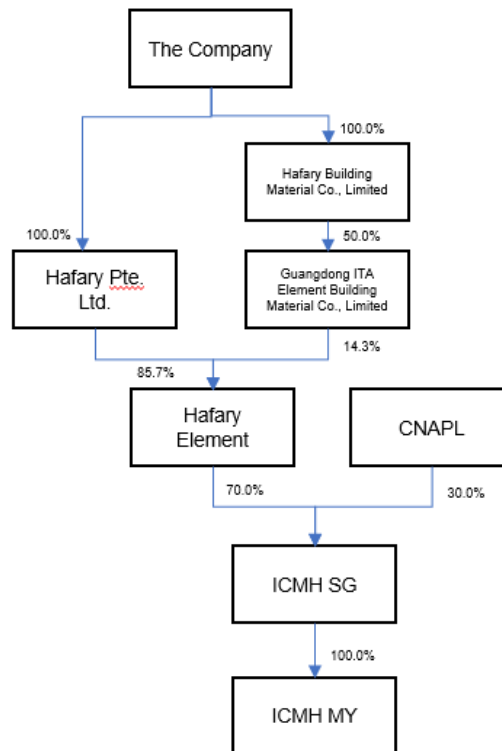
- (i) tiles;
 - (ii) ceramics;
 - (iii) stone; and
 - (iv) sanitary ware;
- (b) the receipt and provision of services, including but not limited to:
 - (i) leasing of properties for residential, industrial and commercial purposes;
 - (ii) leasing of office and warehousing spaces; and
 - (iii) transport and logistics services,

to and from the Mandated Interested Persons, as the case may be.

4.2.2 *The Existing IPT Mandate was last approved by shareholders at the Company's AGM on 7 April 2022.*

4.2.3 *The Company announced on 22 July 2022 that it had, among others, entered into the Joint Venture pursuant to which the parties have incorporated a joint venture company, International Ceramic Manufacturing Hub Pte Ltd ("**ICMH SG**"). Hafary Element and CNAPL each hold 70% and 30% of the entire issued share capital in ICMH SG respectively. ICMH SG in turn holds the entire issued share capital of International Ceramic Manufacturing Hub Sdn. Bhd., which currently provides technical and other services to and acquires ceramic tiles from Malaysian Mosaics Sdn Bhd ("**MMSB**"), a wholly-owned subsidiary of the Company's controlling shareholder, Hap Seng Consolidated Berhad in reliance on the Existing IPT Mandate. Subject to Shareholders' approving the Proposed Business Diversification, the Group intends, in future, to operate MMSB's tile manufacturing plants, which would involve the leasing of industrial properties from MMSB. In such an event, the Group may sell such ceramic tiles to MMSB and other Mandated Interested Persons.*

Please see below for a diagrammatic representation of the Company's interest in ICMH MY and ICMHG SG:



4.2.4 As a result the Board expects an increase in the volume of transactions between the Group and the Mandated Interested Persons moving forward, and the Group intends to seek shareholders' approval for the New IPT Mandate which will, among others, include updated review procedures to cater to the larger volume of transactions anticipated with interested persons, upon the Group's establishment of the ceramic manufacturing plants.

4.2.5 Once approved, the New IPT Mandate will substitute and replace the Existing IPT Mandate.

4.2.6 In view of the time-sensitive and recurrent nature of these commercial transactions, and the need for smooth and efficient conduct of business, it would be advantageous for the Group to obtain the New IPT Mandate for the Group as it will eliminate, among others, the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when Mandated Transactions arise, provided that such transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. This will substantially reduce the time and expenses associated with convening general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

SHAREHOLDERS ARE TO NOTE THAT THERE IS NO ASSURANCE THAT THE COMPANY WILL UNDERTAKE THE PROPOSED BUSINESS DIVERSIFICATION, AND IN THE EVENT THE COMPANY DOES UNDERTAKE THE PROPOSED BUSINESS DIVERSIFICATION, THERE IS NO GUARANTEE THAT THE GROUP WOULD BE ABLE TO ACHIEVE ITS STATED OBJECTIVES. THE COMPANY MAKES NO REPRESENTATION AS TO WHEN SUCH PROPOSED BUSINESS DIVERSIFICATION WOULD BE COMPLETED, IF AT ALL."

3.6 Guidelines and review procedures under the New IPT Mandate

We reproduce below in italics the details of the Guidelines and review procedures under the New IPT Mandate as set out in Section 4.7 of the Circular:

“4.7.1 Review procedures

In general, there are procedures established by the Group to ensure that Mandated Transactions with the Mandated Interested Persons are undertaken on normal commercial terms consistent with the Group's usual business practices and policies, which are generally not less favourable to the Group than those offered by unrelated third parties, and will not be prejudicial to the interests of the Company and its minority Shareholders.

In particular, the following review procedures will be implemented by the Group:

- (a) *when making purchases of goods or receiving services (including management services) from the Mandated 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 practicable. While other factors (as set out in this Section 4.7.1) 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 Mandated 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 4.7.1) will be taken into consideration, the Mandated 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 Mandated Interested Persons, the Group will only enter into leases or renew existing leases with the Mandated 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) *in relation to royalty fees paid by the Group to Mandated Interested Persons for the utilisation of the Mandated Interested Person's intellectual property in the Group's manufacturing activities, any such royalty fee payable will be set out in a licensing agreement between the Group and the relevant Mandated Interested Person. The terms of the licensing agreement (including the royalty fee payable) shall be approved by any two of the Independent Directors, Executive Directors and/or executive officers of the Group with no interest, direct or indirect, in the Mandated Transaction prior to the Group's entry into such licensing agreement, with input from independent professionals on the range of similar royalty fees. This is to ensure that the royalty fees or rates are not less favourable than comparable royalty fees or rates offered by unrelated third parties;*
- (e) *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 for certain brands of products manufactured solely by the Mandated Interested Persons, where the purchase of products from the Mandated 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 under brands solely manufactured by the Mandated 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 a Mandated 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;*
- (viii) *availability of preferential rates (whether for bulk purchases or otherwise);*
- (ix) *the cost of provision of such service and any applicable transfer pricing requirements guidelines issued by the relevant authorities; and/or*
- (x) *gross margin test*

4.7.2 Approval and review thresholds

The Group will monitor and categorise all Mandated Transactions as follows:

- (a) *for all Mandated Transactions above S\$100,000, such transactions are to be approved on the following basis:*

Approval Limits	Approving Authority
------------------------	----------------------------

Mandated Transactions not exceeding S\$1,000,000 ⁽¹⁾	<p>CEO or Financial Controller.</p> <p>Failing which, an executive officer of the Group who:</p> <p>a) does not have any interest (direct or indirect) in relation to the transaction;</p> <p>b) is not from the relevant department which raised the purchase request; and</p> <p>c) is not a director of a Mandated Interested Person.</p>
Mandated Transactions exceeding S\$1,000,000	Approval by the Audit Committee.

Note:

- (1) S\$1,000,000 equates to approximately 1.32% of the Group's audited consolidated NTA for FY2021. This threshold was adopted when the Company first sought Shareholders' approval for the Existing IPT Mandate in 2016 and was determined by the Company after having considered the anticipated value of the Mandated Transactions balanced with the need for the smooth and efficient conduct of business. The Company has reviewed its operations and transactions with the Mandated Interested Persons annually since and has determined that the threshold is still relevant and appropriate.
- (b) where the value of any individual transaction, when aggregated with other transactions entered into with the same Mandated Interested Person during the same financial year, is equal to or exceeds 15.0% of the listed group's latest audited consolidated NTA (the "**Lower Financial Limit**") but is less than 30.0% of the listed group's latest audited consolidated NTA (the "**Upper Financial Limit**"), it must be approved by both the CEO and the Financial Controller or any two executive officers of the Group who (i) do not have any interest (direct or indirect) in relation to the transaction; (ii) is not from the relevant department which raised the purchase request; and (iii) is not a director of a Mandated Interested Person;
- (c) where the value of any individual transaction, when aggregated with other transactions entered into with the same Mandated Interested Person during the same financial year, is equal to or exceeds 30.0% of the listed group's latest audited consolidated NTA (i.e. the Upper Financial Limit), it must be approved by the Audit Committee prior to entry. The Lower Financial Limit and the Upper Financial Limit were determined taking into account (i) the forecasted increase in volume of transactions between the Group and the Mandated Interested Persons in light of the Company's entry into the Joint Venture; (ii) the forecasted increase in the volume of transactions between the Group and the Mandated Interested Persons in the event the Company undertakes the Proposed Business Diversification successfully and commences the manufacturing of tiles; and (iii) the nature and frequency of the Mandated Transactions. The Audit Committee, having considered the foregoing factors as well as the financial risk arising from the Group's exposure to the Mandated Interested Persons, are of the view that the Lower Financial Limit and the Upper Financial Limit are reasonable;

- (d) *where the value of any individual transaction, when aggregated with other transactions entered into with the same Mandated Interested Person during the same financial year, is below the Lower Financial Limit, it must be approved in accordance with the approval limits and corresponding approving authority as described in section 4.7.2(a); and*
- (e) *any transaction to be made with a Mandated 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 Mandated Interested Person than those extended to unrelated parties, and (ii) not less favourable than those received from unrelated parties; or*
 - (ii) *where section 4.7.1(e) applies, the considerations in determining whether the price and terms offered are fair and reasonable as set out in section 4.7.1(e) are properly taken into account and documented.*

For the purposes of this section, 15.0% of the latest audited NTA of the Group (being the Lower Financial Limit) would be S\$11,321,100 and 30.0% of the latest audited NTA of the Group (being the Upper Financial Limit) would be S\$22,642,200.

4.7.3 Additional controls

In addition to the review procedures as set out in section 4.7.1, the Group will also implement the following additional procedures:

- (a) *the Audit Committee will review all Mandated Transactions on a half-yearly 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 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 Mandated Interested Persons and will disseminate the list to the relevant staff of the companies within the Group to enable the identification of the Mandated Interested Persons.*
- (c) *the Company will maintain a register to record all Mandated 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 Mandated Transactions. The register shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the Mandated 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 Mandated Transactions entered into pursuant to the New IPT 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 Mandated 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 Mandated 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 4.7.1 are not sufficient to ensure that the Mandated 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 Mandated 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 Mandated 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.*

4.7.4 Further compliance

The Directors will ensure that all disclosure, approval and other requirements on Mandated Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with."

3.7 Disclosures in the Annual Report and Financial Statements

The following will be undertaken in respect of the Mandated Transactions:

- (a) Disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Mandated Transactions conducted with Mandated Interested Persons pursuant to the New IPT Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the New IPT Mandate is in force;
- (b) Announcements will be made with regard to the aggregate value of transactions conducted pursuant to the New IPT Mandate for the financial periods which the Company is required to report on pursuant to Rule 705(1) and Rule 705(2)(if applicable) of the Listing Rules within the time required for the announcement of such report; and
- (c) Disclosures of the Mandated Transactions will be presented in the form set out in Rule 907 of the Listing Rules as follows:

Name of Interested Person(s)	Nature of the relationship	Aggregate value of all Mandated Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all Mandated Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)

4. OUR OPINION

In arriving at our recommendations in respect of the New IPT Mandate, we have taken into consideration, inter alia, the following factors summarised below and elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (i) Background, Rationale and Benefits of the New IPT Mandate;
- (ii) HSCB Group and the Mandated Interested Persons;
- (iii) Mandated Transactions;
- (iv) Guidelines and review procedures under the New IPT Mandate;
- (v) Validity Period of the New IPT Mandate; and
- (vi) Disclosures in the Annual Report and Financial Statements.

Having regards to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the guidelines and review procedures under the New IPT Mandate are sufficient to ensure that all 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.

We wish to highlight that we were neither a party to the negotiations entered into by the Company in relation to the New IPT Mandate, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the New IPT Mandate, and we do not warrant the merits of the New IPT Mandate.

We have prepared this Letter pursuant to Rule 920(1)(b)(v) of the Listing Manual as well as for the use of the Independent Directors in connection with and for the purposes of their consideration of the New IPT Mandate. The recommendation made by them to the Shareholders in relation to the New IPT Mandate shall remain the sole responsibility of the Independent Directors. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM at any time and in any manner without prior written consent of RHTC in each specific case.

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.

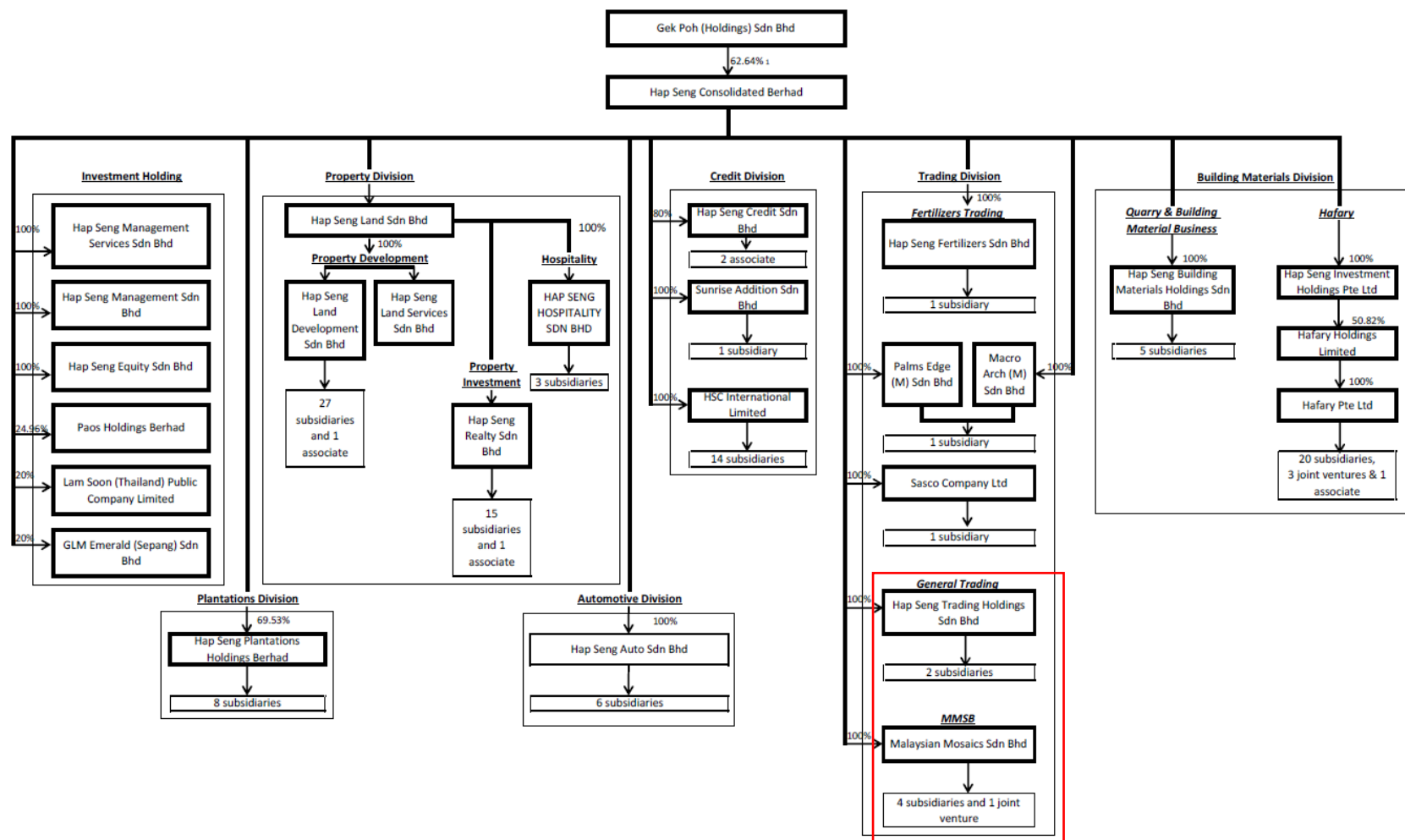
Yours sincerely

For and on behalf of
RHT CAPITAL PTE. LTD.

Khong Choun Mun
Chief Executive Officer

Mah How Soon
Managing Director

APPENDIX B – HSCB GROUP STRUCTURE



- (1) As at the Latest Practicable Date, Gek Poh (Holdings) Sdn Bhd has an aggregate shareholding of 62.64% in Hap Seng Consolidated Berhad, comprising a 54.63% direct shareholding and an 8.01% indirect shareholding via Hap Seng Insurance Services Sdn Bhd, a wholly-owned subsidiary of Gek Poh (Holdings) Sdn Bhd.
- (2) The Mandated Interested Persons are represented by the entities in the boxed section, being Malaysian Mosaics Sdn Bhd ("MMSB"), MML (Shanghai) Trading Co., Ltd, a wholly-owned subsidiary of MMSB, and Hap Seng Trading (BM) Sdn Bhd., a wholly-owned subsidiary of Hap Seng Trading Holdings Sdn Bhd

APPENDIX C – INDEPENDENT VALUATION CERTIFICATE

[This page intentionally left blank]

11 October 2022

The Board of Directors
Hafary Holdings Limited
105 Eunos Avenue 3
#06-00
Singapore 409836

Dear Sirs

**VALUATION OF PROPERTY AT
161 LAVENDER STREET
LAVENDER PLACE
SINGAPORE 338750**

Instructions

We refer to your instructions for formal valuation to be carried out in respect of the abovementioned property (the "Property") for the proposed acquisition of the conservation shophouse block at 161 Lavender Street, Lavender Place, Singapore 338750.

We have specifically been instructed to provide our opinion of the current Market Value of the Property, on an "as is" basis, subject to the existing tenancies and occupational arrangements.

We have, in accordance with the instructions, prepared a formal Valuation Report in accordance with the terms of engagement entered into between Knight Frank Pte Ltd and Hafary Holdings Limited dated 10 August 2022.

Our valuation is our opinion of the Market Value, which we would define as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In preparing this valuation, we have relied on information provided by Hafary Holdings Limited as of August 2022, particularly in respect of such matters as site and floor areas, floor plans, tenancy details, etc. We have relied upon this information as being accurate and complete. We accept no responsibility for subsequent changes in the information provided. Dimensions, measurements and areas are only approximations.

All works are carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism have been met.

Unless otherwise stated, all valuation figures herein are stated on a net of GST basis.

Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315
Tel: +65 6222 1333 Fax: +65 6224 5843 Reg.No: 198205243Z CEA Licence No: L3005536J

KnightFrank.com.sg

Other Offices:

Knight Frank Property Asset Management Pte Ltd 160 Paya Lebar Road #05-05 Orion@Paya Lebar Singapore 409022
KF Property Network Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315

We have inspected the Property on 18 August 2022 and provided our opinion of the current Market Value, based on existing use, subject to the existing tenancies and occupational arrangements. The value conclusions reflect all information known by the valuers of Knight Frank Pte Ltd who worked on the valuation in respect to the Property, market conditions and available data.

Reliance on This Letter

We have prepared this Valuation Summary Letter and Valuation Certificate which outlines key factors which have been considered in arriving at our opinion of value for inclusion in, and/or to be made available for inspection under, the Circular. This letter alone does not contain all the necessary data and support information included in our Valuation Report. Knight Frank Pte Ltd has provided Hafary Holdings Limited a comprehensive Valuation Report for the Property and is available for inspection at Hafary Holdings Limited's office during normal business hours for the proposed acquisition of the conservation shophouse block at 161 Lavender Street, Lavender Place, Singapore. The valuation and market information are not guarantees or predictions and must be read in conjunction with the following:

- (a) The estimated value is based upon the factual information provided by Hafary Holdings Limited. Whilst Knight Frank Pte Ltd has endeavoured to assure the accuracy of the factual information; it has not independently verified all information provided by Hafary Holdings Limited or the Government of Singapore (primarily statistical information relating to market conditions). Knight Frank Pte Ltd believes that every recipient of the Circular should review the Valuation Report to understand the complexity of the methodology and the many variables involved.
- (b) The methodology used by Knight Frank Pte Ltd in valuing the Property is the Direct Comparison Method. The valuation methodology is summarised in the Valuation Rationale section of this Letter.
- (c) The Valuation Report was undertaken based upon information available as of August 2022. Knight Frank Pte Ltd accepts no responsibility for subsequent changes in information as to floor area, income or market conditions.

The Valuation Report, Valuation Summary Letter and Valuation Certificate may only be relied upon by Hafary Holdings Limited for the proposed acquisition of the conservation shophouse block at 161 Lavender Street, Lavender Place, Singapore 338750.

The Property

The Property is bounded by Foch Road/Lavender Street/Tyrwhitt Road, and some 5.0 km from the City Centre. It comprises a row of 11 adjoining units of refurbished 2-storey prewar shophouses with attic and 4-storey rear extension, known as Lavender Place. The Certificate of Fitness was obtained on 12 July 1930 and the Certificate of Statutory Completion was obtained on 2 May 1996.

The following table summarises key property details of the Property:

Land Area (sm)	Gross Floor Area (sm)	Net Lettable Area (sm)	Tenure	Master Plan 2019
1,631.5	4,200.36	3,052.9	Leasehold 99 years commencing 2 December 2016 (Balance of about 93.2 years)	"Commercial" at gross plot ratio 3.0 and within the Jalan Besar Conservation Area

Valuation Rationale

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

We have valued the Property by the Direct Comparison Method.

Direct Comparison Method

In this method, a comparison is made with sales of similar properties in the vicinity and other locations. Adjustments are made, where appropriate, for differences in size, tenure, improvements, storeys, siting, location, frontages, catchment, etc., before arriving at the value of the Property.

Market Value as at 5 September 2022

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the Market Value (exclusive of GST) of the unencumbered remaining leasehold interest in the Property, on an “as is” basis, subject to the existing tenancies and occupational arrangements, for the proposed acquisition of conservation shophouse block at 161 Lavender Street, Lavender Place, Singapore 338750, at the valuation date, is:

MARKET VALUE : **S\$71,280,000**
(Singapore Dollars Seventy-One Million Two Hundred And Eighty Thousand Only)

Disclaimer

We have prepared this Valuation Summary Letter and Valuation Certificate for inclusion in, and/or to be made available for inspection under, the Circular and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular, other than in respect of the information provided within this Valuation Summary Letter and the enclosed Valuation Certificate. We do not make any warranty or representation as to the accuracy of the information in any other part of the Circular other than as expressly made or given by Knight Frank Pte Ltd in this Valuation Summary Letter or in the Valuation Certificate.

Knight Frank Pte Ltd has relied upon property data supplied by Hafary Holdings Limited, which we assume to be true and accurate. Knight Frank Pte Ltd takes no responsibility for inaccurate data supplied by Hafary Holdings Limited and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and have no personal interest or bias with respect to the party or parties involved. The valuers’ compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We certify that our valuers undertaking the valuations are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of Properties.

Yours faithfully

A handwritten signature in black ink, appearing to read "Perry Khoo".

Perry Khoo
B.Sc.(Real Estate) Hons.,MSISV
Senior Director
Valuation & Advisory
Appraiser’s Licence No: AD 041-2009340A
For and on behalf of Knight Frank Pte Ltd

Valuation Certificate

Property : 161 Lavender Street, Lavender Place, Singapore 338750

Instructing Party/ Relying Party : Hafary Holdings Limited

Purpose of Valuation : Proposed acquisition of conservation shophouse block at 161 Lavender Street, Lavender Place, Singapore 338750

Legal Description : Lot Nos. : 98480C, 98489X, 98493L and 98478M
Town Subdivision : 17

Tenure : Leasehold 99 years commencing 2 December 2016
(Balance of about 93.2 years)

Interest Valued : Leasehold interest

Basis of Valuation : Market Value on an "as is" basis, subject to the existing tenancies and occupational arrangements

Registered Owner : Broadway Textile Pte Ltd

Master Plan 2019 : "Commercial" at gross plot ratio 3.0 and within the Jalan Besar Conservation Area

Brief Description : The Property is bounded by Foch Road/Lavender Street/Tyrwhitt Road, and some 5.0 km from the City Centre. It comprises a row of 11 adjoining units of refurbished 2-storey prewar shophouses with attic and 4-storey rear extension, known as Lavender Place. The Certificate of Fitness was obtained on 12 July 1930 and the Certificate of Statutory Completion was obtained on 2 May 1996.

Tenancy Profile : The Property is currently 42.8% occupied.

Land Area	
All of Town Subdivision 17	Land Area (sm)
Lot No.	
98480C	1,521.6
98489X	34.6
98493L	29.5
98478M	45.8
Total	1,631.5 (17,561 sf)

Gross Floor Area (GFA) : 4,200.36 sm (45,212 sf) approximately
Source: As provided by Hafary Holdings Limited and subject to final survey.

Net Lettable Area (NLA) : 3,052.9 sm (32,861 sf) approximately
Source: Based on information extracted from the Information Memorandum provided by CBRE and subject to final survey.

Valuation Approach : Direct Comparison Method

Date of Inspection : 18 August 2022

Date of Issue : 11 October 2022

Valuation Date : 5 September 2022

Market Value : **S\$71,280,000**
(Singapore Dollars Seventy-One Million Two Hundred And Eighty Thousand Only)
This valuation is exclusive of GST.

Market Value on GFA : S\$16,970 psm (S\$1,577 psf)

Market Value on NLA : S\$23,348 psm (S\$2,169 psf)

Assumptions, Disclaimers, Limitations & Qualifications : This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of the certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorised, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.

Prepared by : Knight Frank Pte Ltd



Perry Khoo
B.Sc.(Real Estate) Hons.,MSISV
Senior Director
Valuation & Advisory
Appraiser's Licence No: AD 041-2009340A
For and on behalf of Knight Frank Pte Ltd

Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315
Tel: +65 6222 1333 Fax: +65 6224 5843 Reg.No: 198205243Z CEA Licence No: L3005536J

KnightFrank.com.sg

Other Offices:

Knight Frank Property Asset Management Pte Ltd 160 Paya Lebar Road #05-05 Orion@Paya Lebar Singapore 409022
KF Property Network Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315

General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("Agreement"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report and/or certificate.

1. Knight Frank Pte Ltd ("the company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company.

Our GST registration number is M2-0058829-X.

2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S\$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited.

4. Our Fees

If any invoice remains unpaid after the date on which it is due to be paid, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 1.5% per month. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

If before the valuation is concluded :-

(a) you end this instruction, we will charge abortive fees; or

(b) you delay the instruction by more than [1] month or materially alter the instruction so that additional work is required at any stage we will charge additional fees,

And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

Where the valuation is for loan security purposes, and we agree to accept payment of our fee from the borrower, the fee remains due from yourselves until payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

5. Valuation Standards

Valuations and appraisals will be carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism will be met.

6. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.

7. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or Certificate of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

8. Disposal Costs and Liabilities

No allowance is made in our valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our valuation is expressed as exclusive of any GST that may become chargeable. Property are valued disregarding any mortgages or other charges.

9. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

Unless otherwise stated, all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this valuation report and/or certificate that information has been supplied to the Valuer by another party, this information is believed to be reliable and the Valuer shall not be held responsible or liable if this should prove not to be so.

10. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

11. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that Property have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

12. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

13. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

14. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume Property to be free from defect.

15. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

16. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value Property or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

17. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

18. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

19. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

20. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of Property with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

21. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover. Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

22. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.