

ACQUISITIONS AND DISPOSALS


ACQUISITIONS AND DISPOSALS :: DISCLOSEABLE TRANSACTION :: PURCHASE OF A FREEHOLD LAND

* Asterisks denote mandatory information

Name of Announcer *	HAFARY HOLDINGS LIMITED
Company Registration No.	200918637C
Announcement submitted on behalf of	HAFARY HOLDINGS LIMITED
Announcement is submitted with respect to *	HAFARY HOLDINGS LIMITED
Announcement is submitted by *	Tay Eng Kiat Jackson
Designation *	Finance Manager
Date & Time of Broadcast	04-Aug-2010 19:31:43
Announcement No.	00124

>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

Announcement Title *	PURCHASE OF A FREEHOLD LAND
Description	Please see attachment.
Attachments	 Ann.pdf Total size = 28K (2048K size limit recommended)

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

PURCHASE OF A FREEHOLD LAND LOCATED AT LOT 3106K OF MUKIM 24 AT ALJUNIED ROAD SINGAPORE

The Board of Directors of Hafary Holdings Limited (the "Company") wishes to announce that the Company has, via its wholly-owned subsidiary, Hafary Pte Ltd (the "Purchaser"), entered into a Sale and Purchase Agreement dated 2 August 2010 (the "Agreement") in respect of the purchase of a freehold land located at Lot 3106K of Mukim 24 at Aljunied Road Singapore, with a land area of approximately 2,394.9 square metres, for a purchase consideration of S\$21.5 million (the "Freehold Land") from a company registered in Singapore (the "Vendor") (the "Acquisition").

Purchase Consideration and Terms of Payment

The purchase consideration of S\$21.5 million is exclusive of goods and services tax ("GST") (the "Purchase Consideration"). Hafary Pte Ltd ("Purchaser") paid a deposit of S\$2.15 million on 2 August 2010 upon the execution of the Agreement (the "Deposit").

On Completion Date (being ten (10) weeks from the date of the Agreement), a sum equivalent to the Purchase Consideration less the Deposit together with GST thereon will be paid to Vendor by way of cashier's order issued in favour of the Vendor.

Basis for determining the Purchase Consideration

The Purchase Consideration for the Acquisition was arrived on an arm's length and willing buyer-willing seller basis after taking into account the indicative valuation provided by a professional valuer (the "Valuation Report").

Funding the Acquisition

The Acquisition will be funded from internal resources and bank borrowings.

Material terms and conditions to the Acquisition which are also reflected in the Agreement

- (a) If for any reason whatsoever, the Acquisition shall not be completed on the Completion Date, the Purchaser shall pay to the Vendor interest on the balance of the Purchase Consideration at the rate of twelve percent (12%) per annum from the day following the Completion Date up to and including the day of actual completion.
- (b) If the Purchaser fails to complete the purchase on the Completion Date for any reason whatsoever, or to comply with any of the terms and conditions of this Agreement, the Vendor may on the Completion Date or any time thereafter give to the Purchaser written notice to complete the sale and purchase herein within ten (10) days from the date of service of notice (including the day of service) and upon the service of such notice it shall be an express term of this Agreement that in respect of such period, time shall be of the essence of this Agreement. If the Purchaser does not comply with the terms of the Vendor's notice, the Vendor should forthwith on expiry of such notice be at liberty, without prejudice to any rights or remedies available to the Vendor at law or in equity to forfeit the Deposit and shall be entitled, notwithstanding any pending negotiations, proceedings or litigation, to resell the Freehold Land, by public auction, tender, private treaty or otherwise, at such time and under such conditions and generally in such manner as the Vendor may deem fit and deficiency in price (if any) arising on the resale and all expenses incidental to such resale or attempted resale shall immediately be made good and paid by the Purchaser and shall be recoverable by the Vendor as liquidated damages but any increase of price on a resale shall belong to the Vendor.

- (c) Vacant possession of the Freehold Land should be delivered to the Purchaser on 30 December 2010 or such other date as the Vendor may inform the Purchaser (the "Delivery Date"). For the purposes of this Agreement, "vacation possession" means to be free of tenants and other occupiers. The Purchaser shall allow the Vendor to remain on and operate its business from the Freehold Land for the period commencing from the Completion Date and expiring on the Delivery Date, free of rent.
- (d) The Purchaser shall arrange for:
- (i) the removal from the Freehold Land of machinery, equipment, furniture, fixtures, fittings or things (including the underground storage tank and all appurtenant and associated pipelines and pumps (surface or otherwise) and other associated equipment including without limitation valves, gauges and other similar items used in connection with the storage and handling of petroleum or fuel and all signages) not removed by the Vendor; and the carrying out of all other engineering works related to and in connection with the foregoing removal after the Delivery Date ("Engineering Works"); and
 - (ii) an environmental site assessment to be conducted to determine the level of contamination (if any) in, on and under the Freehold Land, (before and after the completion of the Engineering Works) ("Environmental Site Assessment"),
- and full costs for the Engineering Works ("Engineering Costs") and Environmental Site Assessment ("ESA Costs") shall be borne by the Purchaser.
- (e) In the event the results of the Environmental Site Assessment show that the state and condition of the Freehold Land would require remediation to render the Freehold Land suitable for redevelopment for commercial, industrial or residential use (as shall be applicable) with reference to such standards and technical guidelines found in the Code of Practice on Pollution Control (2000 Edition) (with amendments in Feb 2001, Jun 2002 and Feb 2004 and Feb 2009 published by the National Environmental Agency) ("Remediation Works"), the Purchaser shall carry out and bear the cost of such works as may be necessary to remediate the contamination on the Freehold Land ("Remediation Costs") after the Delivery Date.

Rationale for the Acquisition

The Freehold Land will be re-developed to build and own an office building for our own use, subject to all approvals from relevant authorities. The Freehold Land's strategic location at the main road of Aljunied Road would provide the Group with a frontage for its new head office (including a showroom) and thus, promoting and enhancing its operations to the general public.

Expected Completion

Completion of the Acquisition is expected to take place within ten (10) weeks from the date of Agreement.

Financial Effects

By way of illustration only, and based on the unaudited financial statements of the Group for the year ended 30 June 2010, the Acquisition is expected to have the following financial effects:

Net Tangible Assets ("NTA")

For illustration purposes, had the Acquisition taken place on 30 June 2009 (being the end of the most recently completed financial year) and based on the audited consolidated financial statements of the Company at 30 June 2009, the Acquisition would not have any material impact on the consolidated NTA of the Company. The table below illustrates the effect of the Acquisition on the consolidated NTA of the Company:-

For FY2009	Before the Acquisition	After the Acquisition
NTA (S\$'000)	9,028	9,028
Number of ordinary shares in issue during the financial year ('000)	162,500	162,500
NTA per share (cents)	5.56	5.56

Earnings per Share ("EPS")

For illustration purposes, had the Acquisition been completed on 1 July 2008 (being the beginning of the most recently completed financial year) and based on the audited consolidated financial statements of the Company for the year ended 30 June 2009, the Acquisition would have the following effects on the consolidated EPS of the Company:-

For FY2009	Before Proposed Acquisition	After Proposed Acquisition
Earnings attributable to equity holders of the Company (S\$'000)	7,729	7,362 ⁽¹⁾
Number of ordinary shares in issue during the financial year ('000)	162,500	162,500
EPS (cents): Basic Diluted	4.76 4.76	4.53 4.53

Note:-

- (1) This is determined on the basis that the Acquisition will be financed as follows: 20% from internal resources and 80% from bank borrowings. Hence, the amount of bank borrowings to be obtained is S\$17.2 million. For illustrative purposes, we have assumed a 20-year term loan is obtained at the current market interest rate fixed at 2.2% per annum.

Relative figures under Rule 1006 of the SGX-ST Listing Manual Section B: Rule of Catalyst (the “Catalist Rules”)

The relative figures under Rule 1006 of the Catalyst Rules based on the latest announced consolidated results are:

Rule 1006 (a)	Net asset value of the assets to be disposed of, compared with the group’s net asset value.	This basis of computation is not applicable as it only applies to disposal of assets.
Rule 1006 (b)	Net profits attributable to the assets acquired, compared with the group’s net profits	Not applicable.
Rule 1006 (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	66.2% ⁽¹⁾
Rule 1006 (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 as no equity securities will be issued.

Note:-

- (2) Based on the Purchase Consideration of S\$21.5 million and the market capitalisation of the Company as at 3 August 2010 of S\$32.5 million.

As none of the relative figure under Rule 1006 of the Catalyst Rules exceeds 75%, the Company need not convene a general meeting of the Shareholders to seek specific approval on the Acquisition. The purchase constitutes a discloseable transaction under the provisions of Rule 1010 of the Catalyst Rules.

Interest of Directors and controlling Shareholders

None of the directors or controlling shareholders of the Company has any direct or indirect interest in the aforesaid transaction.

Documents available for inspection

A copy of the Agreement and the Valuation Report will be made available for inspection during normal business hours at the registered office of the Company, at No. 15 Defu Avenue 1, Singapore 539538, for a period of three (3) months from the date of this announcement.

By Order of the Board

Tay Eng Kiat Jackson
Finance Manager

Date: 4 August 2010

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, Collins Stewart Pte. Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). Collins Stewart Pte. Limited has not independently verified the contents of this announcement. This announcement has not been examined or reviewed by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.