

ACQUISITIONS AND DISPOSALS :: INTERESTED PERSON TRANSACTION, DISCLOSEABLE TRANSACTION :: UPDATE ON PROPOSED TRANSACTION IN RELATION TO 18 SUNGEI KADUT STREET 2 SINGAPORE 729236


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<b>Name of Announcer *</b>	HAFARY HOLDINGS LIMITED
<b>Company Registration No.</b>	200918637C
<b>Announcement submitted on behalf of</b>	HAFARY HOLDINGS LIMITED
<b>Announcement is submitted with respect to *</b>	HAFARY HOLDINGS LIMITED
<b>Announcement is submitted by *</b>	Tay Eng Kiat Jackson
<b>Designation *</b>	Financial Controller
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>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

<b>Announcement Title *</b>	Update on Proposed Transaction in relation to 18 Sungei Kadut Street 2 Singapore 729236
<b>Description</b>	Please refer to the attachment.
<b>Attachments</b>	 <a href="#">HHL-18_SK_St2.pdf</a> Total size =108K (2048K size limit recommended)

## HAFARY HOLDINGS LIMITED

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

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### UPDATE ON THE PROPOSED TRANSACTION IN RELATION TO THE PROPERTY AT 18 SUNGEI KADUT STREET 2, SUNGEI KADUT INDUSTRIAL ESTATE SINGAPORE 729236

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All capitalized terms used and not defined herein shall have the same meanings given to them in the announcements dated 11 December 2012, 6 February 2013, 29 April 2013, 3 July 2013, 22 July 2013, 14 October 2013 and 15 October 2013 (the "**Announcements**").

#### I. INTRODUCTION

The board of directors (the "**Board**") of Hafary Holdings Limited (the "**Company**") refers to the Announcements and wishes to announce that the following agreements have been entered into on 2 December 2013:

- a) A sale and purchase agreement (the "**SPA**") for the acquisition of 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 (the "**Property**") between the Vendor, WFHPL (as purchaser), the Promoters and Sitra Agencies Pte Ltd ("**SAPL**"), a wholly-owned subsidiary of the Vendor (the "**Proposed Acquisition**");
- b) A shareholders' agreement between the Promoters, SAPL and WFHPL (the "**SHA**"); and
- c) A put and call option deed between the Promoters and SAPL (the "**Option Deed**")

#### 2. THE PROPOSED ACQUISITION AS DISCLOSEABLE TRANSACTION

2.1 **Information on the Vendor.** This was previously disclosed in the Company's announcement dated 11 December 2012.

2.2 **The Property.** The Property is a leasehold property with a leasehold interest granted by the Jurong Town Corporation ("**JTC**") to the Vendor for a term of 16 years commencing 1 March 2009 in respect of Pte. Lot A2836300 and the term of 14 years and 3 months commencing 1 December 2010 in respect of Pte. Lot A2836302 (collectively, the "**Lease Term**").

The Vendor has obtained in principle approval from Jurong Town Corporation (the "**JTC Approval**") in relation to:-

- (i) the assignment of the balance Lease Term in the Property, expiring on 28 February 2025 (the "**Leasehold Interest**") from the Vendor to WFHPL (the "**Assignment**"); and
- (ii) upon the successful completion of the assignment of the Leasehold Interest, the grant to the SPV of a further leasehold term in the Property of 18 years 6 months and 3 days commencing 1 March 2025 and expiring on 3 September 2043,

all subject to the terms and conditions set out in the JTC Approval (including a condition that Sitra shall occupy at least 50% of the industrial gross floor area of the Property after it is redeveloped for a minimum period of 10 years, with the remaining space to be occupied by Hafary Pte Ltd for a minimum period of 5 years) and such other terms and conditions as JTC may set out in any further approvals or letters from time to time.

The Property is within the International Furniture Park in Sungei Kadut Singapore ("**IFP**") that is designated for redevelopment as an international furniture hub. As of the date of this announcement, the remaining Lease Term on the Property is approximately 12 years. It covers a land area of approximately 107,000 square feet. The Property is free from encumbrances.

2.3 **Valuation of the Property.** This was previously disclosed in the Company's announcement dated 11 December 2012.

### 3. **SPA**

The salient terms of the SPA are as follows:-

3.1 The purchase price of the Property is Singapore Dollars Eight Million Six Hundred and Fifty Thousand only (S\$8,650,000.00) exclusive of goods and services tax thereon (the "**Purchase Price**").

3.2 The proposed use of the Property by the Company is for warehousing, storage, assembly, servicing and research and development of timber / wood furniture products, stone slabs / products and tiles, with ancillary regional HQ office and commercial retail activities.

3.3 The sale and purchase herein shall be conditional upon the following:-

- (a) the approval of the shareholders of the Vendor being obtained at an extraordinary general meeting to be convened for the sale of the Property to the Purchaser under this Agreement and the transactions contemplated under a put and call option deed to be executed by SAPL and the Promoters concurrently with the execution of this Agreement (the "**Sitra Approvals**");
- (b) the approval of the shareholders of the Company being obtained at an extraordinary general meeting to be convened for the incorporation of WFHPL with Mr. Low See Ching, Mr. Ching Chiat Kwong and SAPL as an interested person transaction (the "**Hafary Approvals**"); and
- (c) the JTC Approval remaining valid, and not having lapsed or been revoked or withdrawn by JTC, as at the date of completion of the sale and purchase herein.
- (d) In the event that the conditions set out in paragraphs 3.3(a) and (b) above are not fulfilled or complied with by the expiry of six (6) months from the date of the SPA, the SPA shall be terminated forthwith and the deposit of 10% of the Purchase Price shall be refunded to the Purchaser without any interest or deduction and none of the parties hereto shall have any further claims or demand against the other. Provided that in the event that the approvals of the shareholders of the Company shall not be required by law or the Mainboard listing rules of SGX-ST, the sale and purchase shall not be conditional upon the fulfillment of the condition in paragraph 3.2(b).
- (e) In the event that the conditions set out in paragraph 3.3(c) above are not met on the date of completion of the sale and purchase, the SPA shall be terminated forthwith and the deposit of 10% of the Purchase Price shall be refunded to the Purchaser without any interest or deduction and none of the parties hereto shall have any further claims or demand against the other.

- (f) Subject to the fulfilment of the conditions set out in paragraphs 3.3(a), (b) and (c) above, the balance of the Purchase Price shall be paid and the sale and purchase herein shall be completed at the office of 18 Sungei Kadut Street 2 Singapore 729236 or such other venue as may be directed by the Vendor's Solicitors on or before 5 February 2014. If despite commercially reasonable efforts, the Vendor and/or WFHPL are unable to procure the relevant approvals under in paragraphs 3.3(a), (b) and (c) at least seven (7) business days before 5 February 2014, the parties shall agree to an extension of time of up to two (2) months to complete the sale and purchase herein, subject to such extended completion date being approved by JTC.
- (g) The sale is subject to the tenancy of an area of approximately 12,015 square feet of the Property to KMP Far East Pte. Ltd. as contained in a letter of intent dated 15 July 2011 entered into between the Vendor and KMP Far East Pte. Ltd. Vacant possession of the remaining area of the Property (the "**Remaining Area**") will be delivered to the Purchaser as soon as reasonably practicable after completion but in any event not later than 31 May 2014. In respect of the Remaining Area, the Vendor shall pay the Purchaser a monthly rent of S\$10,000 for the period commencing from 1 March 2014 or date of Completion (whichever is the later) until the date vacant possession is delivered to the Purchaser. In the event that the aforesaid subletting by Vendor to KMP Far East Pte Ltd has not obtained the approval of JTC, WFHPL shall not be obliged to proceed with or to continue with the subletting to KMP Far East Pte Ltd. The Vendor shall take such steps as may be necessary at their own cost and expense to terminate the subletting to KMP Far East Pte Ltd.
- (h) SAPL agrees that SAPL shall not without the prior written consent of JTC, transfer or assign or propose any transfer or assignment of SAPL's shareholding of not less than 10% of the issued shares in WFHPL for such duration as may be required by JTC under the terms of the JTC Approval and the and such other terms and conditions as JTC may impose from time to time.
- (i) The sale and purchase herein is subject to satisfactory replies being received by WFHPL from the various government departments. If any of the replies to such requisitions are unsatisfactory, the Purchaser may elect either to proceed with the purchase herein or rescind such purchase by giving notice in writing thereof to the Vendor's solicitors at any time on or before the date fixed for completion whereupon the Vendor shall forthwith refund the deposit of 10% of the Purchase Price and all monies paid by WFHPL without any interest thereon to WFHPL, and thereafter neither the Vendor nor WFHPL shall have any claims whatsoever against the other. For the purpose of this Clause "requisitions" shall include the usual enquiries customarily sent to the Public Works Department, Property Tax Department, Development Control Division, Building Control Division, Sewerage Department, Environment Health Department, Land Transport Authority and the Road and Drainage Interpretation Plans and provided always and it is agreed that:-
- (i) any tunnel, backlane or line of road reserve or proposal or other proposed scheme which cuts into the boundaries of the Property or protrudes in the Property or any part thereof shall be considered as unsatisfactory whether or not such tunnel, backlane, line of road reserve, or proposal or scheme is described as safeguarded and whether or not such tunnel backlane, line of road reserve or proposal or scheme will only be implemented if there is road construction/improvement or development/redevelopment of the land on which the Property or only when there is redevelopment of the Property;

- (ii) any drainage line or reserve or proposal which cuts into the boundaries of the Property or protrudes into the Property or any part thereof shall be considered unsatisfactory;
- (iii) any reply from the Land Transport Authority (Rapid Transit Systems) or other authority indicating that the Property or part thereof is affected by any gazette notifications under Sections 3 & 5 of the Rapid Transit Systems Act shall be considered unsatisfactory or if any reply from the Land Transport Authority (Rapid Transit Systems) indicates that the Property or part thereof is affected in any other manner shall be considered unsatisfactory unless the relevant authority confirms in writing that no notice of intended or actual acquisition of the whole Property is served by the relevant authority on or before the date fixed for completion; and
- (iv) any legal requisition replying imposing on the Vendor a requirement to comply with any notice, request, direction or order shall be deemed unsatisfactory unless the Vendor shall comply with such notice, request, direction or order and the relevant authority has confirmed that such notice, request, direction or order has been satisfactorily complied with not later than 30 days before the date fixed for completion.

The Company will make a further announcement if, and as soon as completion under the SPA has taken place.

#### **4. SHA**

As announced by the Company on 3 July 2013, WFHPL was incorporated on 2 July 2013 as a special purpose vehicle with an issued and paid-up capital of S\$100, held by the Promoters and Sitra in the following proportion:

Hafary Pte Ltd	- 40%
Mr. Low See Ching	- 25%
Mr. Ching Chiat Kwong	- 25%
Sitra Agencies Pte Ltd	- 10%

The SHA is entered into by the Company and the Promoters to regulate their rights and obligations in the conduct of the business and affairs of WFHPL. The terms of the SHA will take effect immediately upon completion of the Proposed Acquisition.

## 5. OPTION DEED

5.1 Under the Option Deed, the Promoters granted to SAPL the option (the "**Put Option**") to require the Promoters to purchase from SAPL in the proportion of their relative shareholdings in WFHPL (the "**Agreed Proportion**"), all of SAPL's shares in WFHPL (the "**Option Shares**") free from encumbrances and with all rights attaching thereto. Concurrently, under the Option Deed, SAPL granted to the Promoters the option (the "**Call Option**") to require SAPL to sell to the Promoters in the Agreed Proportion, all of the Option Shares free from encumbrances and with all rights attaching thereto.

5.2 The salient terms of the Option Deed are as follows:-

5.2.1 **Option Shares Consideration.** The aggregate consideration for the Option Shares pursuant to an exercise of the Put Option or Call Option, as the case may be, shall be the higher of (a) 10% of the market value of the Property prevailing as at the date of the applicable exercise of the Put Option or Call Option, as the case may be (the "**Market Value**"); or (b) if the Property is sold or contracted to be sold at the time of the exercise of the Put Option or Call Option, as the case may be, respectively 10% of the sale price or contracted sale price of the Property, as the case may be.

5.2.2 **Market Value.** The Market Value shall be determined by an independent valuer appointed by the parties from an identified list of three valuers within five business days after the exercise of a Put Option or Call Option, as the case may be. In the event that the parties are unable to agree on the independent valuer to be appointed, SAPL and the Promoters (collectively) will each appoint one from the identified list of three valuers and the Market Value shall be average of the two valuations carried out by the two independent valuers appointed by the parties. The valuation of the independent valuer shall be conclusive and binding on the parties unless there are manifest clerical or typographical errors or evidence of wilful misconduct.

5.2.3 **Exercise of Options.** The Put Option may be exercised by SAPL at any time after completion of the Proposed Acquisition, and the Call Option may be exercised at any time after the completion of the Development and the issuance of the temporary occupation permit in respect of the Development. The Put Option and Call Option may be exercised in whole and not in part only and upon the service of the Put Option notice or the Call Option notice, as the case may be, the Promoters shall be jointly and severally liable to complete the purchase of the Option Shares.

5.2.4 **Conditions.** The sale and purchase of the Option Shares shall be subject to the compliance of any condition that may be imposed by JTC in relation to the transfer of the Option Shares (the "**JTC Conditions**"). Where any of the JTC Conditions are imposed on any of the parties and insofar as such conditions are reasonably acceptable, such parties shall not unreasonably withhold their consent to the conditions and shall agree to accept and comply with the conditions. In addition, as stated in paragraph 3.3.(a) above, the Assignment is conditional upon the approval of Shareholders to the transactions contemplated under the Option Deed.

5.2.5 **Completion.** Completion of the sale and purchase of the Option Shares shall take place on the date falling not later than one (1) month from the later of the date of receipt of the JTC Approval or the parties' acceptance of the JTC Conditions, if any, or on such other date as the Parties may otherwise agree in writing.

## 6. RATIONALE OF THE PROPOSED ACQUISITION

The rationale of the Proposed Acquisition was previously disclosed in the Company's announcement dated 11 December 2012.

## 7. RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE LISTING RULES

Based on the audited consolidated financial statements of the Company for the financial year ended 30 June 2013 ("FY2013"), the relative figures for the Proposed Acquisition, computed in accordance with Rule 1006 of the Listing Rules, are as follows:-

Rule	Bases	Relative Figures
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable <sup>1</sup>
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares.	3.8% <sup>2</sup>
Rule 1006(d)	The 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
Rule 1006(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not applicable to an acquisition of such assets.	Not applicable

As the relative figure computed on the basis set out in Rule 1006(c) of the Listing Rules amounts to 5% or less, the Proposed Acquisition constitutes a "non-discloseable transaction" pursuant to Rule 1010 of the Listing Rules.

<sup>1</sup> There is no impact to net profits as the Parties intend to redevelop the Property for use by the Group and the Vendor after the Proposed Acquisition is completed.

<sup>2</sup> Based on (i) the Company's proportion of shareholding (not taking into account the Vendor's shareholding) in the SPV; (ii) the Company's existing issued share capital of 429,000,000 ordinary shares; and (iii) the volume weighted average price of the Company's shares of S\$0.2346 traded on SGX Mainboard on 29 November 2013, being the last traded day preceding the date of the SPA.

Notwithstanding the above, disclosure of the nature of this transaction is made as the relative figure computed, as at date of MOU on 11 December 2012, on the basis set out in Rule 1006(c) of the Listing Rules exceeds 5% but does not exceed 75%. Based on relative figure computed then, the Proposed Acquisition constitutes a "discloseable transaction" pursuant to Rule 1010 of the Listing Rules.

## 8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition has no financial effect on the net tangible assets per share and earnings per share of the Company as the Parties intend to redevelop the Property for use by the Group and the Vendor after the Proposed Acquisition is completed.

## 9. THE INCORPORATION OF WFHPL AS AN INTERESTED PERSON TRANSACTION

9.1 The incorporation of WFHPL on 2 July 2013 is for purpose of carrying out the Proposed Acquisition. Please refer to Paragraph 4 for shareholding information of WFHPL.

Rule 904(6)(f) of the Listing Rules states that the establishment of joint ventures or joint investments constitute a "transaction" within the ambit of Chapter 9 of the Listing Rules.

As at the date of this announcement, Mr Low See Ching is a director of the Company and of HPL and Mr Low See Ching and Mr Ching Chiat Kwong are controlling shareholders of the Company. As such, Mr Low See Ching and Mr Ching Chiat Kwong are defined as "interested persons" of the Company within the ambit of Chapter 9 of the Listing Rules.

Accordingly, the Proposed Incorporation constitutes an "interested person transaction" between the Company, Mr Low See Ching and Mr Ching Chiat Kwong within the ambit of Chapter 9 of the Listing Rules.

### 9.2 Materiality Thresholds under Chapter 9

9.2.1 Under Chapter 9 of the Listing Rules, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding, 5% of the Group's latest audited net tangible assets (the "NTA").

9.2.2 Rule 909(2) of the Listing Rules states that in the case of a joint venture, the value of a transaction (being the amount at risk to the issuer) includes the equity participation, shareholders' loans and guarantees given by the entity at risk. The calculation of the value of the Proposed Incorporation, which ties in with the Proposed Acquisition, is set out below:-

		<b>S\$'000</b>
1.	NTA (as at 30 June 2013)	44,676
2.	Value of transaction <sup>1</sup> :-	
	(i) Proposed equity participation of 40% by HPL in the SPV	-
	(ii) Shareholders' loans to be granted by HPL	4,888
	(iii) Corporate guarantee to be provided by HPL	19,554
	Total	24,442
3.	Value of transaction against the NTA	54.7%

<sup>1</sup> Based on the assumption that subsequent to the Proposed Acquisition, the estimated redevelopment costs for the Property (including the Consideration, development charge and construction cost) amounts to approximately S\$55,000,000.



<sup>2</sup> Less than S\$1,000.

As the value of the Proposed Incorporation is more than 5% of the Group's NTA, the approval of the Company's shareholders for the Proposed Incorporation has to be obtained at an extraordinary general meeting ("**EGM**") to be convened by the Company in due course.

### 9.3 Total Value of Interested Person Transactions

Save for the Proposed Incorporation, the amount of interested person transactions with associates of Mr Ching Chiat Kwong for the current financial year beginning 1 July 2013 and up to 31 October 2013 are illustrated in the table below. For information only, the amount of interested person transactions with associates of Mr Ching Chiat Kwong for FY2013 are also illustrated as follows.

Name of Interested Person	1 July 2013 to 31 October 2013 (S\$'000)	FY2013 (S\$'000)
Sales to Hume Construction Pte. Ltd.	-	8
Sales to Oxley Construction Pte. Ltd.	670	845
Sales to Galaxy Builders Pte. Ltd.	-	26

Save for the transactions above, the Group did not enter into any transaction with other interested persons during FY2013 and for the financial period from 1 July 2013 to 31 October 2013.

### 9.4 Rationale for and Benefit to the Company

The rationale for and the benefit to the Company for incorporation of WFHPL which is in connection with the Proposed Acquisition, is set out in the Company's announcement of 11 December 2012, as the purpose of the incorporation of WFHPL is to enter into the SPA for the Proposed Acquisition.

## 10. SHAREHOLDERS' APPROVAL AND CIRCULAR

The circular to the shareholders containing, *inter alia*, further details of the incorporation of WFHPL and a notice to convene an Extraordinary General Meeting (the "**Circular**"), will be despatched to the shareholders in due course.

## 11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in the Announcements and herein, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition and incorporation of WFHPL. No person will be appointed to the Board of the Company in connection with the SPA, the SHA and the Option Deed and no service contracts in relation thereto will be entered into by the Company.

## 12. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement 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 the announcement in its proper form and context.

## 13. CAUTION

**Shareholders and potential investors should note that the Proposed Acquisition is subject to the approval of the Shareholders of the Company being obtained. Accordingly, shareholders and potential investors should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.**

## 14. DOCUMENT AVAILABLE FOR INSPECTION

The SPA and Option Deed will be made available for inspection during normal business hours at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836 for a period of 3 months from the date of this announcement.

By Order of the Board

Tay Eng Kiat Jackson  
Financial Controller

2 December 2013