

## CHANGE IN CAPITAL


CHANGE IN CAPITAL :: PLACEMENT :: PROPOSED PLACEMENT OF 32,000,000 NEW ORDINARY SHARES

\* Asterisks denote mandatory information

<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
<b>Date &amp; Time of Broadcast</b>	18-Oct-2011 22:25:48
<b>Announcement No.</b>	00142

## &gt;&gt; ANNOUNCEMENT DETAILS

The details of the announcement start here ...

<b>Announcement Title *</b>	Proposed Placement of 32,000,000 New Ordinary Shares
<b>Specific shareholder's approval required? *</b>	Yes
<b>Description</b>	Please refer to attachment.
<b>Attachments</b>	 HHL_Proposed_Placement.pdf Total size = <b>55K</b> (2048K size limit recommended)

## HAFARY HOLDINGS LIMITED

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

---

### PROPOSED PLACEMENT OF 32,000,000 NEW ORDINARY SHARES IN THE SHARE CAPITAL OF HAFARY HOLDINGS LIMITED (THE "COMPANY") AT THE ISSUE PRICE OF S\$0.20 FOR EACH NEW SHARE (THE "PLACEMENT")

---

#### 1. INTRODUCTION

The Board of Directors (the "**Board**" or the "**Directors**") of Hafary Holdings Limited (the "**Company**") is pleased to announce that the Company has on 17 October 2011 entered into three placement agreements (the "**Placement Agreements**") with Mr Ching Chiat Kwong, Ms Tan Ghuat Woon and Ms Lee Wan Ling (the "**Placees**"). Pursuant to the Placement Agreements, the Company has agreed to allot and issue to the Placees, an aggregate of 32,000,000 new ordinary shares in the share capital of the Company (the "**Placement Shares**") at S\$0.20 (the "**Issue Price**") for each New Share (the "**Placement**"). The aggregate consideration payable by the Placees for the subscription of the Placement Shares is S\$6,400,000.

#### 2. SALIENT TERMS OF THE PLACEMENT AGREEMENTS

The terms of the Placement Agreements were mutually agreed upon following arm's length negotiations between the Placees and the Company. The salient terms of the Placement Agreements are set out below.

2.1 The Placees and their respective shareholdings immediately before and after the completion of the Placement are set out below:-

No.	Name of Placee	Number of Placement Shares ('000)	Percentage of the total number of issued and paid-up ordinary shares in the share capital of the Company (excluding treasury shares) ("Shares")	
			Immediately before the completion of the Placement <sup>(1)</sup>	Immediately after the completion of the Placement <sup>(1)</sup>
1.	Mr Ching Chiat Kwong	30,000	9.8%	23.6%
2.	Ms Tan Ghuat Woon	1,000	0.6%	1.0%
3.	Ms Lee Wan Ling	1,000	-	0.5%
	Total	32,000	10.4%	25.1%

**Note:-**

(1) As at the date of this announcement, the Company has 162,500,000 existing Shares. Upon the allotment and issuance of the Placement Shares, the Company will have an enlarged issue share capital comprising 194,500,000 Shares.

The Placement Shares represent approximately 19.7% of the existing shares in the Company (the "**Shares**") as at the date of this announcement and prior to the issue of the New Shares. Upon completion of the Placement, the Placees will hold approximately 25.1% of the enlarged issued share capital of the Company.

**2.2 Rules 803 and 812 of Section B of the Listing Manual: Catalyst Rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual")**

*Rule 803 of the Listing Manual stipulates that an issuer must not transfer a controlling interest without the prior approval of its shareholders at a general meeting.*

*Rules 812(1) and 812(2) of the Listing Manual provide that, save where specific shareholder approval for such a placement has been obtained, an issue must not be placed to any of the following persons:-*

- (i) the issuer's directors and substantial shareholders;*
- (ii) immediate family members of the directors and substantial shareholders;*
- (iii) substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders;*
- (iv) corporations in whose shares the issuer's directors and substantial shareholder have an aggregate interest of at least 10%; or*
- (v) any person who, in the opinion of the SGX-ST, falls within category (i) to (iv) above.*

After the completion of the Placement and assuming that (a) the Shareholders approve the Placement and (b) there is no other change in Mr Ching Chiat Kwong's shareholding interest, Mr Ching Chiat Kwong will have an interest of approximately 23.6% of the enlarged issued share capital of the Company. As such, Shareholders' approval of the issuance and allotment of the Placement Shares to Mr Ching Chiat Kwong is required pursuant to Rule 803 of the Listing Manual.

In addition, as Mr Ching Chiat Kwong is a substantial shareholder of the Company, Shareholders' approval of the issuance and allotment of the Placement Shares to the Placees is required pursuant to Rule 812 of the Listing Manual.

**2.3 The Issue Price of S\$0.20 for each Placement Share represents approximately 9.1% discount to the volume weighted average price of S\$0.22 of the Shares traded on the Catalyst of the SGX-ST on 17 October 2011, being the full market day upon which the Shares were last traded prior to the date of execution of the Placement Agreements.**

Hence, the aggregate consideration payable by the Placees for the subscription of the Placement Shares is S\$6,400,000, comprising S\$6,000,000, S\$200,000 and S\$200,000 payable by Mr Ching Chiat Kwong, Ms Tan Ghuat Woon and Ms Lee Wan Ling respectively.

- 2.4 On completion of the Placement and assuming that (i) the Shareholders approve the Placement and (ii) there is no other change in the Placees' shareholding in the Company as at the date of this announcement, the Placees comprising Mr Ching Chiat Kwong, Ms Tan Ghuat Woon and Ms Lee Wan Ling will hold approximately 23.6%, 1.0% and 0.5% of the Company's enlarged issued share capital, respectively. All of Mr Ching Chiat Kwong's beneficial interest in shares in the Company will be held in the name of Bank of Singapore Nominees Pte. Ltd.

The Placement Shares are to be issued by the Company free from all claims, charges, liens and other encumbrances and shall rank *pari passu* in all respects with the Shares existing as at the date of issue of the Placement Shares except for any dividends, distributions or entitlements declared on or before the Company's annual general meeting on 18 October 2011. For the avoidance of doubt, the Placement Shares shall rank *pari passu* in all respects with the Shares, including for any dividends, distributions or entitlements declared after the Company's annual general meeting on 18 October 2011.

- 2.5 The completion of the Placement is conditional upon, *inter alia*:-
- (a) the receipt of approval-in-principle from the SGX-ST and/or the Company's continuing sponsor (the "**Sponsor**") for the listing of and quotation of the Placement Shares on the Official List of the Catalist of the SGX-ST and such approval not being revoked or amended (the "**Approval-In-Principle**");
  - (b) the issue and subscription of the Placement Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Placement Agreements by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company;
  - (c) there having been, as at the completion date of the Placement, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect certain warranties contained in the Placement Agreements if they were repeated on and as of the completion date; and
  - (d) the approval of shareholders for the issuance and allotment of the Placement Shares to the Placees being obtained at the extraordinary general meeting to be held by the Company.

If any of the conditions set forth is not satisfied on or before 22 November 2011 (or such later date as the Company and the Placees may agree), the Company or the Placees shall be entitled to terminate their respective Placement Agreement and in such event the parties to the Placement Agreements shall be released and discharged from their respective obligations and claims against each other thereunder provided, subject always to the terms of their respective Placement Agreement.

- 2.6 The Company will be submitting an application to the Sponsor for the listing of and quotation of the Placement Shares on the Official List of the Catalist of the SGX-ST. The Company will make the necessary announcements once the Approval-In-Principle has been obtained from the SGX-ST and/or the Sponsor (as the case may be).

### 3. ABOUT THE PLACEES

Name of Placee	Number of Placement Shares ('000)	Details on how the Placee was identified	Rationale for the Placee's subscription of the Placement Shares
Mr Ching Chiat Kwong	30,000	Introduced by the Company's chief executive officer ("CEO"), Mr Low See Ching	For investment purposes
Ms Tan Ghuat Woon	1,000	Introduced by the Company's CEO, Mr Low See Ching	For investment purposes
Ms Lee Wan Ling	1,000	Introduced by Ms Tan Ghuat Woon	For investment purposes

Mr Ching Chiat Kwong is a substantial shareholder of the Company. He is the executive chairman and chief executive officer of Oxley Holdings Limited ("**Oxley**"), a company where the Company's CEO, Mr Low See Ching, also serves as a non-executive director and has a 27.3% interest in Oxley as at 17 October 2011. Mr Low See Ching approached Mr Ching Chiat Kwong to subscribe for the number of Placement Shares set out against his name above and Mr Ching Chiat Kwong agreed to do so. No commission or other payment is to be made to Mr Low See Ching for introducing Mr Ching Chiat Kwong to subscribe for his portion of the Placement Shares. As at the date of this announcement, Mr Ching Chiat Kwong holds approximately 9.8% of the existing Shares in the Company.

Ms Tan Ghuat Woon is an existing shareholder of the Company. She is an individual investor who has no connection (including business relationships) with the Company, its Directors and substantial shareholders, and is not a person to whom the Company is prohibited from issuing shares to, as provided by Rule 812 of the Listing Manual. Mr Low See Ching approached Ms Tan Ghuat Woon to subscribe for the number of Placement Shares set out against her name above and Ms Tan Ghuat Woon agreed to do so. No commission or other payment is to be made to Mr Low See Ching for introducing Ms Tan Ghuat Woon to subscribe for her portion of the Placement Shares. As at the date of this announcement, Ms Tan Ghuat Woon holds approximately 0.6% of the existing Shares in the Company.

Ms Lee Wan Ling is an individual investor who has no connection (including business relationships) with the Company, its Directors and substantial shareholders, and is not a person to whom the Company is prohibited from issuing shares to, as provided by Rule 812 of the Listing Manual. Ms Lee Wan Ling and Ms Tan Ghuat Woon are friends, and Ms Lee Wan Ling was introduced to the Company by Ms Tan Ghuat Woon. No commission or other payment is to be made to Ms Tan Ghuat Woon for introducing Ms Lee Wan Ling to subscribe for her portion of the Placement Shares. As at the date of this announcement, Ms Lee Wan Ling does not hold any Shares in the Company.

Mr Ching Chiat Kwong, Ms Tan Ghuat Woon and Ms Lee Wan Ling are not related to each other in any way and are not parties acting in concert, as defined in The Singapore Code on Take-Overs and Mergers.

#### 4. USE OF PROCEEDS

- 4.1 The Directors are of the opinion that after taking into consideration the present bank facilities, the working capital available to the Company and its subsidiaries (the "**Group**") is sufficient to meet its present requirements.
- 4.2 Noting the above, the Directors believe that the Placement will be in the interests of shareholders as the funds to be injected as a result of the Placement would allow the Group to expand its business operations to the People's Republic of China (the "**PRC**") when the appropriate opportunity arises. A subsidiary of the Company, Hafary China Pte. Ltd. ("**Hafary China**"), is currently in preliminary, non-definitive talks with business parties in the PRC to invest in or acquire a tile-related manufacturing company in the PRC. Hafary China is considering executing a non-binding memorandum of understanding ("**MOU**") to set out the indicative terms for the acquisition of shares in the tile-related manufacturing company as well as the shareholders' agreement that will be executed simultaneously upon completion of the acquisition of shares. A binding share purchase agreement and shareholders' agreement will be executed at a later date. The Company will make the necessary announcement(s) to update the shareholders if or when the MOU and/or the binding agreements are executed.
- 4.3 On the assumption that all the Placement Shares are subscribed for and after deduction of expenses in relation to the Placement, the estimated net proceeds from the issuance and allotment of the Placement Shares is expected to be approximately S\$6.4 million (the "**Estimated Net Proceeds**"), of which:-
- (a) up to S\$6.0 million (or approximately 94.3% of the Estimated Net Proceeds) for investments in and/or acquisitions of tile-related manufacturing facilities in the PRC; and
  - (b) the remainder will be applied towards the Group's working capital.
- 4.4 Pending deployment of the proceeds for such purposes, the proceeds may be placed in deposits with banks or financial institutions or invested in short-term money markets or debts instruments or for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit.
- 4.5 The Directors are of the opinion that, after taking into consideration the present bank facilities and net proceeds of the issue, the working capital available to the Group is sufficient to meet its present requirements.
- 4.6 The Company will make periodic announcements on the use of the Estimated Net Proceeds as and when the funds from the Placement are materially disbursed, and provide a status report on the use of the Estimated Net Proceeds in the Company's annual report.

## 5. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

- 5.1 On the assumption that all the Placement Shares are subscribed for, when completed, the Placement will increase the existing issued and paid-up number of Shares by 19.7% from 162,500,000 Shares to 194,500,000 Shares.
- 5.2 For illustrative purposes only and based on the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the financial year ended 30 June 2011 ("**FY2011**"), the financial effects of the Placement on the Group are set out below. The financial effects of the Placement have been prepared based on the assumptions that:-
- (i) the Placement is fully subscribed;
  - (ii) the expenses incurred in the Placement are approximately S\$39,000; and
  - (iii) the Placement Shares are issued on 1 July 2010 and the Estimated Net Proceeds are placed on a Singapore dollar interest bearing account yielding an interest of 0.5% per annum.

The proforma analysis below has been prepared solely for illustrative purpose only and does not purport to be indicative or a projection or an estimate of the financial results and financial positions of the Company and the Group immediately after the completion of the Placement.

	<b>Weighted average number of fully-paid ordinary shares</b>	<b>Cents</b>
<b><u>Earnings per Share</u></b>		
Before the Placement	162,500,000	4.2
After the Placement	194,500,000	3.6
<b><u>Net Tangible Assets per Share</u></b>		
Before the Placement	162,500,000	14.6
After the Placement	194,500,000	15.5

## 6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at 17 October 2011, the interests of the Directors and the substantial shareholders of the Company in the existing Shares and immediately after the completion of the Placement are set out below:-

	As at 17 October 2011						Immediately after the completion of the Placement					
	Direct Interest		Deemed Interest		Total Interest		Direct Interest		Deemed Interest		Total Interest	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
<u>Directors</u>												
Low Kok Ann	37,700	23.2	-	-	37,700	23.2	37,700	19.4	-	-	37,700	19.4
Low See Ching	51,900	31.9	16,250	10.0	68,150	41.9	51,900	26.7	16,250	8.4	68,150	35.0
Ong Beng Chye	-	-	-	-	-	-	-	-	-	-	-	-
Terrance Tan Kong Hwa	-	-	-	-	-	-	-	-	-	-	-	-
Chow Wen Kwan Marcus	-	-	-	-	-	-	-	-	-	-	-	-
<u>Substantial Shareholders</u>												
Low Kok Ann <sup>1</sup>	37,700	23.2	-	-	37,700	23.2	37,700	19.4	-	-	37,700	19.4
Low See Ching <sup>1</sup>	51,900	31.9	16,250 <sup>2</sup>	10.0	68,150	41.9	51,900	26.7	16,250	8.4	68,150	35.0
Dr Low Bee Lan Audrey <sup>1</sup>	22,752	14.0	-	-	22,752	14.0	22,752	11.7	-	-	22,752	11.7
Ching Chiat Kwong	-	-	15,850 <sup>3</sup>	9.8	15,850	9.8	-	-	45,850	23.6	45,850	23.6

Save as disclosed above and in this announcement, none of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Placement.

## 7. DOCUMENTS FOR INSPECTION

Copies of the Placement Agreements are available for inspection during normal business hours at the registered office of the Company at 15 Defu Avenue 1, Singapore 539538 for a period of three months from the date of this announcement.

## 8. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Placement is subject to certain conditions and there is no certainty that Hafary China will enter into the MOU or binding agreement to acquire an interest in the aforementioned tile-manufacturing company. There is also no certainty or assurance as at the date of this announcement that the Placement will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

<sup>1</sup> Low Kok Ann is the father of Low See Ching and Dr Low Bee Lan Audrey  
<sup>2</sup> All shares are held in the name of Hong Leong Finance Nominees Pte. Ltd.  
<sup>3</sup> All shares are held in the name of Bank of Singapore Nominees Pte. Ltd.



## 9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors 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 Placement, 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 this 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 this announcement in its proper form and context.

By Order of the Board

Tay Eng Kiat Jackson  
Financial Controller  
18 October 2011

---

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 SGX-ST. Collins Stewart Pte. Limited has not independently verified the contents of this announcement. This announcement has not been examined or approved 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.