

## ACQUISITIONS AND DISPOSALS


ACQUISITIONS AND DISPOSALS :: DISCLOSEABLE TRANSACTION :: UPDATE ON THE PROPOSED DISPOSAL OF 79 ALJUNIED ROAD, SINGAPORE 389822

\* 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
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## &gt;&gt; ANNOUNCEMENT DETAILS

The details of the announcement start here ...

<b>Announcement Title *</b>	Update on the Proposed Disposal of 79 Aljunied Road, Singapore 389822
<b>Description</b>	Please refer to attachment.
<b>Attachments</b>	 HHL_Ann_Aljunied_Property28122011_final.pdf Total size = <b>56K</b> (2048K size limit recommended)

## HAFARY HOLDINGS LIMITED

(Company Registration No.: 200918637C)

(Incorporated in the Republic of Singapore)

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### AN UPDATE ON THE PROPOSED DISPOSAL OF 59 UNITS (THE "UNITS") IN THE BUILDING, ATRIX, TO BE BUILT UNDER APPROVED BUILDING PLAN BP NO. A0743-10533-2010-BP01 AT 79 ALJUNIED ROAD SINGAPORE 389822 (LOT 3106K OF MUKIM 24) (THE "BUILDING") (COLLECTIVELY, THE "ALJUNIED PROPERTY")

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#### 1. INTRODUCTION

The Board of Directors (the "**Directors**") of Hafary Holdings Limited (the "**Company**", and together with its subsidiaries the "**Group**") refers to the circular dated 7 July 2011 (the "**Circular**") issued by the Company in relation to the mandate to authorise the Company to acquire and dispose of certain properties (the "**Mandate**"), and the announcement dated 22 July 2011 (the "**Announcement**") announcing that the resolutions pertaining to the Mandate had been duly passed by the shareholders of the Company (the "**Shareholders**") at the extraordinary general meeting held on 22 July 2011 (the "**EGM**"). In particular, the Company makes reference to the passing of resolution 4 of the Circular, which provided that *"approval be and is hereby given to the Directors to carry out the Proposed Disposal by the Company at a minimum reserve price of S\$46,900,000 and such other terms and conditions as may be agreed with a potential purchaser of the Aljunied Property"* ("**Resolution 4**"). With the passing of Resolution 4, the Company had obtained the mandate from Shareholders to dispose of 80% of the Aljunied Property at the minimum reserve price on a pro-rata basis. **For the avoidance of doubt, the minimum reserve price was for the entire Aljunied Property (after development) and the same figure of S\$46,900,000 was used for calculating the financial effects of, *inter alia*, the Proposed Disposal in the Circular.**

As indicated in paragraph 7.6 of the Circular, the Company wishes to set out below an update on the Proposed Disposal which was approved by the Shareholders at the EGM. The Company is pleased to announce that its wholly-owned subsidiary, Hafary Pte Ltd (the "**Vendor**"), had, between 26 September 2011 and 30 November 2011, entered into 59 sale and purchase agreements (each an "**Agreement**" and collectively, the "**Agreements**") with 49 purchasers (each a "**Purchaser**" and collectively, the "**Purchasers**") for the disposal of the Aljunied Property on the terms and conditions contained therein (the "**Proposed Disposal**"). As at 23 December 2011, all options to purchase in accordance with the Agreements have been effectively exercised by the Purchasers. This constitutes a sale of 100% of the Units. The rationale for this increase to sell 100% of the Units, instead of the original intention to sell 80% of the Units and retain the remaining space for showroom purpose as mentioned in the Circular is set out under Section 2 below.

As the Company had obtained the mandate from Shareholders for the disposal of 80% of the Units, the sale of the additional 20% of the Units (the "**20% Disposal**") shall be treated as a discloseable transaction in accordance with Chapter 10 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**").

Capitalized terms that are not defined shall have the meaning set out in the Circular or the Agreements (as may be applicable).

## 2. REASONS FOR THE PROPOSED DISPOSAL

Please refer to the Circular for the rationale of the Proposed Disposal.

As set out in paragraph 7.6 of the Circular, the management of the Company would also like to update Shareholders about the change in market conditions and explain the rationale for selling 100% of the Units instead of 80%. During the sale process, the market demand for the Units was significantly higher than expected and there was sufficient demand that the Company was able to sell 100% of the Units at suitable prices.

As a result of the unexpected demand, the Company's management decided it would be commercially justifiable to sell all the Units as (a) the 20% Disposal would allow the Company to further reduce its gearing and that would be in the interests of the Group and its Shareholders, given the current uncertain global economic climate and (b) the Company could use the Eunost Property as its main showroom which would be more cost-effective. No additional Shareholder approval has been sought for the 20% Disposal as the 20% Disposal does not constitute a major transaction under the Catalist Rules.

## 3. CONSIDERATION

Pursuant to the Mandate, the Company was authorized to sell the Aljunied Property at a minimum reserve price of S\$46,900,000 on a pro-rata basis, taking into consideration the valuation carried out by United Overseas Bank Limited (being the principal bank financing the purchase of the Aljunied Property) on 6 October 2010. The collective consideration for the sale of the entire Aljunied Property under the Agreements amounted to S\$65,277,000 (the "**Collective Consideration**"). The Collective Consideration was arrived at after arms' length negotiation between the Company and each of the Purchasers, on a willing-buyer, willing-seller basis.

The consideration payable by each Purchaser (the "**Consideration**") shall be satisfied in the following manner:-

- |  |  |
|--|--|
| 1. Upon signing the Agreement  | 20% of the Consideration<br>(Inclusive of booking fee) |
| 2. Within 14 days after each Purchaser receives the following notices from the Vendor: |  |
| (a) Notice that the foundation works relating to the Unit have been completed          | 10% of the Consideration                               |
| (b) Notice that the reinforced concrete works relating to the Unit have been completed | 10% of the Consideration                               |
| (c) Notice that the brick walls relating to the Unit have been completed               | 5% of the Consideration                                |

- |     |   |   |
|-----|---|---|
| (d) | Notice that the ceiling of the Unit has been completed  | 5% of the Consideration   |
| (e) | Notice that the door and window frames are in position, and that the electrical wiring (without fittings), the internal plastering and the plumbing of the Unit have been completed | 5% of the Consideration   |
| (f) | Notice that the installation of electrical plant, sanitary equipment and air-conditioning plant (if any) relating to the Unit has been completed                                    | 5% of the Consideration   |
| (g) | Notice that the car parks, roads and drains serving the Building have been completed  | 5% of the Consideration   |
| 3.  | Within 14 days after the Purchaser receives the Temporary Occupation Permit or Certificate of Statutory Completion in respect of the Unit (or a Certified copy thereof)             | 25% of the Consideration  |
| 4.  | On Completion Date  | 10% of the Consideration payable as follows:                            |
|     | (a)   | 2% of the Consideration to the Vendor; and                              |
|     | (b)   | 8% of the Consideration to the Singapore Academy of Law as stakeholder. |

#### **4. SALIENT TERMS AND CONDITIONS OF THE AGREEMENT**

The Agreements are in substantially the same form, the salient terms of which are, *inter alia*, as follows:-

- (a) the Unit is sold subject to the Singapore Law Society's Conditions of Sale 1999 so far as they are applicable to a sale by private treaty and are not varied by or inconsistent with the terms of the Agreement;

- (b) the Vendor has the right to treat the Agreement as having been repudiated by the Purchaser if: (i) any installment of the Consideration (not being an installment to be paid by the stakeholder) and interest remains unpaid for more than 14 days after its due date; or (ii) the Purchaser has not served the Certificate of Statutory Completion or the certified copy thereof on the stakeholder at the end of 18 days after receiving that Certificate or certified copy from the Vendor;
- (c) the share value allotted to each Unit in the schedule of strata units filed with and accepted by the Commissioner of Buildings under the Building Maintenance and Strata Management Act 2004 (Act 47 of 2004) is as stated in Schedule B to each Agreement. Each Purchaser's share of maintenance charges for the common property of the Building shall be as stated in Schedule B to each Agreement;
- (d) the Vendor must deliver vacant possession of the Unit to each Purchaser no later than 31 December 2013;
- (e) the Vendor must give to each Purchaser a Notice to Complete requiring completion of the sale and purchase of the Unit no later than 31 December 2016 or 3 years after the date of delivery of vacant possession of the Unit, whichever is the earlier; and
- (f) each Unit shall be used for light industrial purposes as a factory / warehouse as approved or may be approved by the competent authorities. Each Purchaser shall not change the use of the Unit or any part of the Unit other than to use the Unit for the purpose as abovementioned unless all necessary approvals, consent, licenses and permit (including any approvals for the change of use of the Unit) shall have been obtained by the Purchaser from the relevant government authorities and such approvals, consents, licenses and permits remain valid and subsisting.

## **5. BRIEF DESCRIPTION OF THE ALJUNIED PROPERTY**

As set out in the Circular, the Aljunied Property is a freehold property with a land area of approximately 29,112 square feet.

Hafary Pte Ltd will be developing an industrial building at the Aljunied Property that will comprise the 59 Units that have been sold.

## **6. FINANCIAL EFFECTS**

### **6.1 Gain on the Proposed Disposal and use of the Collective Consideration**

The net book value of the Aljunied Property (inclusive of stamp duty, legal fees, development costs, the purchase of adjoining state land and capitalized borrowing costs) based on the unaudited statement of financial position of the Group as at 30 November 2011 is S\$28,537,000.

Taking into account the estimated costs to complete the construction of the industrial building at the Aljunied Property amounting to approximately S\$14,389,000, the estimated gain on Proposed Disposal is approximately S\$22,351,000. This estimated gain on the Proposed Disposal shall be recognized in the financial statements upon completion of the construction of the industrial building and when significant risks and rewards of ownership of the Units are transferred to the Purchasers prior to 31 December 2013.

	S\$'000
Collective Consideration	65,277
Less: Net book value of the Aljunied Property as at 30 November 2011 and estimated costs to completion	(42,926)
Estimated gain on the Proposed Disposal (Note A)	<u>22,351</u>

Note (A):

The estimated gain on Proposed Disposal amounting to approximately S\$22,351,000 is computed after considering the following factors and assumptions:

- a. Collective Consideration for the Proposed Disposal amounting to S\$65,277,000.
- b. Actual qualifying expenditure paid or payable as at 30 November 2011 amounting to S\$28,537,000 and estimated cost to completion amounting to approximately S\$14,389,000 (including actual contracted sums).
- c. Finance costs:
  - Land loan: Based on actual interest incurred up to 30 November 2011 and loan tenure of 2 years for the land loan of S\$17,200,000 (80% of purchase cost of land) which commenced in October 2010. A partial repayment of the land loan amounting to S\$7,200,000 was made in December 2011. Interest rate of 2.35% per annum is assumed for the outstanding loan amounting to S\$10,000,000.
  - Development charge (“DC”) loan: Based on actual interest incurred on drawdown amounts of S\$2,592,000 and S\$518,000 in March 2011 and July 2011 respectively. The S\$2,592,000 and S\$518,000 were repaid in November 2011 and December 2011 respectively.
  - No construction loan has been secured. It is expected that the remaining construction costs of the Aljunied Property will be fully funded by the Collective Consideration.
- d. Actual selling expenses incurred, including building of sales office, design and printing of marketing materials, legal fees for drafting sales and purchase agreements and sales agent’s commission, amounting to approximately S\$1,503,000.
- e. Contingency sum of S\$1,894,000, of which \$500,000 is part of the construction contracts.
- f. The Vendor has not obtained specific income tax ruling from the Inland Revenue Authority of Singapore on the income tax treatment for the gain on the Proposed Disposal. Income tax effect has not been considered in the computations.

Please refer to the Circular for the use of the Collective Consideration. The net proceeds from the Collective Consideration will be used to pay off some of the financing obtained for the Proposed Acquisition (as stated in the Circular).

## 6.2 Assumptions

The financial effects on the net tangible assets ("**NTA**") per share of the Group ("**Share**") and the earnings per share ("**EPS**") of the Group pursuant to the completion of the Proposed Disposal are set out below. The financial effects which have been prepared based on the consolidated financial statements of the Group for its most recently completed financial year ended 30 June 2011 ("**FY2011**"), are solely for ILLUSTRATIVE PURPOSES only and do not reflect the actual financial position of the Group after the completion of the Proposed Disposal. The same bases have been used for the preparation of the financial effects as set out in the Circular for the Proposed Disposal save for the following:

a) Finance costs:

- Land loan: Based on actual interest incurred up to 30 November 2011 and tenure of 2 years for the land loan of S\$17,200,000 (80% of purchase cost of land) which commenced in October 2010. A partial repayment of the land loan amounting to S\$7,200,000 was made in December 2011. Interest rate of 2.35% per annum is assumed for the outstanding loan amounting to S\$10,000,000.
- Development charge loan: Based on actual interest incurred on drawdown amounts of S\$2,592,000 and S\$518,000 in March 2011 and July 2011 respectively. The S\$2,592,000 and S\$518,000 were repaid in November 2011 and December 2011 respectively.
- No construction loan has been secured. It is expected that the remaining construction costs of the Aljunied Property will be funded fully from the Collective Consideration.

The above finance costs have no material effect on the relevant NTA and EPS as finance costs incurred during the development phase of the Aljunied Property are to be capitalized.

- b) Deposits equivalent to 20% of the sale proceeds from the Proposed Disposal amounting to S\$13,055,000 (based on the Collective Consideration) have been received. This has no effect on profit or loss and the relevant NTA and EPS.

The estimated gain on the Proposed Disposal amounting to S\$22,351,000 have not been included in the computations of NTA, EPS and gearing as the estimated gain shall only be recognized upon completion of the construction of the industrial building and when significant risks and rewards of ownership of the Units are transferred to the Purchasers prior to 31 December 2013, which is more than 12 months from the dates of the effective and valid exercise of all options to purchase the Units. Please refer to Section 6.1 for computation of estimated gain on the Proposed Disposal and the factors and assumptions applied.

### 6.3 NTA

Solely for illustrative purposes only, applying assumptions in the Circular (Refer to Section 6.2 above), had the Proposed Disposal been effected on 30 June 2011 (being the end of the most recently completed financial year) and based on the audited consolidated financial statements of the Group at 30 June 2011, the Proposed Disposal would have had the following effects on the consolidated NTA of the Group:-

<b>As at 30 June 2011</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
NTA (S\$'000)	23,798	23,798
Number of Shares ('000)	162,500	162,500
NTA per Share (cents)	14.6	14.6

### 6.4 Earnings

Solely for illustrative purposes only, applying assumptions in the Circular (Refer to Section 6.2 above), had the Proposed Disposal been effected on 1 July 2010 (being the beginning of the most recently completed financial year) and based on the audited consolidated financial statements of the Group for FY2011, the Proposed Disposal would have had the following effects on the consolidated EPS of the Group:-

<b>FY2011</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Profit, net of tax attributable to owners of the Company (S\$'000)	6,873	6,873
Weighted average number of Shares ('000)	162,500	162,500
Earnings per Share (cents)	4.2	4.2



## 6.5 Gearing

Solely for illustrative purposes only, applying assumptions in the Circular (Refer to Section 6.2 above), had the Proposed Disposal been effected on 30 June 2011, the effects of the Proposed Disposal on the gearing of the Company as at 30 June 2011 are as follows:-

<b>As at 30 June 2011</b>	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Short-term borrowings (S\$'000)	18,632	18,632
Long-term borrowings (S\$'000)	20,103	12,385 <sup>(1)</sup>
Total indebtedness (S\$'000)	38,735	31,017
Shareholders' equity (S\$'000)	23,798	23,798
Gearing ratio (Times)	1.6	1.3

(1) The decrease in long-term borrowings by S\$7,718,000 is due to (i) the repayment of land loan amounting to S\$7,200,000 in December 2011, and (ii) repayment of DC loan of S\$2,592,000 and S\$518,000 in November 2011 and December 2011 respectively, partly offset by (iii) the drawdown of the DC loan amounting to S\$2,592,000 in July 2011.

## 7. CATALIST RULE 1006

For the purpose of this section of the announcement, the relative figures in relation to the disposal of the 100% of the Units as well as the 20% Disposal on a standalone basis have been set out, to illustrate why additional Shareholder approval was not required for the 20% Disposal. Shareholder approval had been previously obtained for the sale of 80% of the Units at the EGM.

In compliance with the Catalist Rules, the relative figures computed on the bases pursuant to Rule 1006 of the Catalist Rules in relation to the Proposed Disposal, based on the audited consolidated financial statements of the Group for FY2011, are as follows:-

(a) *Rule 1006(a)*

Net asset value of the asset to be disposed of (S\$'000) 42,926<sup>(2)</sup>

Based on estimated net asset value (including borrowing costs and selling expenses capitalized) of the Aljunied Property after it is developed

Net asset value of the Group as at 30 June 2011 (S\$'000) 23,798

Size of relative figure 180.4%<sup>(2)</sup>

<sup>(2)</sup> In relation to the 20% Disposal, the net asset value of the asset to be disposed of would have been S\$8,585,000 and the size of the relative figure would have been 36.1%.

(b) *Rule 1006(b)*

Net profits attributable to the asset to be disposed of (S\$'000) 22,351<sup>(3)</sup>

Net profits of the Group (S\$'000) 9,081

Net profit of the Group for FY2011 is based on the Group's audited profit before income tax, non-controlling interests and extraordinary items of S\$9,081,000.

Size of relative figure 246.1%<sup>(3)</sup>

<sup>(3)</sup> In relation to the 20% Disposal, the net profits attributable to the asset to be disposed of would have been S\$4,470,000 and the size of the relative figure would have been 49.2%.

(c) *Rule 1006(c)*

Aggregate value of the consideration received / receivable (S\$'000) 65,277<sup>(4)</sup>

The Company's market capitalization as at 23 December 2011 based on the total number of issued shares, excluding treasury shares (S\$'000) 50,570

Based on 194,500,000 Shares, including private placement of 32,000,000 new Shares on 24 November 2011 and closing price of the Shares of S\$0.26 on 23 December 2011. The private placement of the 32,000,000 new Shares is not carried out for the purpose of this Proposed Disposal.

Size of relative figure 129.1%<sup>(4)</sup>

<sup>(4)</sup> In relation to the 20% Disposal, the aggregate value of the consideration received/ receivable would have been S\$13,055,000 and the size of the relative figure would have been 25.8%.

(d)	<i>Rule 1006(d)</i>	
	Number of equity securities issued by the Company as consideration for an acquisition	Not applicable
	Number of equity securities previously in issue	Not applicable
	Size of relative figure	Not applicable
(e)	<i>Rule 1006(e)</i>	
	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 not applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

As the relative figures under Rule 1006 of the Catalist Rules for the 20% Disposal exceed 5% but do not exceed 50%, the 20% Disposal constitutes a “discloseable transaction” under Rule 1010 of the Listing Manual.

## **8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors and the controlling Shareholders of the Company has any interest or is deemed to be interested in the Proposed Disposal.

## **9. FURTHER INFORMATION**

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly no service contract is proposed to be entered into between the Company and any such person.

## **10. MISCELLANEOUS**

A copy of the Circular, the Announcement, and the Agreements are available for inspection by prior appointment during normal business hours at the registered office of the Company at 15 Defu Avenue 1, Singapore 539538 for 3 months from the date of this announcement.

## 11. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The financial effects, including the gain on the Proposed Disposal, set out in this Announcement are solely for illustrative purposes only and based on certain assumptions and there is no certainty that these assumptions will materialise as some of them relate to future events. There is also no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements if there are material developments. Shareholders are advised to read the Circular, 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.

By Order of the Board

Tay Eng Kiat Jackson  
Financial Controller  
28 December 2011

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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.

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