

ACQUISITIONS AND DISPOSALS

ACQUISITIONS AND DISPOSALS :: VERY SUBSTANTIAL ACQUISITION OR REVERSE TAKEOVER :: PURCHASE OF LAND - 105 EUNOS AVE 3 AND 3 CHANGI NORTH STREET 1

* 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 *	Financial Controller
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>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

Announcement Title *	PURCHASE OF LAND - 105 EUNOS AVE 3 AND 3 CHANGI NORTH STREET 1
Description	Please see attached.
Attachments	 Hafary_Ann_Purchase_of_Land.pdf Total size = 57K (2048K size limit recommended)

THE PURCHASE OF:

- (1) **A PROPERTY LOCATED AT 105 EUNOS AVENUE 3 SINGAPORE 409836 (LOT 2372V MUKIM 23)**
 - (2) **A PROPERTY LOCATED AT 3 CHANGI NORTH STREET 1 SINGAPORE 498824 (LOT 4016P MUKIM 31)**
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1. INTRODUCTION

- 1.1 On 1 April 2011, the wholly-owned subsidiary of Hafary Holdings Limited (the “**Company**”), Hafary Centre Pte Ltd (the “**Purchaser**”), signed an option (the “**Eunos Option**”) with Yee Cheong Plastic Manufacturers (Pte Ltd) (the “**Eunos Vendor**”) to acquire the whole of 105 Eunos Avenue 3 Singapore 409836 (Lot 2372V Mukim 23) (the “**Eunos Property**”).
- 1.2 The Board of Directors (the “**Board**”) of the Company is pleased to announce that the Purchaser had on 15 April 2011 exercised the Option (the “**Eunos Acquisition**”).
- 1.3 Completion of the Eunos Acquisition is conditional upon the fulfillment of the conditions precedent set out in the Eunos Option.
- 1.4 On 12 April 2011, the Purchaser signed an option (the “**Changi Option**”) with Toppan Photo Masks Singapore Pte Ltd (the “**Changi Vendor**”) to acquire the whole of 3 Changi North Street 1 Singapore 498824 (Lot 4016P Mukim 31) (the “**Changi Property**”) (the “**Changi Acquisition**”).
- 1.5 Completion of the Changi Acquisition is conditional upon the exercise of the Changi Option by the Purchaser and the fulfillment of the conditions precedent set out in the Changi Option.
- 1.6 Previously, on 4 August 2010, the Company had acquired a property at 79 Aljunied Road Singapore 389822 (the “**Aljunied Property**”) for a purchase price of S\$21,500,000 (the “**Aljunied Acquisition**”). Details of the Aljunied Acquisition were previously announced on 4 August 2010.
- 1.7 The Eunos Acquisition and the Changi Acquisition are collectively referred to as the “**New Acquisitions**”, while the Aljunied Acquisition, the Eunos Acquisition and the Changi Acquisition are collectively referred to as the “**Acquisitions**”.

2. INFORMATION ON THE PARTIES

- 2.1 The Purchaser was incorporated in Singapore as a subsidiary of the Company on 9 December 2010 with an initial issued share capital of S\$10.00.
- 2.2 The Eunos Vendor is a private company incorporated in Singapore in 28 December 1971. It is in the business of manufacturing plastic sheet, film and article. The Eunos Vendor is not related to the Company or any of its subsidiaries and none of the Company’s directors, substantial shareholders and/or their respective associates has any interests (direct or indirect) in the Eunos Vendor.
- 2.3 The Changi Vendor is a private company incorporated in Singapore in 17 July 1998. It is in the business of custom manufacture of photomask, duplicating and photo-copying service and the Changi Property is currently vacant. The Changi Vendor is not related to the Company or any of its subsidiaries and none of the Company’s directors, substantial shareholders and/or their respective associates has any interests (direct or indirect) in the Changi Vendor.

3. THE EUNOS ACQUISITION

3.1 Information on the Eunos Property

The Eunos Property is a leasehold property with a land area of approximately 4,978.4 square metres. Its 60 year lease with the Housing Development Board of Singapore (“HDB”) commenced on 15 September 1979. The building on the property currently has 2 levels, including a single-storey factory.

3.2 Principal terms of the Eunos Option

(a) Purchase Consideration

The purchase consideration for the Eunos Acquisition is S\$9,800,000 (the “**Eunos Purchase Consideration**”), which is exclusive of goods and services tax and was arrived at on a willing buyer-willing seller basis after taking into account current market prices of properties in the surrounding area and the Company’s assessment of the Eunos Property’s redevelopment potential.

A sum of S\$98,000 had been paid upon the grant of the Eunos Option, and a further sum of S\$882,000 had been paid upon the exercise of the Eunos Option (the “**Eunos Deposit**”). The Purchaser must pay the balance of the Eunos Purchase Consideration on the completion date for the Eunos Acquisition.

(b) Expected Completion

The completion of the Eunos Acquisition is scheduled to take place on:-

- (i) the date falling 16 weeks from the date of exercise of the Eunos Option; or
 - (ii) the date falling 2 weeks from and including the date of the Purchaser’s receipt of the Eunos Approvals (as defined below); or
 - (iii) in the event that there are unauthorized renovations, the date falling 2 weeks after confirmation by HDB that the unauthorized renovations are duly rectified or approval has been granted for the retention,
- whichever is the latest (the “**Eunos Completion**”).

(c) Approvals and legal requisitions required for completion of the Eunos Acquisition

The following are required for the completion of the Eunos Acquisition:-

- (i) approval in writing of the HDB and all other relevant governmental and statutory board approvals for the transfer or assignment of the Eunos Property to the Purchaser and for use by the Purchaser for the storage and distribution, packing and unpacking and the display of ceramic tiles and marble (the “**Eunos Approvals**”); and
- (ii) satisfactory replies to the legal requisitions relating to the Eunos Property sent by the Purchaser’s solicitors to the following authorities:
 - (1) Land Transport Authority (Street Works);
 - (2) Land Transport Authority (Rapid Transit Systems);
 - (3) Building and Construction Authority;
 - (4) Urban Redevelopment Authority;
 - (5) Ministry of the Environment, Sewerage Department;
 - (6) Ministry of the Environment, Environmental Health Department;

- (7) Ministry of the Environment, Pollution Control Department, Central Building Planning Unit; and
 - (8) Inland Revenue Authority of Singapore.
- (d) Other key terms and conditions of the Eunos Acquisition

The key terms and conditions of the Eunos Acquisition include:

- (i) In the event that the Purchaser is unable, for any reason whatsoever, to obtain the Eunos Approvals at the expiry of 16 weeks from the date of the Eunos Option (or on expiry of such other extended date as may be agreed to by the Eunos Vendor), the Eunos Vendor and the Purchaser will each be at liberty to rescind this agreement for sale and purchase by giving to the other party written notice thereof whereupon the sale and purchase of the Eunos Property shall be treated as cancelled forthwith;
- (ii) The Eunos Property is sold with vacant possession to be delivered on completion provided always that the Eunos Vendor shall be entitled to lease the Eunos Property from the Purchaser for its own occupation for a period of 6 months after the Eunos Completion, at the rental calculated at the rate of S\$1.50 per square foot of the floor space occupied by the Eunos Vendor and the Eunos Vendor shall be entitled to give to the Purchaser prior written notice of 1 month to terminate the lease before the expiration of the lease period. The Eunos Vendor shall confirm its decision to leaseback not later than 1 month after acceptance of the Eunos Option by the Purchaser;
- (iii) The Eunos Property is sold on an “as is where is basis” and the Purchaser shall be deemed to have inspected the Eunos Property on or before the date of the Eunos Option and have full notice of the actual state and condition of the Eunos Property as regards rights of way, easements, access, light, air, drainage, defects, disrepair, boundaries, tenure, structure (if any), dimensions, area, zoning, sewerage, utility services, encroachments, the neighbouring area/properties and in all other respects and the Purchaser shall not be entitled to make or raise any objection, requisition, enquiry and/or claim whatsoever in respect thereof. The Purchaser shall be deemed to be satisfied with the state, condition and fitness of structure thereof of the Eunos Property and shall not look to or rely upon any representation or warranty of the Eunos Vendor or the Eunos Vendor’s solicitors or agents as to such state, condition, fitness or otherwise thereof of the Eunos Property and the Eunos Vendor shall be under no liability whatsoever to the Purchaser in respect thereof; and
- (iv) The sale and purchase of the Eunos Property is subject to the Eunos Property not being acquired in whole or in part by the government or any competent authority on or before the Eunos Completion. In the event that the government or any competent authority shall acquire or give notice of intended acquisition or notice of acquisition of the Eunos Property on or before the Eunos Completion, the Purchaser shall be entitled to rescind the Option in which event the Option shall be null and void whereupon the Purchaser shall return all title deeds to the Eunos Vendor and withdraw all caveats and cancel any entry relating to the Eunos Property in the Singapore Land Registry and in exchange the Eunos Vendor shall forthwith refund to the Purchaser the Eunos Deposit paid by the Purchaser to the Eunos Vendor or the Eunos Vendor’s solicitor without any interest or compensation whatsoever and thereupon neither party shall have any claim or demand against the other for costs, damages, compensation or otherwise.

3.3 Funding the Eunos Acquisition

The Eunos Acquisition will be funded by internal resources and bank borrowings.

4. THE CHANGI ACQUISITION

4.1 Information on the Changi Property

The Changi Property is a leasehold property with a land area of approximately 10,465 square feet. Its 30 year lease with the Jurong Town Corporation (the “**JTC**”) commenced on 1 March 1999. The building on the property currently is a single-storey detached factory with mezzanine level.

4.2 Principal terms of the Changi Option

(a) Purchase Consideration

The purchase consideration for the Eunos Acquisition is S\$10,000,000 (the “**Changi Purchase Consideration**”), which is exclusive of goods and services tax and was arrived at on a willing buyer-willing seller basis after taking into account current market prices of properties in the surrounding area and the Company’s assessment of the Changi Property’s redevelopment potential.

A sum of S\$100,000 had been paid upon the grant of the Changi Option, and a further sum of S\$900,000 will have to be paid upon the exercise of the Changi Option (the “**Changi Deposit**”). The Purchaser must pay the balance of the Changi Purchase Consideration on the completion date for the Changi Acquisition.

(b) Expected Completion

The completion of the Changi Acquisition is scheduled to take place on:-

- (i) the date falling 12 weeks from the date of exercise of the Changi Option; or
 - (ii) the date falling 4 weeks from the date of receipt of the Changi Approvals (as defined below),
- whichever is the latest (the “**Changi Completion**”).

(c) Approvals and legal requisitions required for completion of the Changi Acquisition

The following are required for the completion of the Changi Acquisition:-

- (i) the Changi Approvals are granted on or before 16 weeks from the date of the Changi Option;
- (ii) approval by the Changi Vendor’s board of directors and/or shareholders for the sale of the Changi Property;
- (iii) satisfactory replies to the legal requisitions relating to the Changi Property sent by the Purchaser’s solicitors to the various Government authorities, including the Land Transport Authority – Rapid Transit System;
- (iv) the approval from the JTC for the Changi Vendor to sell/assign and the Purchaser to purchase the unexpired initial term lease and the 30 years renewed/extended lease term comprising the aggregate of not less than 47 years at the material time of such approval (the “**JTC Approval**”); and
- (v) JTC and the relevant governmental and statutory boards (the “**Other Changi Authorities**”) approvals in respect of the Purchaser’s application for change of use of the Property to storage and distribution, packing and unpacking and the display of ceramic tiles and marble (the “**Other Changi Approvals**”).

The JTC Approval and the Other Changi Approvals are collectively referred to as the “**Changi Approvals**”.

(d) Other key terms and conditions of the Changi Acquisition

The key terms and conditions of the Changi Acquisition include:

- (i) the Changi Property is sold on an “as is where is” basis;
- (ii) the Changi Vendor and the Purchaser agree to accept, comply and perform all terms and conditions as imposed by JTC and/or the Other Changi Authorities to be accepted, complied and performed by them respectively in connection with the application for approval to assign/transfer of the Changi Property and in respect of the Changi Property, including, without limitation, terms and conditions relating to the proposed use of the Changi Property and the upward revision (if any) of the rent of the Changi Property payable to the JTC;
- (iii) the Changi Vendor and the Purchaser shall each, if required under the guidelines under JTC’s existing circulars, carry out the environmental baseline study and comply with decontamination requirements and each party shall bear their own cost and expense in respect of their own compliance of the said guidelines;
- (iv) the Changi Vendor hereby discloses that there was an encroachment of around 100mm on the land adjacent to the Changi Property resulting from the construction of a sump pit which had been rectified. The Changi Vendor further undertakes to rectify any encroachment should JTC raise any objection relating thereto on or before the Changi Completion Date. In the event there is any encroachment which is raised or objected to by JTC on or before the Changi Completion Date, the Purchase agrees to extend the completion of the sale and purchase of the Changi Property for up to 12 weeks from the Changi Completion Date to carry out the rectification. If the said rectification is not completed within this additional time period, the Changi Vendor and the Purchaser shall complete the sale and purchase of the Changi Property within 3 days from the expiry of such additional period and the Purchaser agrees to grant the Changi Vendor a further period of 8 weeks to complete the rectification and grant access to the contractors of the Changi Vendor to the Changi Property to complete the said rectification; and
- (v) the Changi Option will expire within fourteen (14) days from the date of the Changi Option and will be null and void if not exercised within the said period.

4.3 Funding the Changi Acquisition

The Changi Acquisition will be funded by internal resources and bank borrowings.

5. RATIONALE FOR THE NEW ACQUISITIONS

5.1 The Company and its subsidiaries (collectively referred to as the “**Group**”) enjoyed a 64% increase in revenue from approximately S\$18,890,000 to approximately S\$30,987,000 for the half-year ended 31 December 2010 (as announced in the Group’s half year results on 14 February 2011). The Group’s growth in revenue has resulted in the Group requiring additional storage and warehouse space to support its growing business. As a short-term measure, the Group has had to enter into short-term leases to cope with the lack of storage and warehouse space. The Company is also taking into consideration the running-down of its existing lease at 5A Defu Lane 8 Singapore 539310. As a result, the Group intends to seek opportunities to increase its storage and warehouse capacity in a cost-effective manner, including the New Acquisitions.

5.2 The Eunost Acquisition will allow the Group to relocate the existing office, showroom and warehouse at 15 Defu Avenue 1 Singapore 539538, which has an aggregate built-in area of approximately 28,540 square feet, to a larger office, showroom and warehouse at the Eunost Property, to meet the future expansion needs of the Group. The Eunost Property will be re-developed from its current two-storey building to a six-storey building, which would have an aggregate built-in area of approximately 132,500 square feet, in order to house the Group’s

office, showroom and warehouse, subject to receipt of approvals from all relevant authorities. The current intention is to use the Eunost Property to store and display stone, wood and sanitary ware products.

5.3 The Changi Acquisition will allow the Group to store its tiles in one location. The Changi Acquisition would provide the Group with an additional 150,000 square feet of storage space, which, together with the Eunost Acquisition, would be sufficient to meet the Group's short-to-medium term storage needs.

5.4 The Board also intends to dispose of the Aljunied Property, subject to satisfactory realisable value and all requisite regulatory approvals being obtained. Based on the management review, the Aljunied Property now does not meet the Group's operational needs due to the Group's greater requirement for storage space and the Aljunied Property would no longer be suitable for that purpose. This would allow the Group to secure a longer term storage facilities. However, as the disposal process for the Aljunied Property is still in its preliminary stages (including evaluation thereof), the Company will make a further announcement on the disposal process as well as seek shareholders' approval, if necessary, for the disposal for the Aljunied Property at the applicable time.

6. **FINANCIAL EFFECTS OF THE ACQUISITIONS**

Pursuant to Rule 1005 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rule of Catalyst (the "**Catalist Rules**"), the Company has treated the Acquisitions on a consolidated basis.

By way of illustration only, and based on the audited financial statements of the Group for the financial year ended 30 June 2010 ("**FY2010**"), the Acquisitions are expected to have the following financial effects on the Group:-

6.1 **Net Tangible Assets ("NTA")**

For illustration purposes, had the Acquisitions taken place on 30 June 2010 (being the end of the most recently completed financial year) and based on the audited consolidated financial statements of the Group at 30 June 2010, the Acquisitions would have had a material impact on the consolidated NTA of the Group. The table below illustrates the effect of the Acquisitions on the consolidated NTA of the Group:-

As at 30 June 2010	Before the Acquisition	After the Acquisition
NTA (S\$'000)	18,435	18,435
Number of ordinary shares in issue during the financial year ('000)	162,500	162,500
NTA per share (cents)	11.3	11.3

6.2 Earnings per Share ("EPS")

For illustration purposes, had the Acquisitions been completed on 1 July 2009 (being the beginning of the most recently completed financial year) and based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2010, the Acquisitions would have had the following effects on the consolidated EPS of the Company:-

FY2010	Before Proposed Acquisition	After Proposed Acquisition
Earnings attributable to equity holders of the Company (S\$'000)	3,061	2,218 ⁽¹⁾
Number of ordinary shares in issue during the financial year ('000)	162,500	162,500
EPS (cents):		
Basic	1.9	1.6
Diluted	1.9	1.6

Note:-

- (1) This is determined on the basis that the Acquisitions will be financed as follows: 20% from internal resources and 80% from bank borrowings. Hence, the aggregate amount of bank borrowings to be obtained is S\$33,040,000. For illustration purposes, the Company has assumed a 20-year term loan is obtained at the current market interest rate fixed at 2.2 % per annum for the Aljunied Acquisition and 3.0 % per annum for the New Acquisitions.

6.3 Relative Figures under Rule 1006 of the Catalyst Rules

The relative figures under Rule 1006 of the Catalyst Rules based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 31 December 2010 are:-

Rule 1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	Not applicable
Rule 1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	Not applicable
Rule 1006 (c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	149.5% ⁽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
Rule 1006 (e)	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 to an acquisition of such assets.	Not applicable

Note:-

- (1) Based on the Purchase Consideration of S\$41,300,000 and the market capitalisation of the Company as at 15 April 2011 of approximately S\$27,630,000.

As the relative figure under Rule 1006(c) of the Catalist Rules exceeds 100%, the proposed New Acquisitions, aggregated with the Aljunied Acquisition, would be considered a "Very Substantial Acquisition or Reverse Takeover" pursuant to Rule 1015 of the Catalist Rules. Accordingly, the New Acquisitions shall be conditional upon, *inter alia*, the approval by the Company's shareholder's at a general meeting. For avoidance of doubt, as the Aljunied Acquisition was made and completed prior to the proposed New Acquisitions, no approval will be sought from shareholders for the aforesaid transaction.

Although the proposed New Acquisitions are made in the ordinary course of the Group's business, the Company will be seeking shareholders' approval for the proposed New Acquisitions as there is a possibility it may change the risk profile of the Company as the Company will be exposed to development risks in relation to the proposed Acquisitions.

However, the Company will be seeking a waiver of Rule 1015 of the Catalist Rules, on the basis that, *inter alia*, the proposed New Acquisitions are for the purpose of obtaining sufficient office, warehouse and showroom space for the Group's business purpose and not an injection of a new business seeking a "backdoor listing". The Company will make a further announcement on receipt of a response from the SGX-ST on the waiver.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisitions. No person will be appointed to the Board in connection with the Acquisitions and no service contracts in relation thereto will be entered into by the Company.

8. CIRCULAR

A circular containing, *inter alia*, details of the proposed New Acquisitions and enclosing a notice of the extraordinary general meeting in connection therewith will be dispatched to shareholders in due course.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Eunos Option and the Changi Option will be made 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 3 months from the date of this announcement.

By Order of the Board

Tay Eng Kiat Jackson
Financial Controller

Date: 18 April 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 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.

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