

Asset Acquisitions and Disposals::Proposed Acquisition of Property in Foshan, Guangzhou

Issuer & Securities

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Announcement Details

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PROPOSED ACQUISITION OF PROPERTY IN FOSHAN, GUANGZHOU

1. INTRODUCTION

1.1 THE PROPOSED ACQUISITION

Hafary Holdings Limited (the "**Company**", and together with its subsidiaries, collectively the "**Group**") wishes to announce that its wholly-owned subsidiary, Foshan Hafary Trading Co., Limited (the "**Purchaser**"), had on 18 April 2014 entered into a Sale and Purchase Agreement (the "**SPA**") with Foshan Shenghui Plastics Materials Co., Limited (佛山市盛晖塑料有限公司) (the "**Vendor**") for the proposed acquisition of the property located at North Fang Xun Road, Hecheng Street (Fuwan), Gaoming District, Foshan, Guangzhou (佛山市高明区荷城街道 (富湾) 防汛大道北) (the "**Property**" and the acquisition of the property, the "**Proposed Acquisition**").

1.2 INFORMATION ON THE PROPERTY AND THE VENDOR

1.2.1 The Property is located in Gaoming District, Foshan, Guangzhou. It is situated 20 kilometres west of the Foshan city centre. The Property comprises warehousing space of approximately 24,000 square metres, open space of approximately 16,000 square metres and a 5 storey dormitory of gross floor area of approximately 1,920 square metres. The Property has a total gross land area of approximately 40,940 square metres. The Property is a leasehold property granted by the Gaoming District Government for a term of 37 years commencing 31 December 2013 and expiring on 30 December 2050.

1.2.2 The Vendor is a limited company incorporated in the People's Republic of China. The Vendor and its shareholders are not related to the Company, its directors or its executive management.

2. NATURE OF THE TRANSACTION

Pursuant to the terms of the SPA, the Purchaser will acquire the Property directly from the Vendor.

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 Certain inventory items held by the Group, especially tiles to be delivered for use in major property development projects, are stored in our warehouses in Singapore for some time before they are sold or before customers are ready to receive them. This is necessary to ensure uninterrupted delivery of building materials for our customers. The use of the Property to store such inventory would reduce the Group's cost to hold such inventory.
- 3.2 The use of Property as the Group's proposed new central warehousing facility is feasible due to its proximity to Gaoming Port, which the Group can utilise to ship inventories to customers (predominantly from Singapore) at short notice. The Gaoming District Government has also announced plans to relocate Xingang Port (新港码头) to the shoreline about 1 kilometre from the Property. This relocation of Xingang Port (新港码头) to a 21-hectare site in Gaoming District is expected to be completed in 2017. The close proximity of Xingang Port (新港码头) would further facilitate the shipping of inventory to Singapore and other locations in the Asia region. The Property is also about 10 kilometres to Gaoming Port, which is currently utilized by the Group to import certain inventories from Foshan, Guangzhou.
- 3.3 The Property covers a large land area of 40,940 square metres which the Group is not expecting to fully utilise in the short to medium term. Unutilised space in the Property is expected to be leased for rental income.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

4.1.1 The consideration for the Property is RMB 49.8 million, equivalent to approximately S\$10.0 million based on the exchange rate of S\$0.2011: RMB 1.0000 as at the date preceding the date of this announcement (the "**Consideration**"). The Consideration comprises:-

- (a) the purchase consideration for the land and buildings of amounting to RMB 42.0 million;

- (b) Restoration and clearing charges and other reimbursements amounting to RMB 1.3 million; and
- (c) Taxes borne by the Purchaser amounting to RMB 6.5 million.

4.1.2 The Consideration was negotiated at arms-length and arrived at on a willing seller willing buyer basis, and based on the valuation of RMB48.7 million set out in the independent valuation report dated 21 March 2014 (the "**Valuation Report**"). The Proposed Acquisition is conducted on normal commercial terms considering the benefits as set out in 'Rationale for the Proposed Acquisition' above.

4.2 **Method of Financing**

The Group intends to finance the Proposed Acquisition by way of bank borrowings.

4.3 **Completion under the SPA**

The Completion date will be within 45 days of date of agreement, or such other time and place as may be agreed between the Purchaser and the Vendor.

5. FINANCIAL EFFECTS

5.1 The financial effects of the Proposed Acquisition on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Acquisition. The financial effects of the Proposed Acquisition set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 30 June 2013 ("FY2013").

5.1.1 Net tangible assets ("NTA")

The effects of the Proposed Acquisition on the audited consolidated NTA per share of the Group as at FY2013, assuming that the Proposed Acquisition had been effected on 30 June 2013 (i.e. the end of FY2013), are summarized below:-

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|------------------------------------|--|---------------------------------------|
| Consolidated NTA (S\$'000) | 44,676 | 44,676 |
| Number of shares ('000) | 429,000 | 429,000 |
| Consolidated NTA per share (cents) | 10.4 | 10.4 |

5.1.2 Earnings per Share ("EPS")

The effects of the Proposed Acquisition on the audited consolidated EPS of the Group for FY2013, assuming that the Proposed Acquisition had been effected at the beginning of FY2013 are summarized below:-

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|--|---------------------------------------|
| Earnings attributable to equity holders of the Company (S\$'000) | 22,328 | 21,867 |
| Weighted average number of shares ('000) | 402,479 | 402,479 |
| Consolidated EPS (cents) | 5.55 | 5.43 |

6. RULE 1006

6.1 The relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the Group's audited consolidated financial statements for the FY2013, being the latest announced audited consolidated financial statements of the Group as at the date of the SPA, are as follows:-

| | | |
|---------------------|--|----------------|
| Rule 1006(a) | Net asset value of the Sale Shares, compared with the Group's net asset value | Not applicable |
| Rule 1006(b) | Net profits attributable to the Sale Shares, compared with the Group's net profits | Not applicable |
| Rule 1006(c) | Consideration to be given for the Proposed Acquisition compared with the Company's market capitalization | 12.6% |
| Rule 1006(d) | Number of equity securities issued by the Company as consideration for the 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 | Not applicable |

6.2 As the relative figures under Rule 1006 of the Mainboard Rules exceed 5% but does not exceed 20%, the acquisition constitutes a discloseable transaction for the purposes of Chapter 10 of the Mainboard Rules. The Company is not required to obtain shareholders' approval for the Proposed Acquisition.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Acquisition.

8. DIRECTORS' SERVICE CONTRACTS

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

9. MISCELLANEOUS

The following documents are available for inspection at the registered office of the Company at 105 Eunos Avenue 3, Hafary Centre, Singapore 409836, during normal business hours for three (3) months from the date of this announcement:-

- (i) the SPA; and
- (ii) the Valuation Report.

Shareholders and potential investors should note that the Proposed Acquisition is subject to the fulfillment (or waiver) of, *inter alia*, the conditions precedent set out above and accordingly 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.

BY ORDER OF THE BOARD

Tay Eng Kiat Jackson
Financial Controller
18 April 2014