Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hafary Holdings Limited

Stock code: 5VS

Meeting details:
Date: 22 June 2020
Time: 9.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. Would the board/management provide shareholders with better clarity on the following operational/financial matters? Specifically:

(i) **Revenue - Project:** As shown in the 5-year financial highlights (page 18 of the annual report), the revenue from projects has gradually slipped from $63.9 million in FY2015 to $43.5 million in FY2019. **Can management help shareholders understand if it has maintained its market share in Singapore? Is the group still competitive in the B2B segment? What are the major opportunities in the next 18-24 months for the group to reverse the trend in the project segment?**

(ii) **Gearing:** Net debt remained at $137 million (page 110) as at 31 December 2019. As shareholder's equity has increased gradually over the years, the net debt to equity ratio has improved from as high as 2.6x to 2.0x as at 31 December 2019.

LEVERAGE					
Net debt to equity ratio (times) (Net debt/ Shareholders' equity)	2.0	2.1	2.4	2.6	2.3
Interest cover (times) (EBITDA/ Finance cost)	5.2	5.2	5.4	6.1	7.3

(Source: company annual report)

With net debt increasing over the years, finance costs have increased from $2.7 million in FY2015 to $4.17 million (interest expense on borrowings; not including interest expense on lease liabilities of $368,000) in FY2019.

What guidance has the board given to management on the level of leverage given that the global economy has been severely impacted by the COVID-19 outbreak?

As shown on page 110, the group has 12 bank loans totaling $117.2 million that are on floating interest rates. In FY2019, the rates have mostly increased. For example, the rates for bank loan H increased from 2.42% to 3.34% in FY2018 to 3.21% to 3.42% in FY2019.

What were the reasons for the increase in interest rates in FY2019? How can the group reduce its interest costs?

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q2. One of the bright sparks for the group in FY2019 was the continued strong performance of Viet Ceramics International Joint Stock Company ("VCI"). The share of profit from the 49% associate jumped 28.9% from $3.1 million in FY2018 to $4.0 million in FY2019.

This was attributed to the positive economic climate and higher level of construction activities in Vietnam.

(i) **With already 8 showrooms (Ho Chi Minh City (5), Ha Noi (2) and Da Nang (1)), are there plans to scale up the network more extensively?**

(ii) **What is the market share of VCI?**

(iii) **How is the group helping VCI to ride on the positive momentum in Vietnam and to establish itself as a market leader?**

On the other hand, the group recognises the 46% investment in World Furnishing Hub Pte. Ltd. ("WFH") as a subsidiary as the group has management control over WFH. WFH has been incurring losses and it is in a net liabilities position of $(4.3) million as at 31 December 2019. **Can management elaborate further on the long-term plans for WFH?**

Q3. The board comprises 8 directors, 3 of whom are deemed independent. The independent directors are Mr Ong Beng Chye, Mr Terrance Tan Kong Hwa and Mr Chow Wen Kwan Marcus.

All three directors were appointed to the board on 10 November 2009. At the annual general meeting scheduled to be held on 22 June 2020, Mr Chow Wen Kwan Marcus, who is retiring pursuant to Article 104 of the Constitution of the company, had indicated that he would not be seeking his re-election as a director of the company at this Annual General Meeting.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(i) **Can the company help shareholders recall if it had appointed any new independent directors since its listing?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

(ii) **What is the search and nomination process for directors, especially independent directors? How does it support the board diversity policy?**

(iii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)