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: 7 April 2022
Time: 10.00 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.

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

(i) **General segment:** Revenue from the segment increased by 53.4% to $82.7 million. **Does management expect this strong demand in the general segment to be sustainable? In addition, can management elaborate further on its digital strategy, including how it is leveraging social media? How successful is its Hafary app?**

(ii) **Project segment:** Revenue from the project segment reversed 4 years of decreases (from FY2017 to FY2020) and increased by 60% to $43.3 million. The profit margin from the project and general segments was 4.5% (ORBIT/revenue) and 11.5% respectively. **How can management improve the profitability of the project segment?**

(iii) **Vietnam: Can management help shareholders understand the sentiments on the ground in Vietnam, especially with the spread of the Omicron variant? How affected was Viet Ceramics International Joint Stock Company ("VCI") and what is the pace of re-opening in Vietnam? Are there plans in the future to monetise the group's investment in VCI perhaps via a listing?**

(iv) **Myanmar: What is the business and operating environment in Myanmar? Is Hafary Myanmar Co. Ltd, the joint venture company, self-sustaining? If not, how much more capital will the group be committing to it?**

(v) **Impairment of inventories:** In the past years, the allowance for impairment of inventories have trended up: from $472,000 (FY2016), $1,499,000 (FY2017), $1,259,000 (FY2018), $1,012,000 (FY2019), $4,068,000 (FY2020) to $7,614,000 (FY2021). The assessment of impairment allowance on inventories is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements. **Can the audit committee help shareholders understand if the impairment assessment method or criteria has changed? What caused the significant increase in inventory impairment in FY2020 and in FY2021? Was the under-recognition of impairment in prior years? What is the average age of the group's inventories?**

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Q2. The group has been increasing its stake in World Furnishing Hub Pte. Ltd. ("WFH"). Prior to the increased stake, the company owns 46% of WFH but consolidates WFH as a subsidiary as it has management control of WFH.

Following two acquisitions in December 2021 and January 2022, the company now owns 81% of WFH.

As at 31 December 2021, the carrying amount of the 49% non-controlling interests in WFH was $(1.88) million. WFH remains in a net liabilities position of $(3.83) million as at 31 December 2021. In fact, WFH had current assets of $292,000 and current liabilities of $(8.97) million.

(i) **Can the board/management elaborate further on the financial position of WFH? In particular, does WFH have the necessary working capital to continue as a going concern?**

(ii) **What is the current/committed occupancy rate at the World Furnishing Hub?**

(iii) **Given that WFH has been in a net liabilities position, how did the board value the sale shares? Was a valuation of the sale shares carried out prior to the acquisitions?**

For the first acquisition from Sitra Agencies Pte Ltd, the company paid the seller $3.7 million for a 10% stake in WFH.

In the second acquisition from Mr Ching Chiat Kwong, the company acquired the seller's 25% interest in WFH for a consideration of $1.17 million along with the assignment of $1.1 million in shareholder's loan.

(iv) **Can the board/audit committee clarify if there has been a decrease in the valuation of the sale shares after the first acquisition?**

(v) **What is the total amount invested in WFH for the 81% stake?**

(vi) **What is the strategic value of underlying asset at 18 Sungei Kadut Street 2 – World Furnishing Hub?**

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Q3. At the annual general meeting scheduled to be held on 7 April 2022, Mr Terrance Tan Kong Hwa will be retiring pursuant to article 104 of the company's constitution and will be seeking his re-election as an independent director.

The profile of the directors can be found on pages 12 to 15 of the annual report. Additional information on directors seeking re-election can be found on pages 135 to 153,

Mr Terrance Tan Kong Hwa was first appointed to the board 10 November 2009.

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation, gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

(i) **Can the nominating committee (NC) help shareholders understand if the proposed nomination of Mr Terrance Tan Kong Hwa will delay the progressive renewal of the board?**

As disclosed in the Notice of meeting for the AGM (dated 31 March **2021**), the authority conferred by the passing of resolution 15 on the continued appointment of Mr Terrance Tan Kong Hwa as independent director of the company for the purposes of Rule 210(5)(d)(iii) (B) of the Listing Manual of the SGX-ST will continue in force until the retirement or resignation of Mr Terrance Tan Kong Hwa as director.

(ii) **Will the company confirm that Mr Terrance Tan Kong Hwa is not seeking a two-tier vote by shareholders for his continued appointment as independent director?**

(iii) **Given that no such two-tier vote is sought for Mr Terrance Tan Kong Hwa at the AGM to be held on 7 April 2022, if re-elected, would the director be deemed non-independent?**

In addition, as the independent chairman of the board, Mr Ong Beng Chye has been on the board for more than 12 years since his appointment in November 2009.

(iv) **Would Mr Ong Beng Chye be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

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(v) **Would the NC provide shareholders with greater clarity on the near-term plans to facilitate the progressive renewal of the board in view of the guidance from SGX RegCo?**

(vi) **Can the NC explain how the sourcing of candidates "through an extensive network of contacts" would support the company's diversity policy?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)