HALF YEAR RESULTS * FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT

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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 ...

For the Financial Period Ended *	31-12-2013
Description	Please refer to the attachment.

Attachments	HHL-Half_Year_Results_Ended_31_Dec_2013.pdf Total size =164K (2048K size limit recommended)

合發利控股有限公司
HAFARY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200918637C)

Unaudited Financial Statements and Related Announcement for the Half Year Ended 31 December 2013

1(a)(i) Statement of Comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		% Change Increase/ (Decrease)
	Unaudited 31 December 2013 (6 months) S$'000	Unaudited 31 December 2012 (6 months) S$'000	
Revenue	48,913	42,452	15%
Other Items of Income			
Other Credits	1	24,053	N.M.
Other Items of Expense			
Changes in Inventories of Finished Goods	6,076	209	2,807%
Purchases and Related Costs	(36,131)	(25,001)	45%
Employee Benefits Expenses	(6,521)	(6,965)	-6%
Depreciation Expense	(1,294)	(609)	112%
Impairment Losses	(54)	(513)	-89%
Other Charges	(479)	-	N.M.
Finance Costs	(883)	(559)	58%
Other Expenses	(4,493)	(3,524)	27%
Share of Profit/ (Loss) from Equity-Accounted Associates	495	(560)	(188%)
Share of Profit From an Equity-Accounted Joint Venture	95	12	N.M.
Profit Before Income Tax	**5,725**	**28,995**	**-80%**
Income Tax Expense	(902)	(4,691)	-81%
Profit, Net of Tax and Total Comprehensive Income for the Period	**4,823**	**24,304**	**-80%**
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent	4,483	23,910	-81%
- Non-Controlling Interests	340	394	-14%
	4,823	**24,304**	**-80%**

1(a)(ii) Profit, Net of Tax and Total Comprehensive Income is arrived after crediting / (charging) the following :

	Group		% Change Increase/ (Decrease)
	Unaudited 31 December 2013 (6 months) S$'000	Unaudited 31 December 2012 (6 months) S$'000	
Interest Expense on Borrowings	(883)	(559)	58%
Depreciation Expense	(1,294)	(609)	112%
Allowance for Impairment of Trade Receivables	-	(300)	N.M.
Doubtful Debts Recovered	29	83	N.M.
Bad Debts Written Off	(1)	(32)	N.M.
Other Assets Written Off	(14)	-	N.M.
Allowance for Impairment of Inventories	(68)	(264)	N.M.
Foreign Exchange Adjustment (Loss)/ Gain	(86)	98	(188%)
Fair Value (Loss)/ Gain on Derivative Financial Instruments	(9)	38	(124%)
Adjustment for Over Provision of Tax in respect of Prior Year	-	307	N.M.
Gain on Disposal of Development Property	-	23,762	N.M.
(Loss)/ Gain on Disposal of Property, Plant and Equipment	(385)	56	N.M.

Note:
(1) N.M = Not meaningful.
(2) HY = Financial period of 6 months ended 31 December.
(3) FY = Financial year ended or ending 30 June.

1(b)(i) Statement of Financial Position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited 31 December 2013 S$'000	Audited 30 June 2013 S$'000	Unaudited 31 December 2013 S$'000	Audited 30 June 2013 S$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	53,562	52,124	150	188
Investments in Subsidiaries	-	-	9,239	9,239
Investments in Associates	3,356	2,861	-	-
Investments in Joint Ventures	205	160	-	-
Total Non-Current Assets	**57,123**	**55,145**	**9,389**	**9,427**
Current Assets:				
Inventories	41,062	35,054	-	-
Trade and Other Receivables	25,972	29,969	26,459	34,413
Derivative Financial Instruments	188	197	-	-
Other Assets	3,969	6,039	56	41
Cash and Cash Equivalents	5,294	9,583	896	2,051
Total Current Assets	**76,485**	**80,842**	**27,411**	**36,505**
Total Assets	**133,608**	**135,987**	**36,800**	**45,932**
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings	11,800	18,042	4,733	11,139
Equity, Attributable to Owners of the Parent	38,434	44,676	31,367	37,773
Non-Controlling Interests	2,243	2,075	-	-
Total Equity	**40,677**	**46,751**	**31,367**	**37,773**
Non-Current Liabilities:				
Deferred Tax Liabilities	239	239	-	-
Other Financial Liabilities	30,598	17,380	70	101
Total Non-Current Liabilities	**30,837**	**17,619**	**70**	**101**
Current Liabilities:				
Provision	330	328	-	-
Income Tax Payable	5,355	5,328	9	11
Trade and Other Payables	15,094	18,183	5,287	7,986
Other Financial Liabilities	40,978	47,186	62	61
Other Liabitilies	337	592	5	-
Total Current Liabilities	**62,094**	**71,617**	**5,363**	**8,058**
Total Liabilities	**92,931**	**89,236**	**5,433**	**8,159**
Total Equity and Liabilities	**133,608**	**135,987**	**36,800**	**45,932**

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities as at the end of the current financial period and comparative figures as at the end of the immediately preceeding financial year:

Amount repayable in one year or less, or on demand

	Group			
	Unaudited As at 31 December 2013		Audited As at 30 June 2013	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Bank Loans	18,373	-	21,435	-
Trust Receipts and Bills Payable to Banks	22,446	-	25,579	-
Finance Lease Liabilities	159	-	172	-
	40,978	-	47,186	-

Amount repayable after one year

	Group			
	Unaudited As at 31 December 2013		Audited As at 30 June 2013	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Bank Loans	30,269	-	16,971	-
Finance Lease Liabilities	329	-	409	-
	30,598	-	17,380	-

Details of collaterals relating to the above borrowings:

Bank Loans
These are covered by corporate guarantees given by Hafary Holdings Limited and a subsidiary and secured by legal charges over leasehold properties of certain subsidiaries.

Trust Receipts and Bills Payable to Banks
These are covered by corporate guarantees given by Hafary Holdings Limited and a subsidiary.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Unaudited - 6 months ended	
	31 December 2013 S$'000	31 December 2012 S$'000
Cash Flows From Operating Activities		
Profit Before Income Tax	5,725	28,995
Interest Expense	883	559
Share of (Profit)/ Loss from Equity-Accounted Associates	(495)	560
Depreciation Expense	1,294	609
Share of Profit from an Equity-Accounted Joint Venture	(95)	(12)
Gain on Disposal of Development Property	-	(23,762)
Loss/ (Gain) on Disposal of Property, Plant and Equipment	385	(56)
Fair Value Loss/ (Gain) on Derivative Financial Instruments	9	(38)
Operating Cash Flows Before Changes in Working Capital	7,706	6,855
Inventories	(6,008)	55
Trade and Other Receivables	(2,320)	(5,024)
Other Assets	1,607	(2,036)
Provision	2	113
Trade and Other Payables	3,346	13,203
Other Liabilities	(255)	(304)
Net Cash Flows From Operations	4,078	12,862
Income Taxes Paid	(875)	(588)
Net Cash Flows From Operating Activities	**3,203**	**12,274**
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(2,654)	(18,209)
Proceeds From Disposal of Property, Plant and Equipment	-	168
Payments for Development Property Costs	-	(8,044)
Progress Payments Received from Sale of Development Property	6,322	14,209
Dividend Income from Joint Venture	45	-
Investment in an Associate	-	(2,885)
Investment in a Joint Venture	-	- *
Net Cash Flows From/ (Used in) Investing Activities	**3,713**	**(14,761)**
Cash Flows From Financing Activities		
Dividends paid to Equity Owners	(17,160)	(2,918)
Dividends Paid to Non-Controlling Interests	(172)	(180)
(Decrease)/ Increase in Trust Receipts and Bills Payable	(3,133)	3,280
Repayment of Finance Lease Liabilities	(93)	(168)
Proceeds From New Bank Loans	26,964	13,339
Repayment of Bank Loans	(16,766)	(7,391)
Interest Expense Paid	(845)	(769)
Net Cash Flows (Used in)/ From Financing Activities	**(11,205)**	**5,193**
Net (Decrease)/ Increase in Cash and Cash Equivalents	(4,289)	2,706
Cash and Cash Equivalents, Beginning Balance	9,583	4,984
Cash and Cash Equivalents, Ending Balance	**5,294**	**7,690**

* Amount less than S$1,000.

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Total Equity S$'000	Attributable to Parent Subtotal S$'000	Share Capital S$'000	Retained Earnings S$'000	Non-Controlling Interests S$'000
Current Period (Unaudited):					
Opening Balance at 1 July 2013	46,751	44,676	26,634	18,042	2,075
Total Comprehensive Income for the Period	4,823	4,483	-	4,483	340
Dividends Paid (1)	(10,725)	(10,725)	-	(10,725)	-
Dividends Paid to Non-Controlling Interests	(172)	-	-	-	(172)
Closing Balance at 31 December 2013	**40,677**	**38,434**	**26,634**	**11,800**	**2,243**
Previous Period (Unaudited):					
Opening Balance at 1 July 2012	33,005	31,304	20,875	10,429	1,701
Total Comprehensive Income for the Period	24,304	23,910	-	23,910	394
Dividends Paid (1)	(2,918)	(2,918)	-	(2,918)	-
Dividends Paid to Non-Controlling Interests	(180)	-	-	-	(180)
Closing Balance at 31 December 2012	**54,211**	**52,296**	**20,875**	**31,421**	**1,915**

COMPANY	Total Equity S$'000	Share Capital S$'000	Retained Earnings S$'000
Current Period (Unaudited):			
Opening Balance at 1 July 2013	37,773	26,634	11,139
Total Comprehensive Income for the Period	4,319	-	4,319
Dividends Paid (1)	(10,725)	-	(10,725)
Closing Balance at 31 December 2013	**31,367**	**26,634**	**4,733**
Previous Period (Unaudited):			
Opening Balance at 1 July 2012	24,019	20,875	3,144
Total Comprehensive Income for the Period	5,475	-	5,475
Dividends Paid (1)	(2,918)	-	(2,918)
Closing Balance at 31 December 2012	**26,576**	**20,875**	**5,701**

Note:

(1)

Dividends on Equity Shares	Unaudited HY2014 S$'000	Unaudited HY2013 S$'000
Final tax exempt (1-tier) dividend paid of:		
- 2.5 cents per share on total number of issued ordinary shares of 429,000,000	10,725	-
- 1.5 cents per share on total number of issued ordinary shares of 194,500,000	-	2,918

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Company			
	Unaudited HY2014		Unaudited HY2013	
	No. of Shares	S$'000	No. of Shares	S$'000
Total number of shares at the beginning and end of the period	429,000,000	26,634	194,500,000	20,875

The Company has no outstanding convertibles or treasury shares as at 31 December 2013 and 31 December 2012.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the immediately preceding year

Company	
Unaudited 31 December 2013	Audited 30 June 2013
429,000,000	429,000,000

1(d)(iv) Statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has no treasury shares as at 31 December 2013 and there were no sales transfers, disposal, cancellation and/or use of treasury shares during HY2014.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditor' report (including any qualifications or emphasis of a matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group had adopted the applicable new and/or revised Financial Reporting Standards (the "FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 July 2013. Changes to the Group's accounting policies have been made in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and/or revised FRS and INT FRS did not result in any substantial changes to or significant impact on the Group's financial statements.

Except for the above, the Group has adopted the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the financial year ended 30 June 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change

Same as above.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share ("EPS") for the period based on profit, net of tax and total comprehensive income attributable to owners of the parent:

	Group	
	Unaudited 31 December 2013 (6 months)	Unaudited 31 December 2012 (6 months)
Earnings per ordinary share		
(a) Basic	1.04 cents	6.15 cents
Weighted average number of ordinary shares	429,000,000	389,000,000
(b) On a fully diluted basis	1.04 cents	6.15 cents
Weighted average number of ordinary shares	429,000,000	389,000,000

Note:

For computation of EPS for 31 December 2012, the number of ordinary shares outstanding was retroactively adjusted for the effect of share split of every one ordinary share in the share capital of the Company into two ordinary shares completed on 15 May 2013. The number of shares outstanding is adjusted as if the share split was completed on 1 July 2012.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		**Company**	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
Net asset value per ordinary share based on the total number of shares in issue	8.96 cents	10.41 cents	7.31 cents	8.80 cents

Note:

Net asset value per ordinary share is calculated based on 429,000,000 ordinary shares as at 31 December 2013 and 30 June 2013.

8 **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Material factors that affected turnover, costs and earnings

<u>Revenue</u>

Revenue increased by S$6.5 million or 15.2% from S$42.4 million during HY2013 to S$48.9 million during HY2014.

Revenue from the general segment (whose customers include home-owners, architecture, interior design and renovation firms) increased by S$1.4 million or 5.8% from S$24.3 million during HY2013 to S$25.7 million during HY2014. Demand of surfacing materials from the general segment is closely correlated to the volume of residential unit resale transactions. During HY2014, there was a discernible decrease in residential unit resale transactions after a series of property-cooling measures. In January 2013, the Singapore Government announced its seventh package of property cooling measures in over three years. In June 2013, the Monetary Authority of Singapore introduced the Total Debt Servicing Ratio. These had resulted in general sales volume to only increase slightly in HY2014 compared to HY2013.

Revenue from the project segment (whose customers include architecture firms, property developers and construction companies) increased by S$4.7 million or 26.0% from S$18.1 million during HY2013 to S$22.8 million during HY2014. The Group supplied tiles and building materials for several development projects during HY2014, for example Hedges Park @ Flora Drive and Parkland Residences. The increase in project sales is largely driven by the higher volume of deliveries of surfacing materials for use in Housing Development Board ("HDB") residential estate development projects.

During HY2014, the Group also derived other income, majority of which relates to rental income from leasing of excess space commencing during HY2014 at 105 Eunos Avenue 3 Singapore 409836, of S$0.4 million (HY2013: S$8,000).

<u>Other Credits</u>

Other credits during HY2013 comprised of a one-time gain on sale of development property at 82 Lorong 23 Geylang Singapore 388409 amounting to S$23.8 million, gain on disposal of motor vehicle amounting to S$0.1 million and foreign currency adjustment gains amounting to S$0.1 million.

<u>Cost of Sales</u>

Cost of sales is computed based on purchases and related expenses net of changes in inventories of finished goods for the respective financial periods.

Cost of sales increased by S$5.3 million or 21.2% from S$24.8 million during HY2013 to S$30.1 million during HY2014.

The gross profit margin (based on cost of materials only, without taking into account labour costs and overheads) was 38.6% for HY2014 compared to 41.6% for HY2013. The decrease in gross profit margin is mainly due to higher proportion of project sales made during HY2014. Generally, lower profit margin is derived from project sales.

Employee Benefits Expenses

Employee benefits expenses decreased by S$0.4 million or 6.4% from S$6.9 million during HY2013 to S$6.5 million during HY2014.

The annual salary increment with effect from July 2013, increase in headcount and overtime expenses incurred to cope with the increased business of the Group did not result in higher employee benefits expenses as a lower allowance for directors' performance bonus was made. Directors' performance bonus is based on profit before tax achieved during the financial period. Directors' performance bonus for HY2013 was higher due to a higher profit before income tax which is mainly attributable to the one-time gain on sale of development property at 82 Lorong 23 Geylang.

Depreciation Expense

Depreciation expense increased by S$0.7 million or 112.5% from S$0.6 million during HY2013 to S$1.3 million during HY2014.

The increase was mainly attributable to:

a) Major additions during HY 2013 such as refurbishment of marble processing facility at 18C Sungei Kadut Street 4 Singapore 729066. Depreciation for these additions, which commenced during HY2013, were recognised for the full period of HY2014.
b) Major additions during HY2014 such as renovation of main showroom and corporate headquarters at 105 Eunos Avenue 3 Singapore 409836 and acquisition of motor vehicles, furniture and fittings and machinery to cope with the increased business of the Group.
c) Commencement of depreciation of leasehold properties at 3 Changi North Street 1 Singapore 498824 (Main warehouse) with effect from March 2013 and 105 Eunos Avenue 3 (Corporate headquarters and main showroom) with effect from July 2013 after the premises were fully constructed and put in use.

Impairment Losses

Impairment losses decreased by S$0.4 million or 89.5% from S$0.5 million during HY2013 to S$0.1 during HY2014.

The decrease was mainly due to lower allowance for impairment made for:
a) Inventories by S$0.2 million; and
b) Trade receivables by S$0.3 million.

The above decrease was partially offset by decrease in doubtful debts recovered by S$0.1 million.

Other Charges

Other charges incurred during HY2014 comprised of losses on disposal of plant and equipment amounting to S$0.4 million and foreign exchange adjustment losses amounting to S$0.1 million (HY2013: Foreign exchange adjustment gains under other credits).

Finance Costs

Finance costs increased by S$0.3 million or 58.0% from S$0.6 million during HY2013 to S$0.9 million during HY2014.

The increase was mainly attributable to interest expense on bank loans relating to acquisition and development of 105 Eunos Avenue 3 (Corporate headquarters and main showroom) and 3 Changi North Street 1 (Main warehouse) recognised in profit or loss after temporary occupancy permits ("TOPs") were issued for these premises. Before the issuance of the TOPs, interest expense incurred for these bank loans were treated as cost of qualifying assets and capitalised in property, plant and equipment.

Other Expenses

Other expenses increased by S$1.0 million or 27.5% from S$3.5 million during HY2013 to S$4.5 million during HY2014.

The increase was mainly attributable to:

a) Increase in land rental by S$0.2 million. The increase is mainly attributable to leasehold properties at 3 Changi North Street 1. Before TOP was issued for this premise, land rental was treated as cost of qualifying assets and capitalised in property, plant and equipment.;
b) Increase in property tax relating to leasehold properties at 3 Changi North Street 1 and 105 Eunos Avenue 3 by S$0.1 million. Before TOP were issued for these premises in December 2013 and May 2013 respectively, property tax were treated as cost of qualifying assets and capitalised in property, plant and equipment.;
c) Increase in upkeep of motor vehicles and forklifts, transport and travelling expenses by S$0.3 million due to the increased business of the Group;
d) Increase in advertising and promotions, entertainment and other selling expenses by S$0.3 million due to increased efforts to widen the business networks and increase market share;
e) Increase in inventorised assets (Equipment which are not capitalized due to its low value) for new premises at 105 Eunos Avenue 3 and 3 Changi North Street 1 by S$0.2 million;
f) Increase in professional fee by S$0.1 million; and
g) Net accumulative increase in other expense items by S$0.2 million.

The above increase was partially offset by decrease in rental expenses by S$0.4 million.

Share of Profit from Equity-Accounted Associate (HY2013: Share of Net Loss from Equity-Accounted Associates)

For HY2014, share of profit from associate, Viet Ceramics International Joint Stock Company ("VCI"), amounted to S$0.5 million (HY2013: S$0.1 million). Equity accounting of VCI's results was performed for only 3 months of HY2013 from October 2012 when the Group exerts significant influence (i.e. 49% equity interests was transferred to the Group). The increase in share of profit is also due to improved financial performance of VCI on the back of a better economic climate in year 2013 compared to year 2012. VCI is also reaping rewards from its new outdoor sales department which was formed in February 2013 and targets homeowners, small renovation contractors and architectural firms.

Share of loss from associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), amounted to S$0.7 million during HY2013. Investment in HCCM was fully impaired during FY2013 in view of its continuing losses. Subsequent losses, after investment in HCCM was fully impaired, are not recorded in the consolidated statement of comprehensive income. This accounting treatment is in accordance to the Singapore Financial Reporting Standards.

Share of Profit from Equity-Accounted Joint Venture

Share of profit from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S$0.1 million during HY2014 (HY2013: S$12,000). MSPL commenced its operations (Fabrication, polishing and profiling of stone and marble slabs) in October 2012.

Profit Before Income Tax

Profit before income tax decreased by S$23.3 million from S$29.0 million during HY2013 to S$5.7 million during HY2014.

The high profit before income tax for HY2013 was contributed largely by recognition of a one-time gain on sale of development property (net of impact on directors' performance bonus) amounting to S$22.7 million. During HY2014, the Group recognised share of profits from associates and joint venture amounting to S$0.6 million (HY2013: Net loss of S$0.5 million).

Excluding the effects of the above items, profit before income tax generated from recurring activities decreased by S$1.7 million or 25.0% from S$6.8 million during HY2013 to S$5.1 million during HY2014.

Income Tax Expenses

The effective tax rate (excluding share of profit or loss from equity-accounted associates and joint venture) for HY2014 was 17.6% (HY2013: 15.9%) and comparable to the Singapore corporate tax rate of 17.0%.

8b Material factors that affected cash flow, working capital, assets or liabilities

Non-Current Assets

Non-current assets increased by S$2.0 million or 3.6% from S$55.1 million as at 30 June 2013 to S$57.1 million as at 31 December 2013.

Property, plant and equipment increased by S$1.4 million or 2.8% from S$52.1 million as at 30 June 2013 to S$53.5 million as at 31 December 2013. The increase was mainly due to additions of the following assets:

a) Renovation and air-conditioners for new corporate headquarters and main showroom at 105 Eunos Avenue 3 and the refurbished showroom at Balestier amounting to S$1.6 million;
b) Construction of 2-storey auxiliary warehouse at 18C Sungei Kadut Street 4 amounting to S$1.0 million;
c) Motor vehicles and forklifts amounting to S$0.2 million to cope with the increased business; and
d) Plant and equipment amounting to S$0.3 million.

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S$1.3 million and plant and equipment written off amounting to S$0.4 million.

The increase in investments in associates amounting to S$0.5 million pertains to share of profit from VCI during HY2014, while the increase in investments in joint venture amounting to S$45,000 pertains to share of profit from MSPL (excluding the Group's portion of interim dividend declared by MSPL amounting to S$50,000) during HY2014.

Current Assets

Current assets decreased by S$4.3 million or 5.4% from S$80.8 million as at 30 June 2013 to S$76.5 million as at 31 December 2013.

The decrease was mainly attributable to decrease in trade and other receivables by S$4.0 million, other assets by S$2.0 million and cash and cash equivalents by S$4.3 million. The above decrease was partially offset by increase in inventories by S$6.0 million.

The decrease in trade and other receivables was mainly due to decrease in receivables from purchasers of development property at 82 Lorong 23 Geylang (30 June 2013: S$6.5 million). Receivables from these purchasers represent the final 10% progress payment of accumulated sales consideration of all units of the development property and were billed after the issuance of completion certificate by Building and Construction Authority in November 2013. Up to 31 December 2013, S$6.3 million were received from the purchasers. The above decrease was partially offset by S$2.3 million increase in trade receivables. The increase in trade receivables was in line with the revenue growth in HY2014. Trade receivables turnover of 93 days as at 31 December 2013 was comparable to 90 days as at 30 June 2013.

Other assets decreased by S$2.0 million from S$6.0 million as at 30 June 2013 to S$4.0 million as at 31 December 2013. This was mainly due to decrease in advance payment to suppliers by S$2.6 million, increase in deposit by S$0.4 million (The increase in deposit is attributable to the payment of 10% of purchase consideration for acquisition of leasehold property at 18 Sungei Kadut Street 2 Singapore 729236, amounting to S$0.9 million, upon signing of sales and purchase agreement in December 2013 by subsidiary, World Furnishing Hub Pte. Ltd. This increase was partially offset by reversal of deposits paid for renovation of corporate headquarters and main showroom at 105 Eunos Avenue 3, amounting to S$0.5 million, after renovation services were completed and invoiced in November 2013.) and increase in prepayments by S$0.2 million (Mainly attributable to stamp duty relating to sales and purchase agreement signed for acquisition of 18 Sungei Kadut Street 2. Amount is not capitalized in property, plant and equipment as acquisition is not completed as at 31 December 2013).

The increase of inventories was in response to the increase in sales volume during HY2014. Inventory turnover decreased to 239 days as at 31 December 2013 from 248 days as at 30 June 2013.

Non-Current Liabilities

Non-current liabilities increased by S$13.2 million or 75.0% from S$17.6 million as at 30 June 2013 to S$30.8 million as at 31 December 2013.

Other financial liabilities (non-current) decreased by S$13.2 million due to repayments and drawdowns of bank loans during HY2014. Major movements in other financial liabilities (non-current) included the following:

a) Bank loans relating to acquisition and development of leasehold property at 105 Eunos Avenue 3, which were due for repayment within one year from 30 June 2013, were re-financed by term loan. Non-current portion of the term loan amounted to S$13.8 million as at 31 December 2013;
b) Repayments of bank loans relating to acquisition and development of 3 Changi North Street 1 amounting to S$0.4 million; and
c) Repayments of bank loans relating to acquisition of 54/ 56 Sungei Kadut Loop and 18C Sungei Kadut Street 4 amounting to S$0.1 million;
d) Repayments of finance lease liabilities amounting to S$0.1 million.

Current Liabilities

Current liabilities decreased by S$9.5 million or 13.3% from S$71.6 million as at 30 June 2013 to S$62.1 million as at 31 December 2013.

The decrease was mainly attributable to an decrease in trade and other payables by S$3.1 million, other financial liabilities by S$6.2 million and other liabilities by S$0.2 million.

The decrease in trade and other payables was mainly due to the payment of interim dividend (declared in May 2013) amounting to S$6.4 million in July 2013. This decrease was partially offset by:

a) Increase in trade and other payables (including accrued liabilities) by S$2.4 million;
b) Payable to vendor of 18 Sungei Kadut Street 2, Sitra International Holdings Limited, amounting to S$0.7 million which represents 10% of purchase consideration upon signing of sales and purchase agreement less earnest money paid (30 June 2013: NIL); and
c) Rental deposits received from tenants of excess space in 105 Eunos Avenue 3 amounting to S$0.2 million (30 June 2013: NIL).

Total amount of trade payables and trust receipts and bills payable to banks was S$34.3 million (30 June 2013: S$36.2 million). The turnover of the aforesaid items (based on cost of sales) of 214 days as at 31 December 2013 decreased from 228 days as at 30 June 2013.

The increase in other financial liabilities (current) was due to repayments and drawdowns of bank loans during HY2014. Major movements of other financial liabilities (current) included the following:

a) Drawdown of short-term bank loans amounting to S$11.9 million;
b) Decrease in trust receipts and bills payable to banks by S$3.1 million;
c) Bank loans relating to acquisition and development of leasehold property at 105 Eunos Avenue 3, amounting to S$15.5 million as at 30 June 2013, were re-financed by term loan. Current portion of the term loan amounted to S$1.2 million as at 31 December 2013; and
d) Repayments of bank loans relating to acquisition of 54/ 56 Sungei Kadut Loop amounting to S$0.7 million.

<u>Cash Flows Review</u>

Net cash flows from operating activities was S$3.2 million due to operating cash flows before working capital changes of S$7.7 million, net cash used in working capital of S$3.6 million, and income taxes paid of S$0.9 million. The net cash used in working capital of S$3.6 million was mainly attributable to an increase in inventories of S$6.0 million, increase in trade and other receivables of S$2.3 million, and increase in other liabilities of S$0.2 million, partially offset by decrease in other assets of S$1.6 million and decrease in trade and other payables of S$3.3 million.

Net cash flows from investing activities amounted to S$3.7 million during HY2014 was mainly attributable to:

a) Receipt of final progress payments relating to sale of development property amounting to S$6.3 million; and partially offset by
b) Cash outflows of S$2.6 million for renovation of corporate headquarters and main showroom at 105 Eunos Avenue 3, refurbishment of showroom at Balestier, construction of 2-storey auxiliary warehouse at 18C Sungei Kadut Street 4 and purchase of plant and equipment to cope with the increased business.

Net cash flows used in financing activities amounted to S$11.2 million during HY2014 was mainly attributable to:

a) Dividends paid of S$17.4 million;
c) Decrease in trust receipts and bills payable to banks amounting to S$3.1 million;
d) Interest expenses paid of S$0.8 million; and
e) Repayment of finance lease liabilities of S$0.1 million.

The above cash inflows were partially offset by net increase in bank loans amounting to S$10.2 million mainly due to drawdowns and repayments of short-term loans for working capital purposes and re-financing of bank loans relating to acquisition and development of leasehold property at 105 Eunos Avenue 3.

As a result of the above, there was a net decrease of S$4.3 million in cash and cash equivalents. Cash and cash equivalents as at 31 December 2013 was S$5.3 million.

9 Where a forecast, or a prospect statement, had been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Business in Singapore

Growth in project sales in HY2014 was largely driven by the higher volume of deliveries of building materials by the Public Projects Department for use in Housing Development Board ("HDB") residential estate development projects, predominantly projects under the Build-To-Order ("BTO") Scheme and Home Improvement Programme. This is on the backdrop of a three-year ramped-up supply of flats by HDB which saw more than 77,000 BTO flats launched. For year 2014, HDB plans to transit from the ramped-up building programme to a more sustainable phase with a reduction in the supply of flats to 24,300 units (2013: 25,100 units launched). Size of flats would also be reduced with less new 3-room and larger flats and more 2-room BTO flats to be launched. The impact of reduction in flat launches in year 2014 is expected on volume of building materials delivered for HDB projects in year 2015 and 2016 when flats are being completed. The Public Project Department will continue to build its reputation as a reliable supplier of building materials for HDB projects and explore the possibilities of delivering building materials for use in other categories of public projects, for example executive condominium and public facilities and infrastructure.

During year 2013, there was a discernible decrease in residential unit resale transactions after a series of property-cooling measures. During year 2013, 18,100 HDB flat resale applications were registered (Year 2012: 25,094 units). This represents a 28% decrease in 2013. According to Urban Redevelopment Authority ("URA") third quarter 2013 real estate statistics, the number of private residential resale transactions during year 2013 halved to 6,608 compared to 13,214 units during year 2012. These resulted in general sales volume to remain stagnant in HY2014 compared to HY2013. The Group will look into implementing various sales and marketing initiatives to enhance its branding and further penetrate the general segment.

The Group is making inroads in enhancing its market presence. During HY2014, our showrooms, a meeting place between our brand and customers, were improved to meet the increasing needs of our large variety of customers. In July 2013, the Balestier showroom at 560 Balestier Road doubled its retail floor space to approximately 4,000 square feet and was refurbished to serve our customers better. The Group's main showroom (and corporate headquarters) at 15 Defu Avenue 1 was shifted to 105 Eunos Avenue 3 in September 2013. This full-featured gallery, boosted a floor space of approximately 20,000 square feet, showcases the Group's wide and expanding range of surfacing and building materials and accommodates more mock-ups of the different living spaces built using our products. The Tradehub 21 showroom also saw increase in customer traffic.

Joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), which specializes in fabrication, polishing and profiling of stone and marble slabs for household and commercial purpose has grown from strength to strength since it commenced operations in October 2012. In addition to enabling the Group to rely less on external fabrication companies, MSPL also contributed profit of S$0.1 million to the Group's results for HY2014. A 2-storey auxiliary warehouse is being constructed at 18C Sungei Kadut Street 4 where MSPL operates. The additional space available after the building's completion in the second half of FY2014 is expected to facilitate possible expansion of MSPL's operating capacity and improve its profit potentials.

During HY2014, the Company's wholly-owned subsidiary, Hafary Pte Ltd, together with Mr. Low See Ching (Executive Director and controlling shareholder) and Mr. Ching Chiat Kwong (Controlling shareholder) and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Catalist-listed Sitra Holdings (International) Limited ("Sitra") incorporated a special purpose vehicle, World Furnishing Hub Pte. Ltd., to acquire a leasehold land at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 from Sitra. Lessor, Jurong Town Corporation ("JTC"), plans to redevelop part of the Sungei Kadut Industrial Estate into an International Furniture Park ("IFP") and position it as Southeast Asia's international furniture hub, a global marketplace for furniture and furniture-related industries. As the IFP targets global players, a prominent presence in the IFP is expected to open doors to overseas customers and overseas expansion opportunities. The cooperation between the Group and Sitra via World Furnishing Hub Pte. Ltd. is a synergistic partnership. The Group's offerings of stone, marble slabs and engineered wood is expected to complement Sitra's offerings of outdoor furniture and decking. Both parties may leverage on each other's strengths and business networks to respectively expand and/ or strengthen their markets and presence in the furnishing industry and to add value to each other's business operations.

The Group continues to focus on costs control and enhancement of operational efficiency to improve financial performance. The development of 105 Eunos Avenue 3 into the Group's corporate headquarters is completed in August 2013. Unutilised floor space in 105 Eunos Avenue 3 are being leased to generate rental income. During HY2014, S$0.3 million of rental income was derived from unutilised floor space which are leased out.

<u>Overseas Investments</u>

During HY2014, the Group derived share of profits amounting to S$0.5 million from associate, Viet Ceramics International Joint Stock Company ("VCI"), a reputable tile retailing company in Vietnam. Share of profits from this associate before HY2014 is not high due to Vietnam's lackluster economic conditions. The economic climate of Vietnam had since improved and this has boded well for VCI's business performance. Sales generated by the Outdoor Sales Department, formed in February 2013 to tap into the markets of homeowners and small renovation and architectural firms for VCI which has a stronger presence in the project market, has been growing. A sustained sales growth by this department would officially open up a new stream of income for VCI. During HY2014, VCI strengthen its market presence by opening a second showroom in Hanoi to serve the increasing number of middle-high income earners in the province. Main showroom at Ho Chi Minh was also refurbished to display more variety of tiles and has more mock-up display of living spaces built using VCI's products.

In January 2014, the Company's wholly-owned subsidiary, Hafary Pte Ltd ("HPL"), entered into a sale and purchase agreement with Mr. Zhang Haobin (Legal representative and major shareholder of Hunan Cappuccino Construction Materials Co., Limited ("HCCM")) for the proposed disposal by HPL of its entire shareholding interest in all ordinary shares in the share capital of Hafary China Pte. Ltd. ("HChPL") to Mr. Zhang at a consideration of RMB5 million (equivalent to S$1.0 million). HChPL in turns hold a 45% equity interest in the Group's associate, HCCM. As the investment in HCCM was fully impaired during FY2013, a gain on disposal amount to S$1.0 million would be recognized after the completion of the disposal of shareholding interest.

In July 2013, the Company's wholly-owned subsidiary, Hafary International Pte. Ltd. incorporated a wholly-owned export agency in the People's Republic of China, Foshan Hafary Trading Co., Limited ("FHT"). FHT substantially commenced trading activities in December 2013 after obtaining the export license from governmental authorities. FHT is principally engaged in the business of importing, exporting and distribution of ceramic tiles, building materials and sanitary ware. FHT is expected to provide opportunities to widen the Group's procurement and business network develop the Hafary brand overseas and provide a new source of revenue (export agency services) for the Group.

<u>Economic and Market Trends</u>

In January 2013, the Singapore Government announced its seventh package of property cooling measures (which includes heftier additional buyers' stamp duties) in over three years. The Total Debt Servicing Ratio framework introduced by the Monetary Authority of Singapore in June 2013 further dampened the buying sentiment and sales of public and private housing.

The Building and Construction Authority of Singapore projected a construction demand of between S$31 billion and S$38 billion for year 2014. Most of the total construction demand will come from public sector projects, which includes the Thomson MRT Line and Sengkang General Hospital and Sengkang Community Hospital.

The Group remains cautiously optimistic of continual demand for its surfacing and building materials in the next one year.

11 Dividend

(a) Dividend declared for the current financial period reported on

	31 December 2013
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Dividend per share	1.0 cents

(b) Dividend declared for the corresponding period of the immediately preceding financial year

	31 December 2012
Name of Dividend	Interim Exempt (1-tier)
Type of Dividend	Cash
Dividend per share	2.5 cents

(c) Date Payable

To be announced on a later date.

(d) Books Closure Date

To be announced on a later date.

12 If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13 Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000)	
	Not conducted under shareholders' mandate pursuant to Rule 920	Conducted under shareholders' mandate pursuant to Rule 920
	S$'000	S$'000
Sales to Galaxy Builders Pte. Ltd.	-	(3)
Sales to Oxley Construction Pte. Ltd.	-	817
Sales to Executive Director	6	-

14 Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

I, Low See Ching, being Director of the Company, do thereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the half year financial period ended 31 December 2013 to be false or misleading in any material aspect.

By Order of the Board

Low See Ching
Executive Director and Chief Executive Officer
27 January 2014