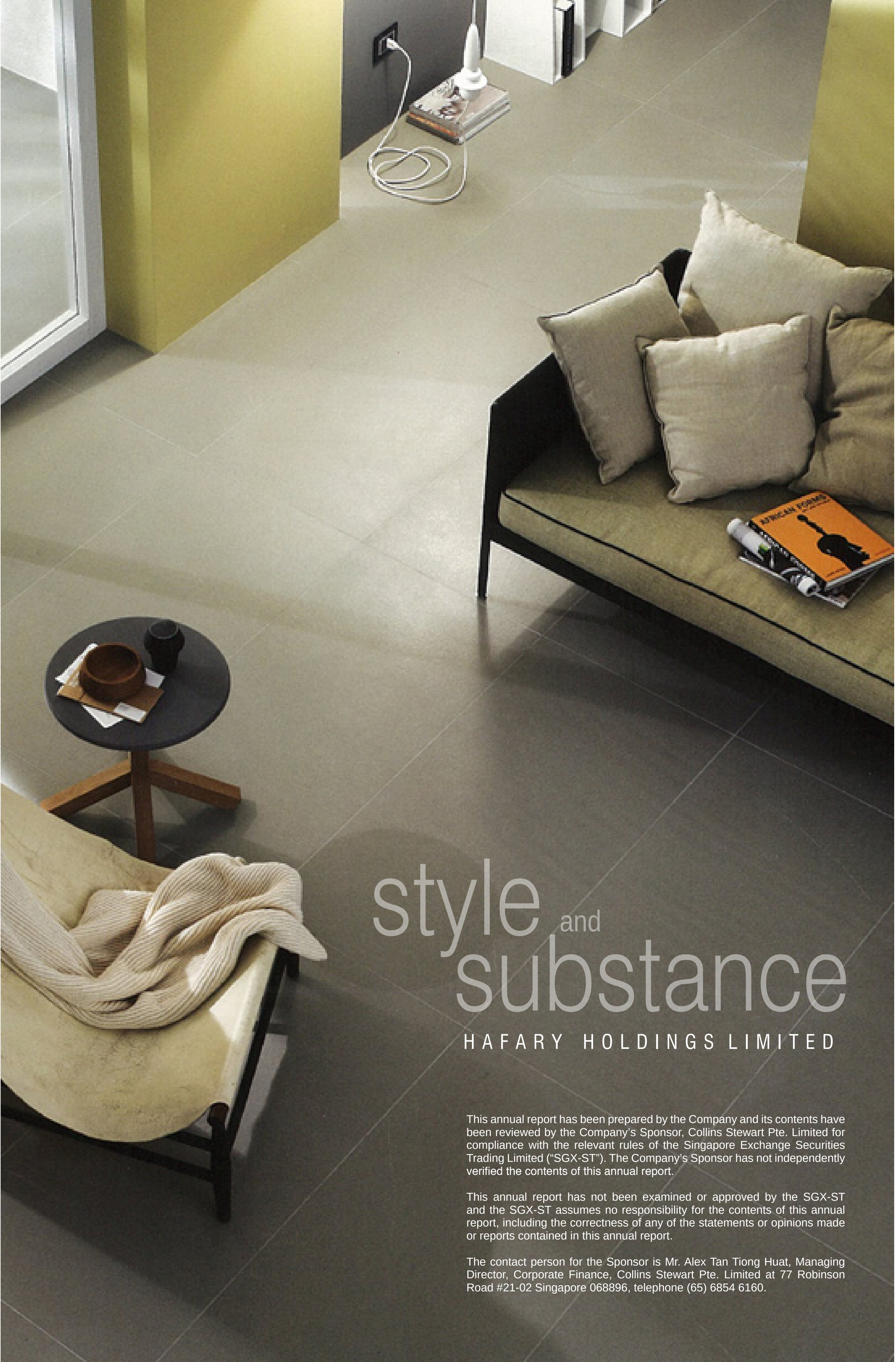

style and substance

HAFARY HOLDINGS LIMITED

ANNUAL REPORT 2010

This annual report 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 Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Alex Tan Tiong Huat, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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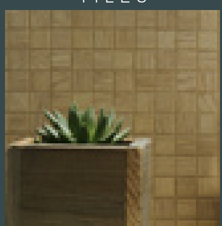
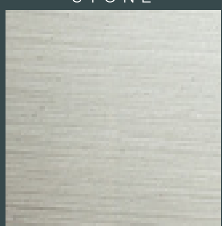
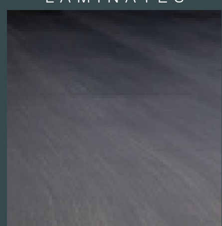
TILES



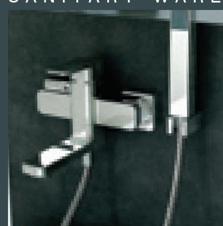
STONE



LAMINATES



SANITARY WARE



CORPORATE PROFILE

Hafary Holdings Limited (the "Group") and its group of companies supplies premium tiles, stones, mosaic, wood flooring and sanitary wares to customers in the Singapore market. Through our strong sourcing and procurement network, we carry a wide variety of products from the PRC and Europe (mainly Spain and Italy) and supply to our customers at competitive prices.

The Group comprises four subsidiaries, namely: Hafary Private Limited ("Hafary"); Surface Project Pte Ltd ("Surface Project"); Surface Stone Pte Ltd ("Surface Stone") and Wood Culture Pte Ltd ("Wood Culture").

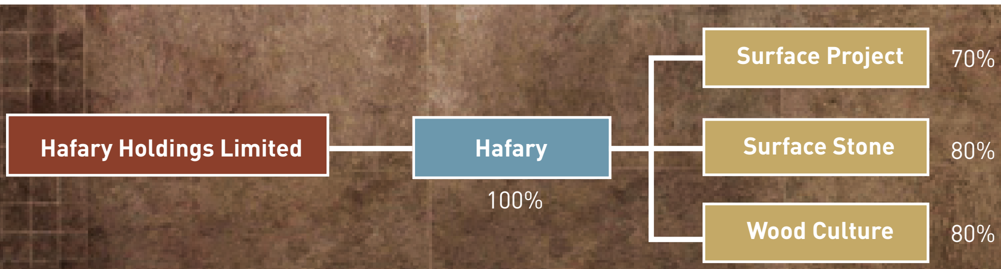
Set up in May 1980 by Executive Chairman, Mr Low Kok Ann, Hafary is the wholly-owned subsidiary of Hafary Holdings Limited that oversees the operations and key businesses of the Group.

In January 2005, Surface Project was set up to garner business from building projects in both the public and private sectors in Singapore. Having amassed considerable experience, this division has begun handling some major projects within the last two years. To date, Surface Project has played an instrumental role in the provision of surface materials to a significant number of quality commercial and residential projects in Singapore.

In April 2009, Surface Stone was set up to focus on the supply of stone tiles.

In April 2010, Wood Culture was set up to complement the Group's products by offering wood-flooring products.

Group Structure



The Group caters to two key categories of customers, namely:

General

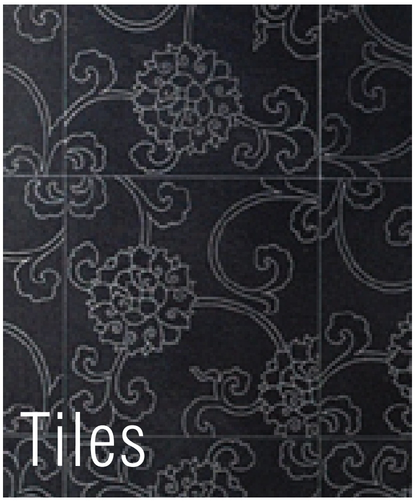
Retail customers may purchase our products directly through our three showrooms located at 15 Defu Avenue 1 Singapore 539538, 560 Balestier Road Singapore 329876 and 18 Boon Lay Way #01-132 Tradehub21 Singapore 609966, where we display a variety of individual tiles and mock-ups of kitchens or bathrooms using our tiles, marbles, wood flooring and sanitary wares for the viewing by these customers. Other customers include architecture, interior design and renovation firms, who make ad-hoc purchases for small projects such as home renovation or small property development.

Project

We also supply our materials to customers who are involved in public and private property development projects in Singapore. Public sector projects that we supply to include HDB upgrading, construction or upgrading of public buildings such as schools, hospitals, sports complexes, military camps and other government buildings. We also supply tiles for property development projects in the private sector, including residential, commercial and industrial projects such as condominiums, shopping centres and hotels. Our Project customers include architecture firms, property developers and construction companies, who may make bulk purchases from us for large projects.

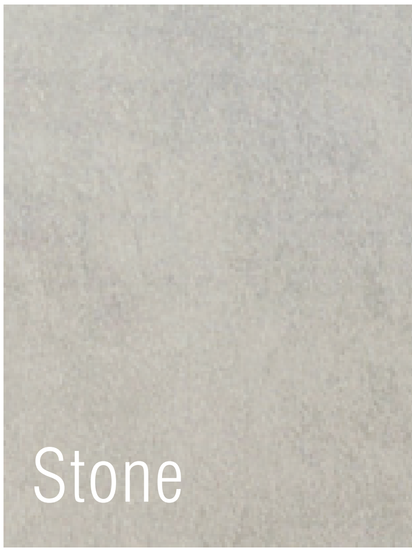
Since establishment, the Group's customer base has grown from homeowners and renovation firms involved in smaller projects to include construction companies involved in larger projects, interior design companies, property developers and architecture firms. Besides supplying to home renovation projects, the Group's portfolio now includes supplying to corporate renovation projects, HDB upgrading projects and commercial construction and redevelopment projects.

OUR PRODUCTS



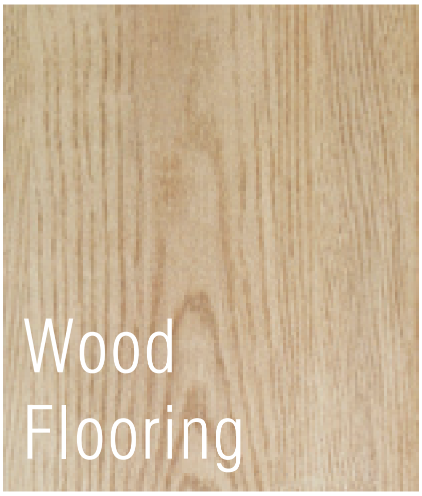
Tiles

As a leading supplier of premium tiles in Singapore, we market and distribute a wide range of quality tiles which includes internationally renowned brands such as Marazzi, Lea Ceramiche and Caesar. Our comprehensive range of offerings is showcased at our three showrooms in Defu, Balestier and Boon Lay Way (Tradehub 21).



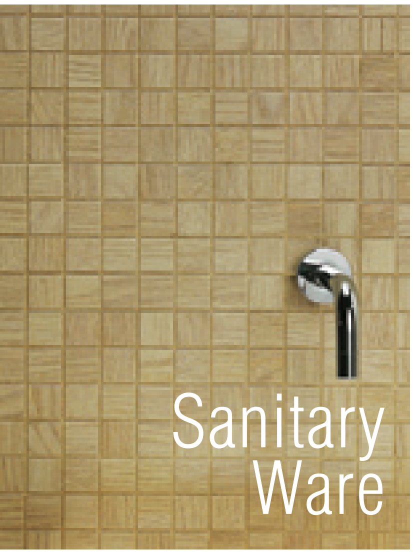
Stone

Marketed and sold under our proprietary brand - Surface Stone, this division carries an extensive range of stone tiles made from naturally occurring stone such as marble, granite, slate, limestone and sandstone.



Wood Flooring

Contemporary and cutting edge in look and feel, wood and laminates have become increasingly popular flooring materials. Besides our proprietary range of Wood Culture wood flooring, we are also the exclusive distributor of Berry Floor, a premium range of laminates from Belgium.



Sanitary Ware

Premium sanitary wares have become an integral part of increasingly discerning lifestyles. As part of our one-stop solutions concept, we offer a vast array of premium sanitary wares.

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I am pleased to present you with Hafary Holdings Ltd's ("Hafary" or "the Company") inaugural Annual Report for the financial year ended 30 June 2010 ("FY2010"). A reputed supplier of tiles in Singapore, we launched our initial public offering ('IPO") in the fourth quarter of 2009, and our shares were successfully listed on Catalist on 7 December 2009.

Financial Highlights of FY2010

For the year under review, Hafary turned in a credible performance with improvement in both the top and bottom line. Group revenue increased by 24.7% from $30.8 million in FY2009 to $38.4 million in FY2010. This was due mainly to an increase in demand for our products as a result of greater demand for renovation and out-fittings in a buoyant property market. The revenue increase was driven mainly by contribution from the General segment whose sales rose by 35.8% on a year-on-year basis. Apart from the general robust demand, the improved sales also reflect greater market recognition of our products, the success of our marketing efforts and our ability to meet customers' requirements.

Profit before tax increased by $32,000 or 0.8% to $4.2 million in FY2010, due mainly to higher revenue and lower cost of inventory, which were partially offset by other charges and expenses. Had the expense of $934,000 incurred for the IPO been excluded, our pretax profit for FY2010 would have been $5.2 million, 11.8% higher than FY2009.

Proposed Dividend

To reward our shareholders for their confidence in us, the Board is pleased to recommend a final tax-exempt (one-tier) dividend of 0.4 Singapore cents per ordinary share for the financial year ended 30 June 2010, for approval at the forthcoming Annual General Meeting.

Business Outlook

The demand for Hafary's products and thus its business outlook is intimately linked to the Singapore property market. The latter has shown robust growth despite the economic downturn in 2008 and 2009. In tandem with the economic recovery in Singapore, the property market has also bounced back with vigour. As at the end of second quarter of 2010, private home prices were up 38% year-on-year, while HDB resale prices climbed 15% over the same period.*

Notwithstanding the recent introduction of 'cooling' measures by the authorities, our view is that the fundamentals of the local property market are still strong, although market sentiment may be temporarily dampened by these initiatives. Going forward, we believe that the property market will still grow, albeit at a moderate pace. While the slowdown in the launch of new private property projects may possibly affect the business of our Project segment, our General segment, which caters to the HDB home-owners, may expect greater demand, as more new HDB flats are expected to be released over the next two years.

Growth Strategies
In our view, the current business prospects for Hafary are healthy. Given this favourable outlook, and armed with the net proceeds raised from the IPO, Hafary is well-positioned to grow our business through a combination of the following growth strategies:

Expand Our Product & Service Range
One of our growth strategies is to expand our product range to our customers by offering complementary products such as high-quality sanitary ware and fittings. This will serve to increase our product offerings to complement our existing product range, which will enable us to acquire more business from existing customers, as well as new customers.

Hafary has established an 80%-owned subsidiary, Surface Stone, which will focus on the supply of stone tiles in Singapore and expand our market presence in the market segment. Our Project segment will drive the demand for stone tiles as they are becoming more commonly used in larger projects.

Our recently formed 80%-owned subsidiary, Wood Culture, will focus on the sale of wood-flooring products such as eco-friendly engineering wood. As part of our strategy to move towards the sale and distribution of eco-friendly products, Wood Culture has become the exclusive distributor of Berry Floor, an extensive range of high quality and environmentally-friendly wood flooring laminates from Belgium.

In line with this strategy, Hafary recently opened a new outlet at Tradehub 21 along Boon Lay Way. This new showroom, which is designed based on a one-stop lifestyle concept, showcases Hafary's entire range of product offerings from every product category – from tiles and marbles to wood flooring to sanitary wares, all under one roof.

Public Projects
Hafary has also set up a new team that handles public projects such as the supply of tiles to HDB housing projects – such as upgrading works and Build-to-Order ("BTO") projects. In September 2010, HDB launched two new BTO projects in Woodlands, offering a total of 1,329 flats. Taking into account the latest BTO projects in Woodlands, the HDB has to date offered 14,200 new flats for sale under the BTO and Sale of Balance Flats exercises since the start of 2010[#]. The strong pipeline of these BTO projects promises to create abundant opportunities for the Group to market its products and services, and thus generate a new and sustainable stream of revenue.

Enhancing Our Corporate Branding
Hafary has also inked a Sale and Purchase Agreement in August 2010 to buy a piece of freehold land located at Lot 3106K of Mukim 24 at Aljunied Road, with a land area of approximately 2,394.9 square metres, for a purchase consideration of $21.5 million.

This plot of land will be re-developed to build our own Corporate Office building, subject to approval from relevant authorities. The strategic location of this land along a main road in front of Aljunied MRT Station would provide the Group with an excellent frontage for its new head office building (including a showroom), thus raising the company's profile and branding vis-à-vis the general public.

Widen Our Geographical Coverage
Yet another growth strategy is to venture outside Singapore and explore potential new markets for our products. We have identified Vietnam as an important emerging market. We believe that our expertise and established track record will enable us to develop and expand our business in Vietnam, a country which continues to chalk up strong economic growth.

Depending on the market conditions, we plan to embark on expanding our geographical coverage by setting up a subsidiary or representative office in Vietnam or a joint venture with local parties to tap the opportunities in the market. Our Singapore operations will continue to be the central procurement hub in order to maintain consistency of our product quality and price competitiveness.

Expansion Through Acquisitions, JVs and/or Strategic Alliances
Apart from growing organically, we are looking at expanding our business through acquisitions, joint ventures (JVs) or strategic alliances with companies whose businesses synergise with our existing business. Such acquisitions, JVs or strategic alliances will enable us to strengthen our market position, expand our network, as well as expand into new businesses complementary to our current business.

Acknowledgements
We wish to take this opportunity to express our deep gratitude to all our stakeholders, namely, our customers, employees, business associates and shareholders for all your support and contribution to our success so far. We aim to live up to our shareholders' expectations by growing the business steadily, and thus maximising shareholder value.

Low Kok Ann
Executive Chairman

** Source: Business Times article headlined "Private homeowners can't play HDB chip anymore" by Uma Shankari, dated 31 August 2010*
 # Source: : HDB website press release dated 21 September, headlined "HDB launches 1329 BTO flats in Woodlands

BOARD OF DIRECTORS

LOW KOK ANN

Low Kok Ann is our **Executive Chairman** and his primary function is to formulate and oversee the corporate and strategic development of our Group. Mr Low was one of the founders of our Company and has been a Director since its incorporation. He has been in the tile industry for more than 30 years. His wealth of experience in the industry has been pivotal to our success and growth. Mr Low attained a Government Higher School Certificate (Chinese) in 1969.

LOW SEE CHING

Low See Ching is our **Executive Director and CEO** and is responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies. He is also in charge of our General sales and marketing team. He joined our Group in 2000 and rose through the ranks from a sales executive, then sales manager and subsequently, in 2005, Executive Director and CEO. During his time with our Group, he gained experience on the various products in the tile industry and developed effective sales strategies and techniques which he has inculcated to our sales and marketing staff. Mr Low graduated with a Bachelor of Accountancy degree from the Nanyang Technological University, Singapore in 1999. Prior to joining our Group, Mr Low was a dealer with Fraser Securities Pte Ltd.

ONG BENG CHYE

Ong Beng Chye was appointed as the **Lead Independent Director** of our Company on 10 November 2009. He is currently a director of Appleton Global Private Limited, a business management and consultancy services firm. Mr Ong is also a non-executive director of Heatec Jietong Holdings Ltd, listed on the Catalist. He has more than 20 years of experience in the financial sector. Mr Ong obtained a Bachelor of Science (Economics) degree from City University, UK in 1990. He is a Chartered Accountant and an associate member of the Institute of Chartered Accountants of England and Wales, UK. He is also a member of The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Certified Public Accountants of Singapore.

TAN KONG HWA TERRANCE

Tan Kong Hwa Terrance was appointed as an **Independent Director** of our Company on 10 November 2009. He is also an independent director of Teho International Inc Ltd, listed on Catalist and Consciencefood Holding Ltd, listed on the SGX-ST. Mr Tan has more than 15 years of experience in the banking and private equity / venture capital industry, holding various positions within DBS Bank Group and Standard Chartered Bank. He is currently a Partner/Director of Providence Capital Management Pte Ltd, a private equity fund management and consultancy firm that he co-founded in 2007. From 2006 to 2007, he was with Rotol Singapore Limited as its Chief Investment Officer and was responsible for the company's merger and acquisition and investment activities. From 2004 to 2006, he was the chief financial officer of Pacific Healthcare Holdings Ltd. Mr Tan obtained a degree in Bachelor of Science (Estate Management) (Honours) from National University of Singapore in 1989.

CHOW WEN KWAN MARCUS

Chow Wen Kwan Marcus was appointed as an **Independent Director** of our Company on 10 November 2009. Mr Chow is currently and has since 2008 been a director of Drew & Napier LLC. Mr Chow is also an independent director of Esmart Holdings Limited, listed on Catalist. He has approximately eight years of experience in legal practice. Prior to joining Drew & Napier LLC, he was an assistant vice president with the Singapore Exchange Securities Trading Limited between 2007 and 2008. Mr Chow had also previously practised with Lovells in Hong Kong from 2006 to 2007 as a senior associate, Stamford Law Corporation in Singapore from 2005 to 2006 as an associate director and from 2003 to 2004 as a senior associate, and White & Case LLP in Singapore from 2000 to 2001 as an associate, all with the corporate practice group. Between 2004 and 2005, Mr Chow was an assistant vice-president in Merrill Lynch International Bank (private banking division) in Singapore focusing on trust products and personal holding company structures for high net worth individuals in the Asia Pacific region. Mr Chow was admitted as an advocate and solicitor of the High Court of Singapore in 2003 after completing his pupillage in 2002. After graduation, he joined Fried Frank Harris Shriver & Jacobson in New York in the foreign associate program, securitisation practice group from 1999 to 2000. Mr Chow graduated with a LL.B. (Hons) from the National University of Singapore in 1998 and obtained his LL.M. from the University of Virginia School of Law, USA in 1999. He is also a member of the Law Society of Singapore and Singapore Academy of Law and is an Attorney at Law, New York State, USA.

OPERATIONS REVIEW

Company Overview
Hafary Holdings Limited ("Hafary") successfully launched its initial public offering ("IPO") of 32.5 million new shares at 20 cents in the last quarter of 2009, and was listed on the Catalist of Singapore Exchange on 7 December 2009.

The listing is a milestone for the Hafary group whose business origins go back to 1980. Today, Hafary is a group of companies that supplies premium tiles, stones, mosaic, wood flooring and sanitary wares to customers in the Singapore market. We have two categories of customers, namely, (a) General; and (b) Project. Through our strong sourcing and procurement network, we carry a wide variety of tiles from the PRC and Europe (mainly Spain and Italy) and supply to our customers at competitive prices.

Our head office and main showroom are located at 15 Defu Avenue 1, while we have two other showrooms, one located at 560 Balestier Road, and the other at Tradehub 21 in Boon Lay Way. Supporting our business are three warehousing facilities located at 5A Defu Lane 8 and 54/56 Sungei Kadut Loop. Our head office, three showrooms and two warehouses altogether occupy an aggregate built-in area of approximately 250,000 square feet.

Having been in business for more than 30 years, Hafary has built up an established reputation and track record with customers. Hafary is also a leading stockist, carrying a comprehensive range and wide variety of tiles. Over the years, Hafary has been growing from strength to strength, reflecting the strong leadership of a dynamic and committed management team.

FY2010 Results at a Glance
Leveraging on an increase in demand for renovation and fitting out services - driven mainly by the buoyant property market - Group revenue increased by $7.6 million or 24.7% to $38.4 million in FY2010. The increase in demand was due to improved sales generated by both business segments, General and Project.

In terms of bottom line performance, Hafary's profit before tax increased by $32,000 or 0.8% to $4.24 million in FY2010. This was due mainly to higher revenue, lower cost of inventory, which was partially offset by other charges and expenses. The effective tax rate of 22.7% is higher than the Singapore corporate tax rate of 17% due mainly to non-deductible expenses such as IPO expenses. Our gross profit margin has improved from 38.6% in FY2009 to 39.7% in FY2010.

Operations Review
The General business segment chalked up faster growth, with sales increasing by $7.2 million or 35.9% during the period under review. This was attributable mainly to greater market recognition of our products through our marketing efforts and the ability to meet customers' requirements. The General segment accounts for 71.0% of Group revenue in FY2010.

Revenue for the Project segment grew by $0.3 million or 3% in FY2010, due to increase in sales to both our new and existing project customers. This segment contributes to 28.9% of Group revenue.

In terms of segment profitability, both segments have achieved higher gross profit margins in FY2010 over FY2009.

Financial Review
Overall, expenses in FY2010 have increased over FY2009 due to increase in inventories of finished products, purchases and related expenses, employee related expenses, depreciation expenses and impairment losses.

Inventories of finished goods were $7.0 million in FY2010 compared to $1.8 million in FY2009, due mainly to purchase of products to support higher demand for tiles.

Purchases and related expenses increased by $9.5 million from $20.7 million in FY2009 to $30.2 million in FY2010, largely in line with the increase in revenue and the expansion of product range, especially in our stone tiles.

Employee benefit expenses have increased from $3.8 million to $4.8 million, due mainly to the increase in remuneration paid to our staff as a result of salary increments and a headcount increase of 41 staff to support the increase in our business activities.

Depreciation expense increased from $370,000 to $537,000, mainly due to depreciation on major additions of property, plant and equipment during the year.

Impairment losses have increased from $187,000 to $316,000, due mainly to an impairment allowance for trade receivables of $141,000, partially offset by bad debts recovered in FY2010 of $9,000 and an increase in impairment for inventories of $19,000.

Gearing

As at 30 June 2010, the debt to adjusted capital ratio was 40.5%, as compared to FY2009's figure of 67.3%. Interest coverage ratio was 11.5x compared to 10.5x for the last financial year.

Liquidity and Capital Resources

Year ended 30 June	2010	2009	Change
	$'000	$'000	
Net cash flows (used in) from operating activities	(3,611)	2,603	(238.7%)
Net cash flows (used in) investing activities	(3,278)	(250)	(1,211.2%)
Net cash from (used in) financing activities	10,312	(1,422)	825.2%
Cash and cash equivalents at beginning of year	1,806	875	106%
Cash and cash equivalents at end of year	5,229	1,806	189.5%

The net cash used in operating activities in FY2010 of $3.6 million is due mainly to increase in other assets, trade receivables and inventories.

Net cash used in investing activities increased to $3.3 million, due mainly to the purchase of the warehouse at 54/56 Sungei Kadut Loop.

The increase in net cash generated from financial activities was mainly due to net proceeds from the IPO of the Company in December 2009 and loans from financial institutions in relation to the purchase of the warehouse at 54/56 Sungei Kadut Loop.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Low Kok Ann Executive Chairman
Low See Ching Executive Director and CEO
Ong Beng Chye Lead Independent Director
Terrance Tan Kong Hwa Independent Director
Chow Wen Kwan Marcus Independent Director

AUDIT COMMITTEE
Ong Beng Chye Chairman
Terrance Tan Kong Hwa
Chow Wen Kwan Marcus

NOMINATING COMMITTEE
Terrance Tan Kong Hwa Chairman
Ong Beng Chye
Chow Wen Kwan Marcus

REMUNERATION COMMITTEE
Chow Wen Kwan Marcus Chairman
Terrance Tan Kong Hwa
Ong Beng Chye

COMPANY SECRETARIES
Tay Eng Kiat Jackson, CPA Singapore
Wong Yoen Har, ACIS

REGISTERED OFFICE
15 Defu Avenue 1
Singapore 539538

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

SPONSOR
Collins Stewart Pte. Limited
77 Robinson Road
#21-02
Singapore 068896

AUDITORS
RSM Chio Lim LLP
8 Wilkie Road
#04-08 Wilkie Edge
Singapore 228095

Partner-in-charge:
Chan Weng Keen
Effective from the financial year
ended 30 June 2009

PRINCIPAL BANKERS
DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

Standard Chartered Bank
6 Battery Road
Singapore 049909

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Malayan Banking Berhad
2 Battery Road
Maybank Tower
Singapore 049907

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of Hafary Holdings Limited (the “Company”) is committed to ensure and maintain a high standard of corporate governance within the Group. This report describes the corporate governance framework and practices of the Company with specific reference to the principles and guidelines set out in the Corporate Governance 2005 (the “Code”).

BOARD MATTERS

Principle 1: Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with management to achieve this outcome and the Management remains accountable to the Board.

The Board’s primary role is to protect and enhance long-term shareholders’ value.

The responsibilities of the Board include:

- providing entrepreneurial leadership, set strategic direction and overall corporate polices of the Group;
- ensuring adequate risk management processes;
- ensuring adequacy of internal controls and periodic reviews of the Group’s financial performance and compliance;
- monitoring the Board composition, Director selection and Board processes and performance;
- reviewing and approving executive Directors’ remuneration; and
- approving corporate or financial restructuring, share issuance, dividends and other returns to shareholders, Interested Person Transactions (“IPT”) of a material nature, if any, and release of the Group’s half-year and full-year results.

Board meetings shall be conducted regularly on a half-yearly basis and ad-hoc meetings are convened whenever deemed necessary to address any specific issue of significance that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company’s Articles of Association allow a Board Meeting to be conducted by instantaneous telecommunication device, notwithstanding that the Directors are not present together at are place, shall be deemed to be held at such place where largest group of those participating is assembled.

The Board is assisted by various Board Committees namely the Audit Committee, the Nominating Committee and the Remuneration Committee, in carrying out and discharging its duties and responsibilities efficiently and effectively. The attendance of the Directors at meetings of the Board and Board Committees during the year, as well as the frequency of such meetings, is disclosed below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	2	2	-	-
Attendance				
Mr. Low Kok Ann	2	2*	-	-
Mr. Low See Ching	2	2*	-	-
Mr. Ong Beng Chye	2	2	-	-
Mr. Terrance Tan Kong Hwa	2	2	-	-
Mr. Chow Wen Kwan Marcus	2	2	-	-

* Attended via invitation.

Note: Mr. Ong Beng Chye, Mr. Terrance Tan Kong Hwa and Mr. Chow Wen Kwan Marcus were appointed to the Board on 10 November 2009.

The Nominating Committee and Remuneration Committee have held one meeting on 23 August 2010.

STATEMENT OF CORPORATE GOVERNANCE

Newly appointed Directors will be given an orientation program to familiarise themselves with the Company's operations. When necessary, the Company will arrange for the Directors to attend any training programme in connection with their duties as Directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Report, the Board comprises five (5) members; of whom three (3) are independent, which provides a strong and independent element on the Board. They are as follows:

Mr. Low Kok Ann	Executive Chairman
Mr. Low See Ching	Executive Director & Chief Executive Officer ("CEO")
Mr. Ong Beng Chye	Lead Independent Director
Mr. Terrance Tan Kong Hwa	Independent Director
Mr. Chow Wen Kwan Marcus	Independent Director

The criterion for independence is based on the definition given in the Code. The Board considers an "Independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs.

The Nominating Committee has conducted an annual review of the independence of the Independent Directors based on the guidelines stated in the Code, and has ascertained that they are independent.

The Board is of the view that the current size and structure are appropriate given that the non-executive Directors form the majority in the Board comprising five members.

Each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. As each of the Directors brings valuable insights from different perspectives vital to the strategic interests of the Company, the Board considers that the Directors possess the necessary competencies to provide Management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

The non-executive Directors may meet regularly on their own as warranted without the presence of Management.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

STATEMENT OF CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Company adopts a dual leadership structure whereby the positions of Executive Chairman and Chief Executive Officer are separate.

Our Executive Chairman, Mr. Low Kok Ann, formulates and oversees the corporate and strategic development of our Group. The Executive Chairman is also assisted by the three committees and the internal auditors who report to the Audit Committee in ensuring compliance with the Company's guidelines on corporate governance.

Our CEO, Mr. Low See Ching, is responsible for the overall management, operations and charting our corporate and strategic direction, including our sales, marketing and procurement strategies.

The Independent Directors also provide unbiased and independent views, advice and judgment to take care of the interests of not only the Company but also the stakeholders, employees, customers, suppliers and the communities in which the Company conducts business.

BOARD MEMBERSHIP AND BOARD PERFORMANCE

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board. As a principle of good corporate governance, all Directors should be required to submit themselves for re-nomination and re-election at regular intervals.

Principle 5: There should be a formal assessment of the effectiveness of the board as a whole and the contribution by each Director to the effectiveness of the board.

Nominating Committee (the "NC")

Our NC comprises of all three (3) Independent Directors, with Mr. Terrance Tan Kong Hwa as the Chairman of the NC.

Our NC is responsible for:

(a) re-nominating our Directors having regard to each Director's contribution and performance;
(b) determining annually whether or not a Director is independent; and
(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Our NC will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which addresses how the Board has to enhance long term shareholders' value. The Board will also implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

Under the Company's Articles of Association, at least one-third of the Company's Directors are required to retire from office at every Annual General Meeting of the Company. Every Director must retire from office at least once every three years and are eligible for re-election.

STATEMENT OF CORPORATE GOVERNANCE

Although the Independent Directors hold directorships in other Companies, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors.

Generally, the NC does not appoint new Directors, but nominates them to the Board which retains the final discretion in appointing such new Directors.

For the year under review, with the Board's approval, the NC has decided on how the Board's performance is to be evaluated as a whole and has proposed objective performance criteria including Board composition, size and expertise, Board information and timeliness, as well as Board commitment and accountability.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director. Details of Board members' qualifications and experience including the year of initial appointment are presented in this Annual Report under the heading "Board of Directors".

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is informed of all material events and transactions as and when they occur.

The agenda for Board meetings is prepared in consultation with the Executive Chairman and it will be circulated at least one week in advance to Board members of each meeting.

Furthermore, the Board has separate and independent access to the Company Secretaries and senior Management, and there is no restriction of access to the senior Management team of the Company or Group at all times in carrying out its duties.

At lease one of the Company Secretaries attends all formal Board meetings to respond to the queries of any Director and ensures that Board procedures are followed and that all applicable rules and regulations are complied with.

The Board takes independent professional advice as and when necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to discharge its responsibilities effectively.

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises of all three (3) Independent Directors, with Mr. Chow Wen Kwan Marcus as the Chairman of the RC.

The primary responsibility of the RC is to recommend to our Board a framework of remuneration for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director.

The recommendations of our RC shall be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by our RC. Each member of the RC shall abstain from voting any resolutions in respect of his remuneration package.

The payment of fees to Directors is subject to approval at the Annual General Meeting of the Company.

STATEMENT OF CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the Company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Board has also recommended a fixed fee for non-executive Directors plus a variable component depending on the number of meetings they attend, taking into account the effort, time spent and responsibility of each non-executive Director.

The Company has entered into service contracts with its Executive Chairman and CEO. The service contracts cover the terms of employment, salaries and other benefits. The service contract of its Executive Chairman and CEO is for a fixed term of three years with a notice period of six months.

All recommendations of the RC are submitted to the Board for endorsement.

DISCLOSURE OF REMUNERATION

Principle 9: Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

A breakdown showing the level and mix of each Director's remuneration for the financial year ended 30 June 2010 is as follows:

Remuneration Band & Name of Director	Director's Fee (%)	Salary (%)	Bonus (%)	Total (%)
Below S$250,000				
Mr. Low Kok Ann	-	72	28	100
Mr. Low See Ching	-	61	39	100
Mr. Ong Beng Chye	100	-	-	100
Mr. Terrance Tan Kong Hwa	100	-	-	100
Mr. Chow Wen Kwan Marcus	100	-	-	100

Remuneration of key executives (who are not Directors)* for the financial year ended 30 June 2010 as follows:

Remuneration Band & Name of Key Executive	Salary (%)	Bonus (%)	Total (%)
Below S$250,000			
Mr. Tay Eng Kiat Jackson	68	32	100
Mr. Koh Yew Seng Mike	79	21	100
Mr. Goh Keng Boon	74	26	100

* As at 30 June 2010, other than the three key executives disclosed above, there are no other key executives in office. This is in accordance with the disclosure contained in the "Financial Report: Note 3.3 Key Management Compensation" section.

There are no employees who are immediate family members of a Director and/or a substantial shareholder whose remuneration exceeded $150,000 during the financial year ended 30 June 2010.

STATEMENT OF CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Listing Manual").

Prior to the release of half-yearly and full year results to the public, the Management will present the Group's financial performance together with explanatory details of its operations to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the results.

AUDIT COMMITTEE

Principle 11: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

The Audit Committee (the "AC") comprises of all three (3) Independent Directors, with Mr. Ong Beng Chye as the Chairman of the AC.

The AC has adopted its terms of reference in compliance with the Code.

The AC meets periodically to perform the following functions:

(a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and Management's response;
(b) review with the internal auditors the internal audit plan and their evaluation of the adequacy of our internal control and accounting system before submission of the results of such review to our Board for approval prior to the incorporation of such results in our annual report;
(c) review the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
(d) review the adequacy of the internal control and procedures and ensure co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
(e) review and discuss with external and internal auditors (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and Management's response;
(f) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the external auditors;
(g) review transactions falling within the scope of Chapter 9 of the Listing Manual;
(h) review any potential conflicts of interest;
(i) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of our AC; and
(j) generally to undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

STATEMENT OF CORPORATE GOVERNANCE

The AC will review, at least annually, the Group's key financial risk areas (including but not limited to, the Group's cash management policies and cash position, collection of debts, hedging policies and foreign currency transactions (if any) and off-balance sheet items (if any)), with a view to providing an independent oversight on the Group's financial reporting. Where the findings are material, the outcome of these reviews will immediately be announced via SGXNET and disclosed in the annual report of the Group.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular transaction.

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements. The AC also reviews the adequacy of the Company's internal controls and effectiveness of the Company's internal audit function as set out in the guidelines stated in the Code. The services of the internal auditors are utilised to assist the AC in the discharge of its duties and responsibilities.

The AC meets the external auditors without the presence of the Management at least once a year.

The AC has reviewed the non-audit services provided by the external auditors. The total non-audit services fee paid/payable to the external auditors for the financial year 30 June 2010 was $255,000. The AC, having considered the nature of services rendered and related charged by the external auditors, is satisfied that the independence of the external auditors is not impaired.

The Company has in place a whistle-blowing framework where staff of the Company can have access to the AC's Chairman and members. All concerns about improprieties would be channeled to the AC's Chairman.

The Company has complied Rule 715 of the Listing Manual as the subsidiaries are audited by RSM Chio Lim LLP.

INTERNAL CONTROL

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets.

The Internal Auditors carry out internal audit on the system of internal controls and report the findings to the AC. The Group's External Auditors, RSM Chio Lim LLP, have also carried out, in the course of their statutory audit, a review of the Group's material internal controls. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit process.

For the financial year ended 30 June 2010, the Board believes that in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's Management that was in place throughout the financial period up to the date of this report, provides reasonable, but not absolute assurance against material financial misstatements or loss.

STATEMENT OF CORPORATE GOVERNANCE

INTERNAL AUDIT

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Group outsources its internal audit function to BDO Consultants Pte Ltd to review key business processes of the Company and its material subsidiaries.

The Internal Auditors report directly to the Chairman of the AC. The AC reviews the scope of internal audit function, internal audit findings and the internal audit plan.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at Annual General Meetings, **and** *allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

In line with the Company's continuing obligations pursuant to the Listing Manual, the Board's policy is that all shareholders would be equally informed of all major developments impacting the Group on a timely basis.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The financial results for the half-year and full year are released to shareholders via SGXNET within 45 and 60 days of the half year-end and full year-end, respectively.

Notices of general meetings are dispatched to shareholders, together with the annual report within the time notice period as prescribed by the regulations. At general meetings, shareholders will be given opportunities to voice their views and direct their questions to Directors or Management regarding the Company. The Chairman of the AC, NC and RC will be present and available to address questions at general meetings. The External Auditors will also present to assist the Board.

In preparation for the annual general meeting, shareholders are encouraged to refer to SGX's investor guides, namely 'An Investor's Guide To Reading Annual Reports' and 'An Investor's Guide To Preparing For Annual General Meetings'. The guides, in both English and Chinese versions are available at the SGX website via this link: http://www.sgx.com/wps/portal/marketplace/mp-en/investor_centre/investor_guide

DEALING IN SECURITIES

In line with Rule 1204(18) of the Listing Manual on Dealing in Securities, the Company has adopted its own Internal Code of Conduct and issues circulars to its Directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in the shares of the Company. The Directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half-year and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule during the financial year.

STATEMENT OF CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length and is reviewed by the AC. Besides the information disclosed below, there is no other interested person transactions conducted during the year, which exceeds $100,000 in value.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Rental paid to Ascender Investment [1]	116	112	-	-

[1] The rental rate was agreed between our Group and Ascender Investment having regard to prevailing market rental rate for similar premises, based on commercial terms and on an arm's length basis.

MATERIAL CONTRACTS

Except as disclosed in Interested Person Transactions, there is no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any Director or controlling shareholder during the financial year ended 30 June 2010.

USE OF PROCEEDS FROM SHARE PLACEMENT

The Company refers to the net proceeds raised in Dec 2009 from the share placement of 32,500,000 new ordinary shares in the capital of the Company at an issue price of S$0.20 per share.

As at 30 June 2010, the Company has utilised the net proceeds of S$4,800,000 for general working capital purposes of the Group.

NON-SPONSPOR FEES

In compliance with Rule 1204(20) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor, Collins Stewart Pte. Limited, subsequent to the listing on Catalist to the date of printing of this Annual Report.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 30 June 2010. The financial year for the company covers the period since incorporation on 6 October 2009 to 30 June 2010. The financial year for the group covers the period from 1 July 2009 to 30 June 2010.

1. Directors at Date of Report

The directors of the company in office at the date of this report are:

Low Kok Ann	
Low See Ching	
Ong Beng Chye	(Appointed on 10 November 2009)
Terrance Tan Kong Hwa	(Appointed on 10 November 2009)
Chow Wen Kwan Marcus	(Appointed on 10 November 2009)

2. Arrangements to Enable Directors to Acquire Benefits by Means of The Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. Directors' Interests In Shares and Debentures

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of director's shareholdings kept by the company under section 164 of the Companies Act, Cap. 50 except as follows:

Name of directors and companies in which interest are held	At date of incorporation	At end of the year
The company	**Number of shares of no par value**	
Low Kok Ann	–	37,700,000
Low See Ching	1	66,300,000

By virtue of section 7 of the Companies Act, Cap. 50, Low Kok Ann and Low See Ching are deemed to have an interest in all the related corporations of the company.

The directors' interests as at 21 July 2010 were the same as those at the end of the year.

DIRECTORS' REPORT

4. Contractual Benefits of Directors

Since the date of incorporation, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors of the company received remuneration from related corporations in their capacity as directors and or executives of those related corporation.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Options to Take Up Unissued Shares

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. Options Exercised

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7. Unissued Shares Under Option

At the end of the financial year, there were no unissued shares under option.

8. Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Ong Beng Chye	(Chairman of Audit Committee and Independent Director)
Terrance Tan Kong Hwa	(Independent director)
Chow Wen Kwan Marcus	(Independent director)

The audit committee performs the functions specified by section 201B(5) of the Companies Act. Among other functions, it performed the following:

(a) Reviewed with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;

(b) Reviewed with the internal auditors the internal audit plan and their evaluation of the adequacy of our internal control and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in our annual report;

(c) Reviewed the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

DIRECTORS' REPORT

8. Audit Committee (Continued)

(d) Review the adequacy of the internal control and procedures and ensure co-ordination between the external auditors and management, reviewing the assistance given by management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

(e) Reviewed and discussed with external and internal auditors (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and our management's response;

(f) Considered the appointment or re-appointment of the external auditors;

(g) Reviewed transactions falling within the scope of Chapter 9 of the Listing Manual;

(h) Reviewed any potential conflicts of interest.

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditors' objectivity and independence are safeguarded where the independent auditors provide non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

9. Independent Auditors

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

10. Subsequent Developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 23 August 2010, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

Low Kok Ann
Director

Low See Ching
Director

3 September 2010

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 30 June 2010 and of the results and cash flows of the group and changes in equity of the company and of the group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On Behalf of the Directors

Low Kok Ann
Director

Low See Ching
Director

3 September 2010

INDEPENDENT AUDITORS' REPORT

to the Members of HAFARY HOLDINGS LIMITED (Registration No: 200918637C)

We have audited the accompanying financial statements of Hafary Holdings Limited and its subsidiaries (the group), set out on pages 27 to 71, which comprise the statements of financial position of the group and the company as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statements of financial position and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the Members of HAFARY HOLDINGS LIMITED (Registration No: 200918637C)

Opinion

In our opinion,

(a) the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 30 June 2010 and the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

3 September 2010

Partner-in-charge of audit: Chan Weng Keen
Effective from the financial year ended 30 June 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Revenue	5	38,354	30,794
Other Items of Income			
Other Credits	6	260	248
Interest Income		1	–
Items of Expense			
Changes in Inventories of Finished Goods		7,048	1,791
Purchases and Related Costs		(30,192)	(20,709)
Employee Benefits Expense	7	(4,759)	(3,836)
Depreciation Expense	14	(537)	(370)
Impairment Losses	8	(316)	(187)
Finance Costs	9	(445)	(403)
Other Expenses	10	(3,747)	(2,692)
Other Charges	6	(1,419)	(420)
Profit Before Income Tax		4,248	4,216
Income Tax Expense	11	(990)	(777)
Profit, Net of Tax and Total Comprehensive Income for the Year		3,258	3,439
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent		3,061	3,039
- Non-Controlling Interests		197	400
		3,258	3,439
		Cents	**Cents**
Basic and Diluted Earnings Per Share	12	2.1	2.3

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	14	4,193	1,218	1	–
Investments in Subsidiaries	15	–	–	9,239	–
Total Non-Current Assets		4,193	1,218	9,240	–
Current Assets					
Inventories	16	16,902	10,039	–	–
Trade and Other Receivables	17	10,347	6,673	6,067	–
Other Assets	18	1,159	240	38	–
Cash and Cash Equivalents	19	5,473	1,837	1,263	–
Total Current Assets		33,881	18,789	7,368	–
Total Assets		38,074	20,007	16,608	–
EQUITY AND LIABILITIES					
Equity					
Share Capital	20	14,508	500	14,508	–
Capital Reserve	30	–	–	1,009	–
Retained Earnings		3,061	7,729	876	–
Equity, Attributable to Owners of the Parent		17,569	8,229	16,393	–
Non-Controlling Interests		866	799	–	–
Total Equity		18,435	9,028	16,393	–
Non-Current Liabilities					
Deferred Tax Liabilities	11	96	31	–	–
Other Financial Liabilities	21	2,244	1,853	–	–
Total Non-Current Liabilities		2,340	1,884	–	–
Current Liabilities					
Provision	22	255	256	–	–
Income Tax Payable		957	807	–	–
Trade and Other Payables	23	4,938	1,973	215	–
Derivative Financial Instruments	24	460	–	–	–
Other Financial Liabilities	21	10,689	6,059	–	–
Total Current Liabilities		17,299	9,095	215	–
Total Liabilities		19,639	10,979	215	–
Total Equity and Liabilities		38,074	20,007	16,608	–

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2010

	Total Equity $'000	Attributable to Parent Sub-Total $'000	Share Capital $'000	Retained Earnings $'000	Non-Controlling Interests $'000
Group:					
Current Year:					
Opening Balance at 1 July 2009	9,028	8,229	500	7,729	799
Effect from Restructuring Exercise (Note 29)	(8,229)	(8,229)	(500)	(7,729)	–
Issue of Share on Incorporation Date	* –	* –	* –	–	–
Issue of Share for Acquisition of Subsidiaries	8,229	8,229	8,229	–	–
Initial Public Offering:					
- Issue of Shares	6,500	6,500	6,500	–	–
- Share Issue Expenses	(221)	(221)	(221)	–	–
	6,279	6,279	6,279	–	–
Total Comprehensive Income for the Year	3,258	3,061	–	3,061	197
Capital Contribution by Non-Controlling Interests	20	–	–	–	20
Dividends Paid to Non-Controlling Interests	(150)	–	–	–	(150)
Closing Balance at 30 June 2010	18,435	17,569	14,508	3,061	866
Previous Year:					
Opening Balance at 1 July 2008 (a)	8,659	8,190	500	7,690	469
Total Comprehensive Income for the Year	3,439	3,039	–	3,039	400
Dividends Paid (Note 13)	(3,000)	(3,000)	–	(3,000)	–
Capital Contribution by Non-Controlling Interests	20	–	–	–	20
Dividends Paid to Non-Controlling Interests	(90)	–	–	–	(90)
Closing Balance at 30 June 2009	9,028	8,229	500	7,729	799

* Amount less than $1,000.

(a) This represent the share capital and retained earnings of the subsidiaries prior to the Restructuring Exercise disclosed in Note 29.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2010

	Total Equity $'000	Share Capital $'000	Retained Earnings $'000	Capital Reserve $'000
Company:				
At Date of Incorporation	–	* –	–	–
Issue of Share for Acquisition of Subsidiaries	9,238	8,229	–	1,009
Initial Public Offering:				
- Issue of Shares	6,500	6,500	–	–
- Share Issue Expenses	(221)	(221)	–	–
	6,279	6,279	–	–
Total Comprehensive Income for the Year	876	–	876	–
Closing Balance at 30 June 2010	16,393	14,508	876	1,009

* Amount less than $1,000.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2010

	2010 $'000	2009 $'000
Cash Flows From Operating Activities		
Profit Before Income Tax	4,248	4,216
Adjustments for:		
Depreciation of Property, Plant and Equipment	537	370
Gain on Disposals of Property, Plant and Equipment	(33)	–
Interest Income	(1)	–
Interest Expense	445	403
Fair Value Loss on Derivatives Financial Instruments	460	–
Operating Cash Flows Before Changes in Working Capital	5,656	4,989
Increase in Inventories	(6,863)	(1,634)
(Increase) / Decrease in Trade and Other Receivables	(3,674)	1,179
(Increase) / Decrease in Other Assets	(919)	57
Decrease in Provision	(1)	(37)
Increase / (Decrease) in Trade and Other Payables	2,965	(860)
Net Cash Flows from Operations Before Interest and Tax	(2,836)	3,694
Income Taxes Paid	(775)	(1,091)
Net Cash Flows (Used in) / From Operating Activities	(3,611)	2,603
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(3,354)	(250)
Proceeds from Disposal of Plant and Equipment	75	–
Interest Income Received	1	–
Net Cash Flows Used in Investing Activities	(3,278)	(250)
Cash Flows From Financing Activities		
Capital Contribution by Non-Controlling Interests	20	20
Dividends Paid to Owners	–	(3,000)
Dividends Paid to Non-Controlling Interests	(150)	(90)
Increase in Cash Restricted in Use Over 3 Months	(213)	–
Repayment of Finance Lease Liabilities	(252)	(159)
Proceeds From New Bank Loans	3,200	3,500
Repayment of Bank Loans	(2,183)	(257)
Interest Expense Paid	(445)	(403)
Issue of Shares	6,279	–
Net Cash Flows From / (Used in) Financing Activities	10,312	(1,422)
Net Increase in Cash and Cash Equivalents	3,423	931
Cash and Cash Equivalents, Beginning Balance	1,806	875
Cash and Cash Equivalents, Ending Balance (Note 19A)	5,229	1,806

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

1. General

The company was incorporated on 6 October 2009 under the Companies Act, Cap. 50 as a private limited company limited by shares under the name “Hafary Holdings Pte. Ltd.”. On 10 November 2009, the company changed its name to “Hafary Holdings Limited” in connection with its conversion to a public company limited by shares.

The financial statements are presented in Singapore dollar and they cover the parent and the group’s subsidiaries.

The board of directors approved and authorised these financial statements for issue on 3 September 2010.

The company is an investment holding company. It is listed on the Catalist which is a market on Singapore Exchange Securities Trading Ltd.

The principal activities of the subsidiaries are described in the Note 15 to the financial statements below.

The registered office is: 15 Defu Avenue 1 Singapore 539538. The company is domiciled in Singapore.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Cap. 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of Presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the end of the reporting year of the company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed off during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases. On disposal, the attributable amount of goodwill, if any, is included in the determination of the gain or loss on disposal.

The company’s financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no statement of comprehensive income is presented for the company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgments in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgments, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this note to the financial statements, where applicable.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the activities of the entity and it is shown net of any related sales taxes, estimated returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established. Interest is recognised using the effective interest method. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund which is the Central Provident Fund in Singapore (a government managed retirement benefit plan). For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the company is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign Currency Transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and, if applicable, deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the company's own separate financial statements, an investment in a subsidiary are stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book value of a subsidiary are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business Combinations

As disclosed in Note 29 of the financial statements, a restructuring exercise was undertaken. The business combination involved entities or businesses under common control that is, a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The business combination in such situation is accounted for under the pooling-of-interests or merger method.

Under the pooling-of-interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is to be adjusted to the capital reserve.

A business combination not under common control is transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities shall be recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss. There was no gain on bargain purchase.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Non-Controlling Interests

The non-controlling interests in the net assets and net results of consolidated subsidiary are shown separately in the appropriate components of the consolidated financial statements. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Losses applicable to the non-controlling interest in excess of the non-controlling interest's interest in the subsidiary's equity are not allocated against the interests of the owners of the parent.

Property, Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets as follows:

Leasehold building	-	Over the remaining lease term of 13 years
Plant and equipment	-	3 to 10 years
Motor vehicles	-	5 years

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Leases

Whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Impairment of Non-Financial Assets

The carrying amount of non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year, non-financial assets with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Financial Assets

Initial recognition and measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically, trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets*:* As at end of the reporting year, there were no financial assets classified in this category.

#4. Available-for-sale financial assets*:* As at end of the reporting year, there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances. For the statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

Hedging

The entity is exposed to currency risks. The policy is to reduce currency rate exposures through derivatives and other hedging instruments. From time to time, there may be borrowings and foreign exchange arrangements or similar instruments entered into as hedges against changes in cash flows or the fair value of the financial assets and liabilities. These arrangements are not used for trading or speculative purposes. They are carried at fair value. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in profit or loss. The derivatives and other hedging instruments used are described below in the notes to the financial statements.

Financial Liabilities

Initial recognition and measurement:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

#1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the “fair value option” and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Financial Liabilities (Continued)

#2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Financial Guarantees

A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

Fair Value of Financial Instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments. Disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. The fair value of a financial instrument is derived from an active market or by using an acceptable valuation technique. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or for liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Inventories

Inventories are measured at the lower of cost (on the specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the period they occur.

Government Grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position.

Critical Judgments, Assumptions and Estimation Uncertainties

The critical judgments made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

<u>Net realisable value of inventories:</u>

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of the group's inventories at the end of the reporting year was $16,902,000 (2009: $10,039,000).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

2. Summary of Significant Accounting Policies (Continued)

Critical Judgments, Assumptions and Estimation Uncertainties (Continued)

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade accounts. To the extent that it is feasible, impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount of the group's trade receivables at the end of the reporting year was $9,967,000 (2009: $6,367,000).

Provision for rebates to customers:

The group grants rebates its customers who make prompt payments within the credit period. A related provision is made for these customers' rebates after taking into account the historical information, as well as recent trends that might suggest the past information may differ from future rebates to be granted. The carrying amount of the group's provision for customers' rebates at the end of the reporting year was $255,000 (2009: $256,000).

Income tax expense:

The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. The carrying amount of the group's income tax expense at the end of the reporting year was $990,000 (2009: $777,000).

3. Related Party Transactions

FRS 24 defines a related party as an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The definition includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

#3.1 Related companies:

Related companies in these financial statements include the members of the company's group of companies. The controlling parties are Low Kok Ann and Low See Ching.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

3. Related Party Transactions (Continued)

#3.1 Related companies (Continued):

There are transactions and arrangements between the company and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related company balances are unsecured without fixed repayment terms and interest unless stated otherwise. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

#3.2 Other related parties:

There are transactions and arrangements between the company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

The related party transactions were made on terms equivalent to those that prevail as far as practicable based on market prices.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:-

	Group	
	2010 $'000	2009 $'000
Rental expense	116	112

#3.3 Key management compensation:

	Group	
	2010 $'000	2009 $'000
Salaries and other short-term employee benefits	945	752

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:-

	Group	
	2010 $'000	2009 $'000
Remuneration of directors of the group	497	325
Remuneration of other key management personnel of the group	368	227
Fees to directors of the company	80	200

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation were for the directors and other key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

3. Related Party Transactions (Continued)

#3.4 Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services were disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Company	
	2010	2009
	$'000	$'000
Other receivables from subsidiary:		
Balance at beginning of the year	–	–
Amounts paid in and settlement of liabilities on behalf of the company	6,067	–
Balance at end of the year (Note 17)	6,067	–

	Group	
	2010	2009
	$'000	$'000
Other payables to directors:		
Balance at beginning of the year	(200)	(649)
Amounts paid out and settlement of liabilities on behalf of another party	(115)	699
Directors' fees payable	–	(250)
Balance at end of the year (Note 23)	(315)	(200)

4. Financial Information by Operating Segments

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

FRS 108 requires the disclosure of information about operating segments, products and services, the geographical areas, and the major customers. It is a disclosure standard which results in a redesignation of the group's reportable segments, but has no impact on the reported results or financial position of the group.

For management purposes, the group is organised into two major strategic operating segments: General and Project. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

General segments includes retail "walk-in" customers who purchase their requirements from the showroom or customers (such as architecture, interior design and renovation firms) who make ad hoc purchases for small projects such as home renovation or small property development. The quantities purchased are typically small.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

4. Financial Information by Operating Segments (Continued)

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities (Continued)

Project customers are usually those who are involved in major property development projects and may make bulk purchases from the group, usually for specific major property development projects, whether residential, commercial, public or industrial. Project customers include architecture firm, property developers and construction companies.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, interests and income taxes ("Recurring EBITDA") and (2) operating result before income taxes and other unallocated items ("ORBIT").

4B. Profit or Loss from Continuing Operations and Reconciliations

	General	Project	Unallocated	Group
	$'000	$'000	$'000	$'000
2010				
Revenue by Segment				
Total revenue by segment	27,219	11,078	57	38,354
Recurring EBITD	4,447	1,672	57	6,176
Corporate expenses	–	–	(946)	(946)
Finance costs	(445)	–	–	(445)
Depreciation expense	(500)	(37)	–	(537)
ORBIT				4,248
Income tax expense				(990)
Profit, Net of Tax				3,258
2009				
Revenue by Segment				
Total revenue by segment	20,031	10,763	–	30,794
Recurring EBITD	3,873	1,571	–	5,444
Corporate expenses	–	–	(455)	(455)
Finance costs	(403)	–	–	(403)
Depreciation expense	(356)	(14)	–	(370)
ORBIT				4,216
Income tax expense				(777)
Profit, Net of Tax				3,439

Unallocated corporate expenses relates to those expenses of the company whose principal activity is investment holding. Accordingly, these corporate expenses cannot be allocated to the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

4. Financial Information by Operating Segments (Continued)

4C. Assets and Reconciliations

	General	Project	Unallocated	Group
	$'000	$'000	$'000	$'000
2010				
Total group assets	26,759	10,012	1,303	38,074
2009				
Total group assets	16,234	3,773	–	20,007

4D. Liabilities and Reconciliations

	General	Project	Unallocated	Group
	$'000	$'000	$'000	$'000
2010				
Total group liabilities	12,382	7,042	215	19,639
2009				
Total group liabilities	10,573	406	–	10,979

Unallocated assets and liabilities relate to those assets and liabilities of the company whose principal activity is investment holding. Accordingly, these corporate expenses cannot be allocated to the operating segments.

4E. Other Material Items and Reconciliations

	General	Project	Unallocated	Group
	$'000	$'000	$'000	$'000
Impairment of assets (reversal):				
2010	323	(5)	(2)	316
2009	152	-	35	187
Expenditure for non-current assets:				
2010	3,363	189	2	3,554
2009	218	72	-	290

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

4. Financial Information by Operating Segments (Continued)

4F. Geographical Information

The following table provides an analysis of the revenue and non-current assets by geographical market, irrespective of the origin of the goods and services:

	Revenue		Non-Current Assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Group				
Singapore	38,354	30,741	4,193	1,218
Indonesia	–	53	–	–
Total	38,354	30,794	4,193	1,218

Revenues are attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located.

4G. Information About Major Customers

There is no customer with sales transactions of over 10% of the group's revenue.

5. Revenue

	Group	
	2010 $'000	2009 $'000
Sale of goods	38,297	30,794
Rental income	57	–
	38,354	30,794

6. Other Credits and (Other Charges)

	Group	
	2010 $'000	2009 $'000
Foreign exchange transaction (losses) /gains, net	(25)	103
Fair value loss on derivatives financial instruments	(460)	–
Commission income	20	1
Compensation income	–	6
Gain on disposal of property, plant and equipment	33	–
Initial public offering expenses	(934)	(420)
Government grant income from Job Credit Scheme	114	42
Miscellaneous income	93	96
Net	(1,159)	(172)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2010

6. Other Credits and (Other Charges) (Continued)

	Group 2010 $'000	Group 2009 $'000
Presented in profit or loss as:		
Other Credits	260	248
Other Charges	(1,419)	(420)
Net	(1,159)	(172)

7. Employee Benefits Expense

	Group 2010 $'000	Group 2009 $'000
Employee benefits expense including directors:		
Salaries, bonuses and other short-term benefits	4,391	3,533
Contributions to defined contribution plan	368	303
Total employee benefits expense	4,759	3,836

8. Impairment Losses

	Group 2010 $'000	Group 2009 $'000
Allowance for impairment of inventories	176	157
Allowance for impairment of trade receivables	156	–
Allowance for impairment of trade receivables - reversal	(15)	–
Bad debts written off - trade receivables	10	–
Bad debts written off - other receivables	–	36
Bad debts recovered - trade receivables	(9)	(5)
Bad debts recovered - other receivables	(2)	(1)
	316	187

9. Finance Costs

	Group 2010 $'000	Group 2009 $'000
Interest expense on:		
- Finance lease liabilities	22	27
- Bank loans	188	44
- Bill payables	235	332
Total finance costs	445	403

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

10. Other Expenses

The major components include the following:

	Group	
	2010 $'000	2009 $'000
Commission	252	234
Rental of premises	1,185	1,077
Upkeep of motor vehicles	304	262
Transportation	262	221

11. Income Tax Expense

11A. Components of tax expense recognised in profit or loss include:

	Group	
	2010 $'000	2009 $'000
Current tax expense:		
Current tax expense	901	779
Under adjustments in respect of prior periods	24	(2)
	925	777
Deferred tax expense:		
Deferred tax expense	65	–
Total income tax expense	990	777

The income tax in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2009: 17%) to profit before income tax as a result of the following differences:

	Group	
	2010 $'000	2009 $'000
Profit before income tax	4,248	4,216
Income tax expense at the above rate	722	717
Not deductable items	274	121
Tax exemptions	(57)	(52)
Under / (over) adjustments to tax in respect of prior periods	24	(2)
Change in tax rate	–	(2)
Deferred tax assets valuation allowance (reversal)	16	–
Other minor items less than 3% each	11	(5)
Total income tax expense	990	777

There are no income tax consequences of dividends to owners of the group.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

11. Income Tax Expense (Continued)

11B. Deferred tax expense recognised in profit or loss include:

	Group	
	2010 $'000	2009 $'000
Excess of net book value of property, plant and equipment over tax values	65	–

11C. Deferred tax balance in the statement of financial position:

	Group	
	2010 $'000	2009 $'000
Deferred tax assets liabilities recognised in profit or loss:		
Excess of net book value of property, plant and equipment over tax values	96	31

It is impracticable to estimate the amount expected to be settled or used within one year.

12. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company by the weighted average number of ordinary shares of no par value as follows:

	Group	
	2010 $'000	2009 $'000
The calculation of earnings per share is based on the following:		
Profit, net of tax and total comprehensive income attributable to owners of the parent	3,061	3,039
	'000	'000
Weighted average number of equity shares	148,958	130,000*

* This represents pre-placement share capital.

The weighted average number of equity shares refers to shares in circulation during the period.

Basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each period. Earnings applicable per ordinary share amounts are calculated based on the weighted average number of ordinary shares. No dilutive earnings per share is computed as there are no potential dilutive shares.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

13. Dividends on Equity Shares

In respect of the current year, the directors propose that a final dividend of 0.4 cents per share with a total of $652,000 to be paid to the shareholders after the forthcoming annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2010 is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

14. Property, Plant and Equipment

	Leasehold building	Plant and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000
Group				
Cost:				
At 1 July 2008	–	1,484	1,134	2,618
Additions	–	194	96	290
At 30 June 2009	–	1,678	1,230	2,908
Additions	2,502	731	322	3,555
Disposals	–	(17)	(173)	(190)
At 30 June 2010	2,502	2,392	1,379	6,273
Accumulated depreciation:				
At 1 July 2008	–	743	577	1,320
Depreciation for the year	–	187	183	370
At 30 June 2009	–	930	760	1,690
Depreciation for the year	111	218	208	537
Disposals	–	(3)	(144)	(147)
At 30 June 2010	111	1,145	824	2,080
Net book value:				
At 1 July 2008	–	741	557	1,298
At 30 June 2009	–	748	470	1,218
At 30 June 2010	2,391	1,247	555	4,193

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

14. Property, Plant and Equipment (Continued)

Company	Plant and equipment $'000
Cost:	
At date of incorporation	–
Additions	2
At 30 June 2010	2
Accumulated depreciation:	
At date of incorporation	–
Depreciation for the year	1
At 30 June 2010	1
Net book value:	
At date of incorporation	–
At 30 June 2010	1

The group's leasehold building is mortgaged for the bank facilities (see Note 21A). Certain items are under finance lease agreements (see Note 21D).

15. Investments in Subsidiaries

	Company 2010 $'000	Company 2009 $'000
Unquoted shares at cost	9,239	–
Movements during the year:		
Cost at beginning of the year	–	–
Additions	9,239	–
Cost at end of the year	9,239	–
Net book value of subsidiaries	11,511	–

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

15. Investments in Subsidiaries (Continued)

The subsidiaries held by the company are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in the books of the company		Effective percentage of equity held by group	
	2010	2009	2010	2009
	$'000	$'000	%	%
Hafary Pte Ltd Singapore Importer and dealer of building materials	9,239	–	100	–
Held through Hafary Pte Ltd:				
Surface Project Pte Ltd Singapore Distributor and wholesale of building materials			70	–
Surface Stone Pte Ltd (Incorporated on 13 April 2009) Singapore Dealer of stones for home furnishing			80	–
Wood Culture Pte Ltd Singapore (Incorporated on 8 April 2010) Dealer of wood for home furnishing			80	–

The subsidiaries are audited by RSM Chio Lim LLP.

16. Inventories

	Group	
	2010	2009
	$'000	$'000
Goods for resale	16,902	10,039

Inventories are stated after allowance. Movements in allowance:

Balance at beginning of the year	157	–
Charged to profit or loss included in impairment losses	176	157
Balance at end of the year	333	157

There were no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

17. Trade and Other Receivables

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade receivables:				
Outside parties	10,479	6,769	–	–
Less: Allowance for impairment	(512)	(402)	–	–
Subtotal	9,967	6,367	–	–
Other receivables:				
Subsidiary (Note 3)	–	–	6,067	–
Staff loans	46	64	–	–
Refundable deposits	294	242	–	–
Others	40	–	–	–
Subtotal	380	306	6,067	–
Total trade and other receivables	10,347	6,673	6,067	–
Movements in above allowance:				
Balance at beginning of the year	402	402	–	–
Charged for trade receivables to profit or loss included in impairment losses	156	–	–	–
Reversed for trade receivables to profit or loss included in impairment losses	(15)	–	–	–
Bad debts written-off	(31)	–	–	–
Balance at end of the year	512	402	–	–

18. Other Assets

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Advance payments to suppliers	925	199	–	–
Prepayments	107	41	38	–
Deposits to secure services	127	–	–	–
	1,159	240	38	–

19. Cash and Cash Equivalents

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not restricted in use	5,229	1,806	1,263	–
Restricted in use #	244	31	–	–
Cash at end of the year	5,473	1,837	1,263	–

The interest earning balances are not significant.

This is for amounts held by bankers to cover the bank facilities provided.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

19. Cash and Cash Equivalents (Continued)

19A. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows:

	Group	
	2010 $'000	2009 $'000
Amount as shown above	5,473	1,837
Cash restricted in use over 3 months	(244)	(31)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	5,229	1,806

19B. Non-cash transactions:

During the year, motor vehicles with a total cost of $200,000 (2009: $40,000) were acquired by means of finance leases.

20. Share Capital

	Number of shares issued '000	Share capital $'000
Group:		
Ordinary shares of no par value:		
Balance at 1 July 2008 and 30 June 2009 (a)	500	500
Effect of Restructuring Exercise (Note 29)	(500)	(500)
Shares issued pursuant to the Restructuring Exercise	130,000	8,229
Issue of shares pursuant to the Initial Public Offering exercise	32,500	6,500
Share issue expenses	–	(221)
Balance at 30 June 2010	162,500	14,508
Company:		
Ordinary shares of no par value:		
Issue of shares on date of incorporation	* _	* _
Shares issued pursuant to the Restructuring Exercise (Note 29)	130,000	8,229
Issue of shares pursuant to the Initial Public Offering exercise	32,500	6,500
Share issue expenses	–	(221)
Balance at 30 June 2010	162,500	14,508

* Amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

20. Share Capital (Continued)

(a) The share capital represents the share capital of the subsidiaries prior to the Restructuring Exercise (Note 29).

The company issued ordinary shares to the existing shareholders as consideration for the acquisition of their equity interests in certain group entities as part of the restructuring initiative undertaken for the company's Initial Public Offer exercise (Note 29).

The company made a public placement offer of its ordinary shares and these shares commenced trading on the Catalist board on 7 December 2009.

The ordinary shares of no par value, which are fully paid, carry no right to fixed income. In order to maintain its listing on the Singapore Stock Exchange, the company has to have share capital with at least a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The company is listed on the Catalist and has appointed a sponsor to comply with the Catalist Rules and to facilitate certain corporate actions including rights issues, placement of shares, company warrants or other convertible securities for cash, major transactions, transactions requiring shareholders' approval and schemes of arrangement.

Capital management:

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The management sets the amount of capital in proportion to risk. There were no changes in the approach to capital management during the year. The management manages the capital structure and makes adjustments to it, where necessary or possible, in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, and retained earnings).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

20. Share Capital (Continued)

	Group 2010 $'000	Group 2009 $'000
Net debt:		
All current and non-current borrowings including finance lease liabilities	12,933	7,912
Less: Cash and cash equivalents	(5,473)	(1,837)
	7,460	6,075
Net capital:		
Equity	18,435	9,028
Debt-to-adjusted capital ratio	40.5%	67.3%

21. Other Financial Liabilities

	Group 2010 $'000	Group 2009 $'000
Non-current:		
Bank loan A (secured) (Note 21A)	1,276	–
Other bank loans (unsecured) (Note 21B)	781	1,630
Finance lease liabilities (Note 21D)	187	223
Non-current, total	2,244	1,853
Current:		
Bank loan A (secured) (Note 21A)	489	–
Other bank loans (unsecured) (Note 21B)	1,903	1,802
Bills payables and trust receipts (secured) (Note 21C)	–	939
Bills payables and trust receipts (unsecured)	8,131	3,136
Finance lease liabilities (Note 21D)	166	182
Current, total	10,689	6,059
Total	12,933	7,912
The non-current portion is repayable as follows:		
Due within 2 to 5 years	2,244	1,853

The range of fixed rate interest rates paid were as follows:

	2010	2009
Bank loan A	2.68%	–
Other bank loans	5.00%	5.00% to 10.88%

The range of fixed rate interest rates paid for finance lease liabilities are disclosed in Note 21D.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

21. Other Financial Liabilities (Continued)

The range of floating rate interest rates paid were as follows:

	2010	2009
Other bank loans	2.52% to 2.68%	6.49% to 7.20%
Bills payables and trust receipts	1.31% to 2.69%	2.60% to 7.13%

21A. Bank Loan A (secured)

The loan is repayable by equal monthly installment over 4 years with effect from December 2009. It is secured by a mortgage of the group's leasehold building as disclosed in Note 14 to the financial statements and guaranteed by the company.

21B. Other Bank Loans (unsecured)

These loans are repayable by equal monthly installment over 7 months to 4 years from the drawn down dates. They are guaranteed by the company.

21C. Bills Payables and Trust Receipts

These are repayable between 120 to 150 days from the drawn down dates. They are guaranteed by the company.

21D. Finance Lease Liabilities

Group:	Minimum payments $'000	Finance charges $'000	Present value $'000
2010			
Minimum lease payments payable:			
Due within one year	179	(13)	166
Due within 2 to 5 years	198	(11)	187
Total	377	(24)	353
Net book value of property, plant and equipment under finance leases			471
2009			
Minimum lease payments payable:			
Due within one year	203	(21)	182
Due within 2 to 5 years	234	(11)	223
Total	437	(32)	405
Net book value of property, plant and equipment under finance leases			408

The group leases for certain of its plant and equipment and motor vehicles under finance leases. The average lease term is 2 to 7 years. The fixed rate of interest for finance leases is 4.833% to 8.170% (2009: 4.833% to 8.170%) per year. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore dollar. The obligations under finance leases are secured by the lessor's charge over the leased assets.

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22. Provision

	Group	
	2010 $'000	2009 $'000
Provision for rebates	255	256
Movements in above provision:		
Balance at beginning of the year	256	293
Additions	255	256
Used	(256)	(293)
Balance at end of the year	255	256

23. Trade and Other Payables

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade payables:				
Outside parties and accrued liabilities	4,622	1,773	135	–
Related party (Note 3)	1	–	–	–
Sub-total	4,623	–	135	–
Other payables:				
Directors (Note 3)	315	200	80	–
Total trade and other payables	4,938	1,973	215	–

24. Derivatives Financial Instruments

The table below summarises the fair value of forward foreign exchange contracts at the end of the reporting year:

	Group	
	2010 $'000	2009 $'000
Liabilities – Derivatives with negative fair values	(460)	–
The movements during the year were as follows:		
Balance at the end beginning of the year	–	–
Charged to profit or loss under other charges	(460)	–
Total balance at end of the year	(460)	–

24A. Forward Currency Contracts

These includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

NOTES TO THE FINANCIAL STATEMENTS

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24. Derivatives Financial Instruments (Continued)

24A. Forward Currency Contracts (Continued)

	Principal	Reference currency	Maturity dates	Fair value gain / (loss)
	$'000			$'000
Group				
2010:				
Forward currency contracts	6,126	Euro	6 Jul 2010 to 18 Nov 2010	(509)
Forward currency contracts	4,203	USD	3 Sep 2010 to 20 Dec 2010	49
	10,329			(460)
2009:				
Forward currency contract	260	Euro	30 Sep 2009	6
Forward currency contracts	601	USD	27 Jul 2009 to 30 Sep 2009	(25)
	861			(19)

As the net fair value effect of the group's forward contracts at the end of the previous reporting year was not significant, no adjustment was made to the profit or loss.

The purpose of these contracts is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in the foreign currencies indicated above. The forward exchange contracts are put in place in order to hedge the anticipated purchases that will be made in the foreign currencies indicated about over the next financial year.

24B. Fair Values of Derivatives Financial Instruments

The forward currency contracts are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price. The fair value is regarded as a level 2 fair value measurement for financial instruments (Note 25C.2).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks

25A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial assets:				
Loans and receivables	10,347	6,673	6,067	–
Cash and bank balances	5,473	1,837	1,263	–
At end of year	15,820	8,510	7,330	–
Financial liabilities:				
Borrowings at amortised cost	12,933	7,912	–	–
Trade and other payables at amortised cost	4,938	1,973	215	–
Derivative financial instruments	460	–	–	–
At end of year	18,331	9,885	215	–

Further quantitative disclosures are included throughout these financial statements.

25B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

(i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.
(ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
(iii) Enter into derivatives or any other similar instruments solely for hedging purposes.
(iv) All financial risk management activities are carried out and monitored by senior management staff.
(v) All financial risk management activities are carried out following good market practices.

The Finance Manager who monitors the procedures reports to the audit committee of the board.

With regard to derivatives, the policies include the following:

(a) The management documents carefully all derivatives including the relationship between then and the hedged items at inception and throughout their life.
(b) Ineffectiveness is recognised in profit or loss as soon as it arises.
(c) Effectiveness is assessed at the inception of the hedge and at each end of the reporting year ensuring that FRS 39 criteria are met.
(d) Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25C. Fair Value of Financial Instruments

25C.1. Fair value of financial instruments stated at amortised cost in the statement of financial position

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value.

25C.2. Fair value measurements recognise in the statement of financial position

The fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are: Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balances recognised at fair value in the statement of financial position included derivative financial instruments of $460,000 (2009: Nil). This is measured at level 2 of the fair value hierarchy.

25D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances and derivative financial instruments is limited because the counter parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed of the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers.

All unencumbered bank deposits with the banks licensed by the Monetary Authority of Singapore are guaranteed by the Singapore Government until 31 December 2010.

Cash and cash equivalents as disclosed in Note 19 represent amount with a less that 90-day maturity.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25D. Credit Risk on Financial Assets (Continued)

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (2009: 60 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts (unsecured) that are past due as at the end of reporting year but not impaired:

	Group	
	2010 **$'000**	**2009** **$'000**
Trade receivables:		
61 to 90 days	1,314	765
Over 90 days	1,934	1,642
Total	3,248	2,407

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2010 **$'000**	**2009** **$'000**
Trade receivables:		
Less than 60 days	5	–
Over 90 days	507	402
Total	512	402

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $512,000 (2009: $402,000) for the group that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25E. Liquidity Risk

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Less than 1 year	1 to 3 years	3 to 5 years	Total
Group	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivative financial liabilities:				
2010:				
Gross borrowings commitments	10,826	1,859	490	13,175
Trade and other payables	4,938	–	–	4,938
	15,764	1,859	490	18,113
Non-derivative financial liabilities:				
2009:				
Gross borrowings commitments	6,174	1,946	–	8,120
Trade and other payables	1,973	–	–	1,973
	8,147	1,946	–	10,093
Company				
Non-derivative financial liabilities:				
2010:				
Trade and other payables	215	–	–	215

The following table analyses the derivative financial libilities by remaining contractual maturity:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
Group	**$'000**	**$'000**	**$'000**	**$'000**
Derivative financial liabilities:				
2010:				
Forward current contracts	460	–	–	460
Derivative financial liabilities:				
2009:				
Forward current contracts	–	–	–	–

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. For financial guarantee contracts the maximum, earliest period in which the guarantee could be called is used.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25E. Liquidity Risk (Continued)

Financial guarantee contracts – At the end of the reporting year no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

	Less than 1 year	2 to 3 years	3 to 5 years	Total
Group	$	$	$	$
2010:				
Financial guarantee contracts – given by directors	-	-	-	-
2009:				
Financial guarantee contracts – given by directors	6,016	1,657	-	7,673
Company				
2010:				
Financial guarantee contracts – in favour of a related company (Note 3)	19,376	1,720	430	21,526

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 60 days (2009: 60 days). The other payables are with short-term durations. Apart from the classification of the assets in the statements of financial position, no further analysis is deemed necessary.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.

Bank facilities:

	Group	
	2010 $'000	2009 $'000
Undrawn borrowing facilities	9,271	3,025

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2010 $'000	2009 $'000
Financial liabilities:		
Fixed rates	3,027	3,790
Floating rates	9,906	4,122
Total at end of the year	12,933	7,912

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group	
	2010 $'000	2009 $'000
Adverse effect on post-tax profit for the year of a hypothetical increase in interest rates, with all other variables held constant, by:		
50 basis points	50	21
100 basis points	99	41
150 basis points	149	62
200 basis points	198	82

The analysis has been performed separately for fixed interest rate and floating interest rate financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses.

The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

In management's opinion, the above sensitivity analysis is unrepresentative of the interest rate risks as the historical exposure does not reflect the exposure in the future.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currency at the end of the reporting year:

Financial assets:	Cash and cash equivalents
	$'000
Group	
2010:	
United States dollar	165
2009:	
United States dollar	–

Financial liabilities:	Borrowings	Trade and other payables	Total
	$'000	$'000	$'000
Group			
2010:			
United States dollar	4,704	772	5,476
Euro	2,868	1,051	3,919
	7,572	1,823	9,395
2009:			
United States dollar	1,528	107	1,635
Euro	944	242	1,186
	2,472	349	2,821

There is exposure to foreign currency risk as part of its normal business. The sales of the group are primarily denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

25. Financial Instruments: Information on Financial Risks (Continued)

25G. Foreign Currency Risks (Continued)

Sensitivity analysis:

	Group	
	2010 $'000	2009 $'000
Favourable effect on profit before tax of a hypothetical 10% increase in the exchange of the functional currency, with all other variables held constant, against:		
United States dollar	531	164
Euro	392	119

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure. The analysis above has been carried out on the following basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

26. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follow:

	Group	
	2010 $'000	2009 $'000
Commitments to purchase plant and equipment	112	–

27. Operating Lease Payment Commitments

At the end of the reporting year, the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2010 $'000	2009 $'000
Not later than one year	1,263	953
Later than one year and not later than five years	2,362	128
Later than five years	1,208	–
Rental expense for the year	1,185	1,077

Operating lease payments are for rentals payable for the group's office, warehouses and retail premises. The lease rental terms are negotiated for an average of two to thirteen years and rentals are subject to an escalation clause but the amount of rent increase is not to exceed a certain percentage.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

28. Event after the End of the Reporting Year

On 2 August 2010, Hafary Pte Ltd, a subsidiary, entered into a sale and purchase agreement to purchase freehold land in Singapore for a consideration of $21.5 million.

29. Restructuring of Companies under Common Control

In connection with the company's Initial Public Offering, the company implemented a restructuring exercise reorganising the corporate structure to streamline and rationalise its group structure and business pursuant to which the company became the investment holding company of the group.

Pursuant to a restructuring agreement dated 23 November 2009, the company acquired the entire issued share capital of Hafary Pte Ltd from its shareholders. The consideration was based on the audited Net Tangible Assets ("NTA") (excluding non-controlling interests) of Hafary Pte Ltd and its subsidiaries as at 30 June 2009 of $8,228,989. The acquisition of Hafary Pte Ltd was completed on 23 November 2009. The consideration was satisfied by the issue of 129,999,999 new ordinary shares of the company, credited as fully paid to their respective shareholders.

The group restructuring has been accounted for using the "pooling-of-interest" method. Accordingly, the group's consolidated financial statements for the financial years ended 30 June 2009 and 30 June 2010 have been prepared as if the group had been in existence prior to the Restructuring Exercise. The assets and liabilities are brought into the consolidated statements of financial position at the existing carrying amounts. The figures of the group for the financial years ended 30 June 2009 and 30 June 2010 represent the combined results, state of affairs, changes in equity and cash flows as if the group, pursuant to the Restructuring Exercise, had existed since 1 July 2008.

30. Capital Reserve

The company had accounted for its investment in the subsidiary, Hafary Pte Ltd, at cost at the date of the reorganisation in its separate financial statements. The difference between the investment cost of $9,239,000 and the consideration of $8,230,000 is $1,009,000 and this amount has been recorded in equity under capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

31. Changes and Adoption of Financial Reporting Standards

For the year ended 30 June 2010, the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Revised)
FRS 18	Revenue (Amendments to)
FRS 23	Borrowing Costs (Amendments to)
FRS 32	Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments to) (*)
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 38	Intangible Assets (Amendments to)
FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Item (Amendments to)
FRS 102	Share-based Payment (Amendments to)
FRS 103	Business Combinations (Revised)
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments to) (*)
FRS 108	Operating Segments (*)
INT FRS 109	Reassessment of Embedded Derivatives (Amendments to) (*)
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (*)
INT FRS 117	Distributions of Non-cash Assets to Owners
INT FRS 118	Transfers of Assets from Customers

(*) Not relevant to the group.

The main objective of revising FRS 1 was to aggregate information in the financial statements on the basis of shared characteristics. All owner changes in equity are presented in the statement of changes in equity, separately from non-owner changes in equity. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs. It introduces a requirement to include in a complete set of financial statements, a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements were revised and are applied prospectively to business combinations first accounted for in the first annual reporting period beginning on or after 1 July 2009 and the amendments to FRS 27 apply retrospectively to periods beginning on or after 1 July 2009. These have been adopted for the year beginning from 1 January 2009. The main changes in existing practice resulting from the revision to FRS 103 affect acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. In addition, acquisition related costs must be recognised as expenses unless they are directly connected with the issue of debt or equity securities. The revisions to FRS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

32. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Presentation of Financial Statements (Amendments to)	01.01.2010
FRS 7	Statement of Cash Flows (Amendments to)	01.01.2010
FRS 17	Leases (Amendments to)	01.01.2010
FRS 24	Related Party Disclosures	01.01.2011
FRS 32	Financial Instruments: Disclosure and Presentation (Amendments to)	01.02.2010
FRS 36	Impairment of Assets (Amendments to)	01.01.2010
FRS 39	Financial Instruments: Recognition and Measurement (Amendments to)	01.01.2010
FRS 101	First-time Adoption of Financial Reporting Standards (Amendments to)	01.01.2010
FRS 102	Share-based Payment (Amendments to)	01.01.2010
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments to)	01.01.2010
FRS 108	Operating Segments (Amendments to)	01.01.2010

(*) Not relevant to the group.

33. Comparative Figures

The financial statements of the group for the financial year ended 30 June 2009 are prepared based on "pooling-of-interest" method as disclosed in Note 29 and include the financial statements of the following group entities:

(a) Hafary Pte Ltd
(b) Surface Project Pte. Ltd.
(b) Surface Stone Pte. Ltd.

The financial statements of the company cover the period from its date of incorporation on 6 October 2009 to 30 June 2010. There are no comparative figures.

STATISTICS OF SHAREHOLDINGS

As at 30 September 2010

Number of shares	:	162,500,000
Class of equity securities	:	Ordinary
Voting Rights	:	One vote per ordinary share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	81	42.41	682,000	0.42
10,001 - 1,000,000	101	52.88	10,685,000	6.58
1,000,001 and above	9	4.71	151,133,000	93.00
	191	100.00	162,500,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Low Kok Ann *	37,700,000	23.20	-	-
Low See Ching *	66,300,000	30.80	16,250,000	10.00
Dr Low Bee Lan Audrey *	26,000,000	16.00	-	-
Ching Chiat Kwong **	14,000,000	8.62	-	-

* Low Kok Ann is the father of Low See Ching and Dr Low Been Lan Audrey.

** 2,500,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

STATISTICS OF SHAREHOLDINGS

As at 30 September 2010

TOP TWENTY SHAREHOLDERS

No.	Name	No. of Shares	%
1	LOW SEE CHING	50,050,000	30.80
2	LOW KOK ANN	37,700,000	23.20
3	DR LOW BEE LAN AUDREY	26,000,000	16.00
4	HONG LEONG FINANCE NOMINEES PTE LTD	16,250,000	10.00
5	CHING CHIAT KWONG	11,500,000	7.08
6	TEE WEE SIEN (ZHENG WEIXIAN)	3,300,000	2.03
7	CITIBANK NOMINEES SINGAPORE PTE LTD	2,500,000	1.54
8	PHILLIP SECURITIES PTE LTD	2,348,000	1.44
9	LIM & TAN SECURITIES PTE LTD	1,485,000	0.91
10	PHUA SOK GEK	900,000	0.55
11	PHOON WAIE KUAN	816,000	0.50
12	SU CHEN-JU	750,000	0.46
13	LEE TIAM NAM	600,000	0.37
14	SOH BOON SIEW	561,000	0.35
15	TAN CHAI KIEW	500,000	0.31
16	LOW SOON HUAT	400,000	0.25
17	WONG CHOI LIAN	400,000	0.25
18	OCBC SECURITIES PRIVATE LTD	328,000	0.20
19	LIM KIM SENG	300,000	0.18
20	JIAN WEN-YEN @ JOSEPH JIAN	270,000	0.17
	TOTAL	156,958,000	96.59

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

11.38% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hafary Holdings Limited ("the Company") will be held at RSM Chio Lim LLP, 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on Thursday, 28 October 2010 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 30 June 2010 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.4 cents per ordinary share one-tier tax-exempt for the year ended 30 June 2010. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 104 of the Articles of Association of the Company:-

   Mr Low Kok Ann **(Resolution 3)**
   Mr Low See Ching **(Resolution 4)**

4. To approve the payment of Directors' Fees of S$80,000 for the year ended 30 June 2010. **(Resolution 5)**

5. To re-appoint Messrs RSM Chio Lim LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of Section B of The Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST**.

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares (other than on a pro-rata basis to the shareholders of the Company) at a discount ('the Discount") not exceeding ten per centum (10%) to the weighted average price ("the Price") for trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that in exercising the authority conferred by this Resolution:-

(a) the Company complies with the provisions of Section B of the Listing Manual of the SGX-ST: Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST); and

(b) the Company may, until 31 December 2010 or such other expiration date as may be determined by SGX-ST increase the Discount to an amount exceeding ten per cent (10%) but not more than twenty per cent (20%) of the Price for shares to be issued,

NOTICE OF ANNUAL GENERAL MEETING

unless revoked or varied by the Company in general meeting, such authority shall continue in force until (a) the conclusion of the next Annual General Meeting of the Company, or (b) the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Jackson Tay Eng Kait
Wong Yoen Har
Secretaries

Singapore, 13 October 2010

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

(ii) The Ordinary Resolution 8 in item 9 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 until 31 December 2010. The effectiveness of these measures will be reviewed by SGX-ST at the end of the period. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 15 Defu Avenue 1 Singapore 539538 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

HAFARY HOLDINGS LIMITED

(Company Registration No.: 200918637C)
(Incorporated In The Republic of Singapore with limited liability)

IMPORTANT:

1. For investors who have used their CPF monies to buy HAFARY HOLDINGS LIMITED's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of HAFARY HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 28 October 2010 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 30 June 2010		
2	Payment of proposed first & final dividend		
3	Re-election of Mr Low Kok Ann as a Director		
4	Re-election of Mr Low See Ching as a Director		
5	Approval of Directors' Fees amounting to S$80,000		
6	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditors		
7	Authority to issue new shares		
8	Authority to issue new shares up to discount of 20%		

Dated this ____________ day of ____________ 2010

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Defu Avenue 1 Singapore 539538 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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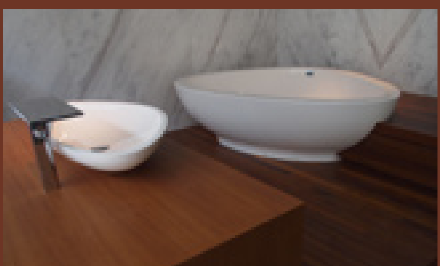

OUR SHOWROOMS

DEFU
showroom

15 Defu Avenue 1
Singapore 539538
Tel : 6250 1368 (6 Lines)
Fax: 6251 1620 (Sales/Orders)
Email: defushowroom@hafary.com.sg

Mon – Sat :- 9.00am – 7.00pm
Sun & PH:- 10.30am – 5.30pm

BALESTIER
showroom

560 Balestier Road
Singapore 329876
Tel : 6250 1369 (3 Lines)
Fax: 6255 4450
Email: balestiershowroom@hafary.com.sg

Mon – Fri :- 9.00am – 7.30pm
Sat :- 9.00am – 7.00pm
Sun & PH:- 10.30am – 5.00pm

TRADEHUB 21
showroom

18 Boon Lay Way
#01-132 Tradehub21
Singapore 609966
Tel : 6570 6265 (3 Lines)
Fax: 6570 8425
Email: tradehub21showroom@hafary.com.sg

Mon – Sat :-10.00am – 7.00pm
Sun & PH:- 10.00am – 5.00pm

Hafary Holdings Limited Annual Report 2010

合發利控股有限公司
HAFARY HOLDINGS LIMITED
(Company Registration No. 200918637C)
15 Defu Avenue 1
Singapore 539538