FULL YEAR RESULTS * FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT

Asterisks denote mandatory information

Name of Announcer *	HAFARY HOLDINGS LIMITED
Company Registration No.	200918637C
Announcement submitted on behalf of	HAFARY HOLDINGS LIMITED
Announcement is submitted with respect to *	HAFARY HOLDINGS LIMITED
Announcement is submitted by *	Tay Eng Kiat Jackson
Designation *	Financial Controller
Date & Time of Broadcast	29-Aug-2011 22:39:00
Announcement No.	00176

>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

For the Financial Period Ended *	30-06-2011
Description	Please see attached.

Attachments	Hafary_FY2011_Results_Announcement.pdf Hafary_Audit_Report-FY2011.pdf Total size = **294K** (2048K size limit recommended)

合發利控股有限公司
HAFARY HOLDINGS LIMITED

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

Full Year Financial Statements and Dividend Announcement For the Year Ended 30 June 2011

This announcement 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"). Collins Stewart Pte. Limited has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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

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

(The figures are audited by the auditors.)

	Group		
	Audited 30-Jun-11 S$'000	Audited 30-Jun-10 S$'000	Increase/ (Decrease) %
Revenue	60,354	38,354	57
Other Items of Income			
Other Credits	491	260	89
Interest Income	1	1	-
Other Items of Expense			
Changes in Inventories of Finished Goods	7,385	7,048	5
Purchases and Related Expenses	(43,041)	(30,192)	43
Employee Benefits Expenses	(7,688)	(4,759)	62
Depreciation Expense	(744)	(537)	39
Impairment Losses	(1,008)	(316)	219
Finance Costs	(653)	(445)	47
Other Expenses	(5,935)	(3,747)	58
Other Charges	(81)	(1,419)	(94)
Profit Before Income Tax	**9,081**	**4,248**	**114**
Income Tax Expense	(1,580)	(990)	60
Profit, Net of Tax and Total Comprehensive Income for the Year	**7,501**	**3,258**	**130**
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent	6,873	3,061	125
- Non-Controlling Interests	628	197	219
	7,501	**3,258**	**130**

1(a)(i) Profit, Net of Tax is arrived after crediting / (charging) the following :

	Group		
	Audited 30-Jun-11 S$'000	Audited 30-Jun-10 S$'000	Increase/ (Decrease) %
Allowance for Impairment on Inventories	(324)	(176)	84
Allowance for Impairment on Trade Receivables, Net	(640)	(141)	354
Bad Debts Written Off Trade Receivables, Net	(45)	(1)	4,400
Depreciation Expense	(744)	(537)	39
Fair Value Loss on Derivative Financial Instruments - Reversal/ (Loss)	397	(460)	(186)
Foreign Exchange Adjustment Losses, Net	(81)	(25)	224
Gain on Disposal of Property, Plant and Equipment	54	33	64
Initial Public Offer Expenses	-	(934)	(100)
Interest Expense	(653)	(445)	47
Interest Income	1	1	-
Under adjustments to tax in respect of prior years	(32)	(24)	33

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

	Group		Company	
	Audited 30-Jun-11 S$'000	Audited 30-Jun-10 S$'000 (Restated)	Audited 30-Jun-11 S$'000	Audited 30-Jun-10 S$'000
ASSETS				
Non Current Assets:				
Property, Plant and Equipment	5,031	4,193	339	1
Investment Property	22,954	-	-	-
Other Assets	1,980	-	-	-
Investment in Subsidiaries	-	-	9,239	9,239
Total Non-Current Assets	**29,965**	**4,193**	**9,578**	**9,240**
Current Assets:				
Inventories	23,964	16,902	-	-
Trade and Other Receivables	13,993	10,347	8,411	6,067
Other Assets	1,850	1,159	62	38
Cash and Cash Equivalents	3,273	5,473	112	1,263
Total Current Assets	**43,080**	**33,881**	**8,585**	**7,368**
Total Assets	**73,045**	**38,074**	**18,163**	**16,608**
EQUITY AND LIABILITIES				
Equity Attributable to Owners of the Parent				
Share Capital	14,508	14,508	14,508	14,508
Capital Reserve	-	-	-	1,009
Retained Earnings	9,290	3,061	2,788	876
Equity, Attributable to Owners of the Parent	23,798	17,569	17,296	16,393
Non-Controlling Interests	1,388	866	-	-
Total Equity	**25,186**	**18,435**	**17,296**	**16,393**
Non-Current Liabilities:				
Deferred Tax Liabilities	243	96	-	-
Other Financial Liabilities	20,103	1,463	221	-
Total Non-Current Liabilities	**20,346**	**1,559**	**221**	**-**
Current Liabilities:				
Provision	265	255	-	-
Income Tax Payable	1,409	957	4	-
Trade and Other Payables	7,021	4,938	586	215
Derivative Financial Instruments	63	460	-	-
Other Financial Liabilities	18,632	11,470	56	-
Other Liabilities	123	-	-	-
Total Current Liabilities	**27,513**	**18,080**	**646**	**215**
Total Liabilities	**47,859**	**19,639**	**867**	**215**
Total Equity and Liabilities	**73,045**	**38,074**	**18,163**	**16,608**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 30 June 2011		As at 30 June 2010	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000 (Restated)	S$'000
Bank Loans	1,154	778	489	2,684
Trust Receipts and Bills Payable to Banks	16,573	-	1,175	6,956
Finance Leases	127	-	166	-
	17,854	778	1,830	9,640

Amount repayable after one year

	As at 30 June 2011		As at 30 June 2010	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000 (Restated)	S$'000
Bank Loans	19,732	-	1,276	-
Finance Leases	371	-	187	-
	20,103	-	1,463	-

Details of collateral referring to the above borrowings

Bank Loans

These are covered by a corporate guarantee given by Hafary Holdings Limited and secured by legal charges over other assets (non-current), leasehold properties and development property of the subsidiaries.

Bank loans which give the lenders the right to demand repayment at any time and at their sole discretion are known as callable loans. As at 30 June 2010 and 30 June 2011, the amount classified in bank loans (unsecured) due after 1 year which fall under the definition of callable loans were $781,000 and $478,000 respectively. These amounts have been reclassified as current liabilities in the statements of financial position.

Bills Payables and Trust Receipts

These are covered by a corporate guarantee given by Hafary Holdings Limited.

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

	Group	
	Audited 30-Jun-11	Audited 30-Jun-10
	S$'000	S$'000
Cash Flows From Operating Activities:		
Profit Before Income Tax	9,081	4,248
Adjustments for:		
Depreciation of Property, Plant and Equipment	744	537
Gain on Disposal of Property, Plant and Equipment	(54)	(33)
Interest Expense	653	445
Interest Income	(1)	(1)
Fair Value Loss on Derivative Financial Instruments - (Reversal)/ Loss	(397)	460
Operating Cash Flows Before Working Capital Changes	10,026	5,656
Inventories	(7,062)	(6,863)
Trade and Other Receivables	(3,646)	(3,674)
Other Assets	(691)	(919)
Provision	10	(1)
Trade and Other Payables	2,083	2,965
Other Liabilities	123	-
Net Cash Flows From/ (Used in) Operations	843	(2,836)
Income Taxes Paid	(981)	(775)
Net Cash Flows Used in Operating Activities	**(138)**	**(3,611)**
Cash Flows From Investing Activities:		
Proceeds from Disposal of Property, Plant and Equipment	139	75
Purchase of Development Property	(22,700)	-
Purchase of Property, Plant and Equipment	(1,271)	(3,354)
Advance Payments for Acquisition of Properties	(1,980)	-
Interest Income Received	1	1
Net Cash Flows Used in Investing Activities	**(25,811)**	**(3,278)**
Cash Flows From Financing Activities:		
Capital Contribution by Non-Controlling Interests	-	20
Dividends Paid to Owners	(650)	-
Dividends Paid to Non-Controlling Interests	(90)	(150)
Decrease/ (Increase) in Cash Restricted in Use Over 3 Months	244	(213)
Increase in Trust Receipts and Bills Payable	8,442	4,056
Repayment of Finance Lease Liabilities	(251)	(252)
Proceeds from New Bank Loans	19,718	3,200
Repayment of Bank Loans	(2,503)	(2,183)
Acquisition of Additional Interest in a Subsidiary	(10)	-
Issue of Shares	-	6,279
Interest Expense Paid	(907)	(445)
Net Cash Flows From Financing Activities	**23,993**	**10,312**
Net (Decrease)/ Increase in Cash and Cash Equivalents	(1,956)	3,423
Cash and Cash Equivalents, Beginning Balance [(1)]	5,229	1,806
Cash and Cash Equivalents, Ending Balance	**3,273**	**5,229**

Note:
(1) As at 30 June 2010, cash and cash equivalents excludes the restricted cash of S$244,000 (NIL as at 30 June 2011).

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

GROUP	Total Equity S$'000	Attributable to Parent Subtotal S$'000	Share Capital S$'000	Retained Earnings S$'000	Non-Controlling Interests S$'000
Current Year:					
Opening Balance at 1 July 2010	18,435	17,569	14,508	3,061	866
Total Comprehensive Income for the Year	7,501	6,873	-	6,873	628
Acquisition of a Non-Controlling Interest Without a Change in Control	(10)	6	-	6	(16)
Divdends Paid	(650)	(650)	-	(650)	-
Dividends Paid to Non-Controlling Interests	(90)	-	-	-	(90)
Balance at 30 June 2011	25,186	23,798	14,508	9,290	1,388
Previous Year:					
Opening Balance at 1 July 2009	9,028	8,229	500	7,729	799
Effect from Restructuring Exercise	(8,229)	(8,229)	(500)	(7,729)	-
Issue of Share on Incorporation Date	* -	* -	* -	-	-
Issue of Shares 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)
Balance at 30 June 2010	18,435	17,569	14,508	3,061	866

COMPANY	Total Equity $'000	Share Capital $'000	Retained Earnings S$'000	Capital Reserve S$'000
Current Year:				
Opening Balance at 1 July 2010	16,393	14,508	876	1,009
Dividends Paid	(650)	-	(650)	-
Total Comprehensive Income for the Year	1,553	-	1,553	-
Reclassification from Capital Reserve to Retained Earnings	-	-	1,009	(1,009)
Closing Balance at 30 June 2011	17,296	14,508	2,788	-
Previous Year:				
At Date of Incorporation	* -	* -	-	-
Issue of Shares 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	-
Balance at 30 June 2010	16,393	14,508	876	1,009

* Amount less than $1,000.

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

	Company			
	30 June 2011		30 June 2010	
	No. of Shares	S$'000	No. of Shares	S$'000
Total number of shares at the beginning of the year	162,500,000	14,508	1	- *
Issue of shares pursuant to the restructuring exercise (1)	-	-	129,999,999	8,229
Issue of shares pursuant to the placement (2)	-	-	32,500,000	6,279
Total number of shares at the end of the year	162,500,000	14,508	162,500,000	14,508

* Amount less than $1,000.

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

Company (1)	
30 June 2011	**30 June 2010**
162,500,000	162,500,000

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

The company has no treasury shares as at 30 June 2011 and 30 June 2010.

Notes:

(1) The company was incorporated on 6 October 2009 in Singapore in accordance with The Companies Act (Chapter 50) of Singapore as a private limited company with an issued and paid-up capital of S$1.00 comprising one share. Pursuant to the restructuring exercise dated 23 November 2009, the company acquired the entire share capital of Hafary Pte Ltd from its shareholders. The consideration was based on the audited Net Tangible Assets (excluding non-controlling interests) of Hafary group as at 30 June 2009 of approximately $8,228,989. The acquistion of Hafary Pte Ltd was completed on 23 November 2009. The consideration was satisfied by the issue of 129,999,999 shares of our company, credited as fully paid to the shareholders.

(2) On 7 December 2009, the company issued 32,500,000 new ordinary shares arising from its Initial Public Offering exercise.

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

The figures have been audited by the company's auditors.

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

An unmodified audit opinion on the group's financial statement is issued by the auditors. See attached independent auditors' report.

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

The Group had adopted the new and/or revised Financial Reporting Standards (the "FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 July 2010. Changes to the Group's accounting policies have been made in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and/or revised FRS and INT FRS did not result in any substantial changes to or significant impact on the Group's financial statements or results respectively.

Except for the above, the Group has adopted the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the reporting year ended 30 June 2010.

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

Same as above.

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

Earnings per ordinary shares for the year based on total comprehensive income attributable to owners of the parent :-

	Group	
	Audited 30-Jun-11	Audited 30-Jun-10
Earnings per ordinary share		
(a) Based on the weighted average number of ordinary shares in issue; and	4.23 cents	2.05 cents
Weighted average number of ordinary shares	162,500,000	148,958,000
(b) On a fully diluted basis	4.23 cents	2.05 cents
Weighted average number of ordinary shares	162,500,000	148,958,000

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

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

	Group		**Company**	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
Net asset value per ordinary share based on the total number of share in issue	14.64 cents	10.81 cents	10.64 cents	10.09 cents

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

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

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

Material factors that affected turnover, costs and earnings

Profit or Loss Review

Revenue

Revenue increased by 57.4% from $38.4 million during FY2010 to $60.4 million during FY2011.

The increase is mainly contributed by **Hafary Pte Ltd**, the group's sales arm for ceramic and homogeneous tiles and sanitary wares. The buoyant property market and increasing spending power of homeowners due to improving economic climate in Singapore in FY2011 had resulted in increased demand for the company's products.

Sales from the Project segment (mainly from **Surface Project Pte. Ltd.**) increased by almost two-folds against the backdrop of increased number of private property launches in the past 2 to 3 years. The company supplied tiles and building materials for several notable development projects during FY2011, for example, Double Bay Residences and The Regency.

Surface Stone Pte. Ltd. and **Wood Culture Pte. Ltd.** which commenced business in early-FY2009 and early-FY2010 respectively also reported sizeable revenue growth as these subsidiaries continued to establish themselves as preferred suppliers of marbles, stones and engineered wood flooring.

Generally, the increased operations of the group can also be attributed to its increased market profile since the company's listing on the Catalist on 9 December 2009. The group's presence in the market was enhanced with the opening of its third showroom at Tradehub21 (18 Boon Lay Way) in September 2010.

Other Credits

Other credits increased by $0.2 million from $0.3 million for FY2010 to $0.5 million for FY2011.

The Jobs Credit Scheme (introduced in Budget 2009) came to a close with the final payment of jobs credit on 30 June 2010. In spite of the minimal government grant income from Jobs Credit Scheme of $8,000 recognised in FY2011 (FY2010: $0.1 milllion) and decrease in sponsorship income by $0.1 million, other credits increased mainly due to reversal of fair value loss on foreign currency forward contracts, amounting to $0.4 million, as at 30 June 2011.

8 Profit or Loss Review (Continued)

Cost of Sales

The increase in cost of sales by 54.1% from $23.1 million during FY2010 to $35.7 million during FY2011 is in tandem with the increase in revenue.

The gross profit margin increased slightly from 39.7% in FY2010 to 40.9% in FY2011 due to the weakening of United States dollar and Euro against Singapore dollar. Purchases of the group are mainly from overseas and denominated in these two currencies, whereas the group's sales are mainly denominated in Singapore dollar.

Employee Benefit Expenses

Employee benefits expenses increased by $2.9 million from $4.8 million in FY2010 to $7.7 million in FY2011.

The increase is due to salary increment and increase in head count to cope with the higher volume of businesses.

The percentage of employee benefit expenses over revenue is comparable for FY2011 and FY2010:

	FY 2011 $million	FY 2010 $million
Employee benefit expense ("EBE")	7.7	4.8
Revenue	60.4	38.4
EBE as percentage of revenue (%)	12.7	12.5

Depreciation

Depreciation increased by $0.2 million from $0.5 million in FY2010 to $0.7 million in FY2011.

The increase is due to major additions during the year, which includes:
a) Delivery vehicles and forklifts to cope with the increase in inventories and sales volume.
b) Renovation of new showroom at Tradehub21 (18 Boon Lay Way).

The group also recognised full year depreciation of warehouse at 54/ 56 Sungei Kadut Loop, acquired in December 2009, of $190,000 (FY 2010: $111,000).

Impairment Losses

Impairment losses increased by $0.7 million from $0.3 million in FY2010 to $1.0 million in FY2011.

The increase is mainly attributable to:
a) Allowance for impairment of inventories by $0.2 million.
b) Allowance for impairment of trade receivables by $0.5 million.

8 Profit or Loss Review (Continued)

Finance Costs

Finance costs increased by $0.2 milion from $0.5 million in FY2010 to $0.7 million in FY2011.

The increase is mainly attributable to increase in interest expense on trust receipts and bills payable to banks by $0.3 million in view of increased purchases and related costs by $12.8 million. The above increase is offset by decrease in interest expense by $0.1 million on bank loans with full repayment of certain LEFS loans with interest rate of 5% per annum during the year.

Interest expense on bank loan to finance acquisition of freehold property at 79 Aljunied Road, Singapore 389822 was capitalized according to requirements of FRS 23 Borrowing Costs, and not included in finance costs in profit or loss.

Other Expenses

Other expenses increased by $2.2 million from $3.7 million in FY2010 to $5.9 million in FY2011.

The increase is mainly atttributable to:

a) Rental of premises and land (Office, showroom and warehouse) by $0.4 million. During FY2011, there are rental fee increment for existing premises and full year rental of new showroom at Tradehub21 which commenced in May 2010.
b) Upkeep of motor vehicles and forklifts and other repair and maintenance by $0.4 million due to higher utilisation of plant and equipment to cope with the higher level of operations.
c) Transportation costs and hire of equipment and motor vehicles by $0.3 million due to increase in logistical costs arising from increased operations.
d) Advertising, commission and advertising expense by $0.5 million due to increased sales and marketing efforts.
e) Professional fees by $0.3 million, which are mainly comprise of lawyers' fee for assistance in recovering trade debts. During the year, the group also commenced legal action against a former director of a subsidiary for breach of employment contract. The case is in progress.
f) Staff welfare by $0.1 million due to increased head count.

There is also accumulative increase in other expense items (for example, casual labour) amounting to $0.2 million.

Other Charges

Other charges decreased by $1.3 million from $1.4 million in FY2010 to $0.1 million in FY2011 mainly due to the recognition of Initial Public Offering (IPO) expenses amounting to $0.9 million in FY2010, which is non-recurring. Fair value gain on foreign currency forward contracts amounting to $0.4 million, was recognised in other credits for FY2011. In FY2010, fair value loss on foreign currency forward contracts amounting to $0.5 million was recognised in other charges.

The decrease is slightly offset by an increase in foreign exchange adjustment loss by $0.1 million.

8 **<u>Profit or Loss Review (Continued)</u>**

Profit Before Income Tax

Profit before income tax increased by $4.8 million from $4.2 million in FY2010 to $9.1 million in FY2011.

The effective tax rate for FY2011 is 17.4% and comparable to the Singapore corporate tax rate of 17%. Tax exemptions did not result in lower effective tax rate due to non-deductible items such as depreciation of non-qualifying expenses.

The effective tax rate for FY2010 is 23.3% due mainly to IPO expense of $934,000 that is non-deductible for tax purpose.

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

<u>Statement of Financial Position Review</u>

<u>Non-Current Assets</u>

Non-current assets increased by $25.8 million due to the acquisition of a freehold land located at 79 Aljunied Road, Singapore 389822 for cash consideration of $21.5 million. The property was acquired in August 2010 and intially planned for redevelopment into a six-storey corporate headquarter of the group. In order to maintain an acceptable leverage ratio (in view of other acquisition of properties for warehousing purpose to cope with increased operations), the management decided during FY2011 to sell 80% of the space and freehold land. The property was consequently treated as development property. Cost of development property includes stamp duties and other expenses ($1.2 million) and bank loan interest expense ($0.3 million).

Included in non-current assets (Other assets) are deposits of $2.0 million relating to acquisition of properties at 3 Changi North Street 1, Singapore 498824 and 105 Eunos Avenue 3, Singapore 409836 and an increase in property, plant and equipment by $0.8 million.

<u>Current Assets</u>

Current assets increased by $9.2 million due mainly to increase in inventories by $7.1 million, trade and other receivables by $3.6 million, other assets by $0.7 million, partially offset by decrease in cash and cash equivalents by $2.2 million.

The higher inventory balance is consistent with the group's strategy of improving customer service by offering wide product range for marbles, stone tiles and engineered wood flooring. Higher level of inventories is also necessary to support the increasing demand for the group's products. Inventory turnover days improved to 245 days as at 30 June 2011 compared to 267 days as at 30 June 2010.

The increase in trade and other receivables is in line with revenue growth in FY2011. Trade and other receivables turnover days improved to 85 days as at 30 June 2011 against 98 days as at 30 June 2010.

8 Statement of Financial Position Review (Continued)

Non-Current Liabilities

Non-current liabilities increased by $18.8 million due mainly to bank loans amounting to $17.7 million for acquisition and development of freehold land at 79 Aljunied Road, Singapore 389822. There are repayment and drawdown of other bank loans which resulted in a net increase in other financial liabilities (non-current) of $0.9 million. Deferred tax liabilities as at 30 June 2011 also increased by $0.2 million from $0.1 million as at 30 June 2010 to $0.3 million as at 30 June 2011.

Current Liabilities

Current liabilities increased by $9.4 million due mainly to increase in:

a) Trade and other payables by $2.1 million.

b) Trust receipts and bills payable to banks by $8.4 million.

The turnover days of the above items over cost of sales is 242 as at 30 June 2011 compared to 206 as at 30 June 2010.

This is due to large shipment of goods received towards the end of FY 2011 in anticipation of higher demand after the 7th Lunar Month and before the festive period (Christmas and Chinese New Year) starting just before the end of year 2011.

In addition, income tax payable increased by $0.5 million due to improved profitability of the group.

The increase in trade payables, trust receipts and bills payable to banks and income tax payable is offset by:

a) A net decrease of $1.2 million in current portion of bank loans with the full repayment of certain LEFS loans and drawdown of a working capital loan.

b) Reversal of fair value loss on foreign currency forward contracts amounting to $0.4 million.

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

Statement of Cash Flows Review

Net cash flows used in operating activities is lower than FY2010 due to higher cash flows generated from operations with increased sales in FY2011.

The increase of net cash used in investing activities is mainly due to payment of $23.0 million for purchase of development property at 79 Aljunied Road, Singapore 389822 and payment of deposits of $2.0 million for acquisition of properties at 3 Changi North Street 1, Singapore 498824 and 105 Eunos Avenue 3, Singapore 409836.

The high net cash flows from financing activities in FY2010 is mainly due to issuance of 32,500,000 new ordinary shares arising from the company's Initial Public Offer exercise, amount to $6.3 million. Although no new share is issued during FY2011, cash flow from financing activities was higher due to proceeds from new bank loans for the purchase of the development property at 79 Aljunied Road, Singapore 389822 and increase in trust receipts and bills payable to banks.

As a result of the above, there is a net decrease of $2.0 million in cash and cash equivalents. Cash and cash equivalents at end of FY2011 is $3.3 million.

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

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

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

The group will continue to establish itself as a preferred one-stop provider for home furnishing materials (for example, tiles, stones and sanitary wares) which are required for wet works during renovation. To achieve this goal, the group will continue to increase and update its wide range of products based on latest design trends which appeals to the Singapore market and explore opportunities to offer complimentary products for our customers.

The development and subsequent disposal of majority of 79 Aljunied Road, Singapore 389822 was approved in an Extraordinary General Meeting on 22 July 2011. The group has since received the requisite approvals from the relevant authorities to commence the sale process of space in the development property in September 2011.

Barring unforeseen circumstances, the Group plans to incorporate two subsidiaries to carry out overseas expansion of its business, including one subsidiary to act as special purpose vehicle ("SPV") to hold investments in Vietnam. Expansion into Vietnam market was envisaged during the group's Initial Public Offering of its shares on the Catalist in December 2009. The other subsidiary will act as SPV for the group's expansion to other overseas markets and acquisition of assets outside Singapore when the opportunity arises.

11 Dividend

(a) Current Financial Reported On

Any dividend declared for the current financial period reported on?

	30-Jun-11
Name of Dividend	Final (Exempt 1-tier)
Type of Dividend	Cash
Dividend per share	0.9 cent
Total annual dividend (S$'000)	1,463

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

	30-Jun-10
Name of Dividend	Final (Exempt 1-tier)
Type of Dividend	Cash
Dividend per share	0.40 cent
Total annual dividend (S$'000)	650

(c) Date Payable

To be announced later.

(d) Books closure date

To be announced later.

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

Not applicable.

13 Interested Person Transactions

	30-Jun-11	30-Jun-10
	S$'000	S$'000
Sales to Hume Construction Pte. Ltd.	428	-
Sales to Oxley Construction Pte Ltd	316	-
Rental paid to Ascender Investment *	369	116

* 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.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(a) <u>**By Business Segments**</u>

For year ended 30 June 2011

	General	Project	Unallocated	Group
	S$'000	**S$'000**	**S$'000**	**S$'000**
Revenue by segment				
Total Revenue by segment:	37,732	22,590	32	60,354
Recurring EBITDA*	6,876	3,570	32	10,478
Finance costs	(649)	-	(4)	(653)
Depreciation expense	(590)	(116)	(38)	(744)
ORBIT**				9,081
Income tax expense				(1,580)
Profit, net of tax				7,501
Assets and Reconciliations				
Total group assets	36,457	13,571	23,017	73,045
Liabilities and Reconciliations				
Total group liabilities	29,493	648	17,718	47,859
Other Material Items and Reconciliations				
Impairment of assets (reversal)	616	392	-	1,008
Non-current expenditure	1,247	44	23,330	24,621

* Earnings Before Interest, Tax & Depreciation
** Operating Results Before Tax

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(a) **By Business Segments**

For year ended 30 June 2010

	General	Project	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000
Revenue by segment				
Total Revenue by segment:	27,219	11,078	57	38,354
Recurring EBITDA*	4,447	1,672	45	6,164
Initial Public Offer expenses	-	-	(934)	(934)
Finance costs	(445)	-	-	(445)
Depreciation expense	(500)	(37)	-	(537)
ORBIT**				4,248
Income tax expense				(990)
Profit, net of tax				3,258
Assets and Reconciliations				
Total group assets	26,759	10,012	1,303	38,074
Liabilities and Reconciliations				
Total group liabilities	12,511	7,128	-	19,639
Other Material Items and Reconciliations				
Impairment of assets (reversal)	323	(5)	(2)	316
Non-current expenditure	3,363	190	2	3,555

* Earnings Before Interest, Tax & Depreciation
** Operating Results Before Tax

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(b) By Geographical Segments

	Revenue		Non-current assets	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	S$'000	S$'000	S$'000	S$'000
Group				
Singapore	60,346	38,354	29,965	4,193
Indonesia	8	-	-	-
Total	60,354	38,354	29,965	4,193

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. The non-current assets exclude any financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Section 8 for details.

15 Breakdown of revenue and profit after tax as follows:

		Group		
		30-Jun-11	30-Jun-10	% Increase/
		S$'000	**S$'000**	(decrease)
(a)	Sales reported for first half year	30,987	18,890	64%
(b)	Operating profit after tax before deducting minority interests reported for first half year	4,532	1,800	152%
(c)	Sales reported for second half year	29,367	19,464	51%
(d)	Operating profit after tax before deducting minority interests reported for second half year	2,341	1,261	86%

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	30-Jun-11	30-Jun-10
Name of Dividend	Final (Exempt 1-tier)	Final (Exempt 1-tier)
Type of Dividend	Cash	Cash
Dividend per share	0.90 cent	0.40 cent
Total annual dividend (S$'000)	1,463	650

By Order of the Board

Low See Ching
CEO and Executive Director
29 August 2011

RSM Chio Lim

RSM Chio Lim LLP
8 Wilkie Road, #03-08, Wilkie Edge
Singapore 228095
Main +65 6533 7600
www.RSMChioLim.com.sg

Independent Auditors' Report to the Members of
HAFARY HOLDINGS LIMITED (Registration No: 200918637C)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hafary Holdings Limited and its subsidiaries (the group), which comprise the statements of financial position of the group and the company as at 30 June 2011, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for 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.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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)**

– 2 –

Opinion

In our opinion, 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 2011 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by the subsidiaries have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

29 August 2011

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