Financial Statements and Related Announcement::Full Yearly Results

Issuer & Securities

Issuer/ Manager	HAFARY HOLDINGS LIMITED
Securities	HAFARY HOLDINGS LIMITED - SG2F75992345 - 5VS
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Announcement Details

Announcement Title	Financial Statements and Related Announcement
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Additional Details

For Financial Period Ended	30/06/2014

Attachments	HHL-Results_Announcement_FY2014.pdf HHL-Media_Release_FY2014_Results.pdf Total size =459K

合發利控股有限公司
HAFARY HOLDINGS LIMITED

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

Unaudited Full Year Financial Statements and Related Announcement for the Year Ended 30 June 2014

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

	Group		
	Unaudited 30 June 2014 S$'000	Audited 30 June 2013 S$'000	Increase/ (Decrease) %
Revenue	92,745	83,337	11.3
Other Items of Income			
Interest Income	23	-	N.M
Other Credits	729	24,092	N.M
Other Items of Expense			
Changes in Inventories of Finished Goods	6,437	5,184	24.2
Purchases and Related Expenses	(63,888)	(54,757)	16.7
Employee Benefits Expenses	(12,923)	(13,093)	(1.3)
Depreciation Expense	(2,661)	(1,423)	87.0
Impairment Losses	(344)	(4,728)	N.M
Other Charges	(687)	(335)	N.M
Finance Costs	(1,784)	(1,207)	47.8
Other Expenses	(8,733)	(7,315)	19.4
Share of Profit/ (Loss) from Equity-Accounted Associates	635	(1,833)	N.M
Share of Profit from an Equity-Accounted Joint Venture	198	90	N.M
Profit Before Income Tax from Continuing Operations	**9,747**	**28,012**	**(65.2)**
Income Tax Expense	(2,027)	(5,130)	(60.5)
Profit, Net of Tax from Continuing Operations	7,720	22,882	(66.3)
Profit from Discontinued Operations, Net of Tax	1,000	-	N.M
Profit, Net of Tax and Total Comprehensive Income for the Year	**8,720**	**22,882**	**(61.9)**
Profit, Net of Tax and Total Comprehensive Income Attributable to:			
- Owners of the Parent	8,048	22,328	(64.0)
- Non-Controlling Interests	672	554	21.3
	8,720	**22,882**	**(61.9)**

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

	Group		
	Unaudited 30 June 2014 S$'000	Audited 30 June 2013 S$'000	Increase/ (Decrease) %
Interest Expense on Borrowings	(1,784)	(1,207)	47.8
Interest Income on Borrowings	23	-	N.M
Depreciation Expense	(2,661)	(1,423)	87.0
Allowance for Impairment of Trade Receivables	(240)	(434)	(44.7)
Doubtful Debts Recovered	44	127	(65.4)
Bad Debts Recovered - Trade Receivables	2	1	100.0
Bad Debts Written Off - Other Receivables	(1)	(31)	(96.8)
Other Assets Written Off	(14)	-	N.M
Allowance for Impairment of Inventories	(135)	(371)	(63.6)
Impairment Allowance on Investment in Associate	-	(4,020)	N.M
Foreign Exchange Adjustment Gains/ (Losses)	161	(335)	(148.1)
Fair Value (Loss)/ Gain on Derivative Financial Instruments	(301)	240	(225.4)
Fair Value Gain on Other Financial Asset	189	-	N.M
Adjustment for (Under)/ Over Provision of Tax in Respect of Prior Years	(20)	412	(104.9)
Gain on Disposal of Development Property	85	23,762	N.M
Gain on Disposal of Property, Plant and Equipment	83	64	29.7
Losses on Disposal of Property, Plant and Equipment	(386)	-	N.M

N.M - Not meaningful

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	
	Unaudited 30 June 2014 S$'000	Audited 30 June 2013 S$'000	Unaudited 30 June 2014 S$'000	Audited 30 June 2013 S$'000
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	67,239	52,124	402	188
Other Asset	4,771	-	-	-
Investments in Subsidiaries	-	-	9,239	9,239
Investments in Associates	3,496	2,861	-	-
Investments in Joint Ventures	278	160	-	-
Other Financial Asset	1,247	-	1,247	-
Total Non-Current Assets	**77,031**	**55,145**	**10,888**	**9,427**
Current Assets:				
Inventories	41,356	35,054	-	-
Trade and Other Receivables	26,820	29,969	25,839	34,413
Derivative Financial Instruments	-	197	-	-
Other Assets	4,270	6,039	13	41
Cash and Cash Equivalents	4,857	9,583	120	2,051
Total Current Assets	**77,303**	**80,842**	**25,972**	**36,505**
Total Assets	**154,334**	**135,987**	**36,860**	**45,932**
EQUITY AND LIABILITIES				
Equity:				
Share Capital	26,634	26,634	26,634	26,634
Retained Earnings	11,015	18,042	1,393	11,139
Equity, Attributable to Owners of the Parent	37,649	44,676	28,027	37,773
Non-Controlling Interests	2,635	2,075	-	-
Total Equity	**40,284**	**46,751**	**28,027**	**37,773**
Non-Current Liabilities:				
Deferred Tax Liabilities	449	239	-	-
Other Financial Liabilities	36,941	17,380	165	101
Total Non-Current Liabilities	**37,390**	**17,619**	**165**	**101**
Current Liabilities:				
Provision	369	328	-	-
Income Tax Payable	5,716	5,328	5	11
Trade and Other Payables	14,944	18,183	8,624	7,986
Derivative Financial Instruments	104	-	-	-
Other Financial Liabilities	54,701	47,186	39	61
Other Liabilities	826	592	-	-
Total Current Liabilities	**76,660**	**71,617**	**8,668**	**8,058**
Total Liabilities	**114,050**	**89,236**	**8,833**	**8,159**
Total Equity and Liabilities	**154,334**	**135,987**	**36,860**	**45,932**

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

Amount repayable in one year or less, or on demand

	Group			
	Unaudited As at 30 June 2014		Audited As at 30 June 2013	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Bank Loans	35,557	-	21,435	-
Trust Receipts and Bills Payable to Banks	19,006	-	25,579	-
Finance Lease Liabilities	138	-	172	-
	54,701	-	47,186	-

Amount repayable after one year

	Group			
	Unaudited As at 30 June 2014		Audited As at 30 June 2013	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Bank Loans	36,567	-	16,971	-
Finance Lease Liabilities	374	-	409	-
	36,941	-	17,380	-

Details of collateral referring to the above borrowings

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

Loan facility pertaining to acquisition and development of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 is secured by legal charge over the leasehold property. It is also proportionately covered by corporate guarantees given by Hafary Holdings Limited and Hafary Pte Ltd (for S$29,901,300) and personal guarantees given by a Non-Executive Director (for S$12,350,500) and a substantial shareholder (S$16,228,200).

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

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

	Group	
	Unaudited 30 June 2014	Audited 30 June 2013
	S$'000	S$'000
Cash Flows From Operating Activities		
Profit Before Income Tax	10,747	28,012
Interest Income	(23)	-
Interest Expense	1,784	1,207
Share of (Profit)/Loss from Equity-Accounted Associates	(635)	1,833
Share of Profit from an Equity-Accounted Joint Venture Company	(198)	(90)
Depreciation Expense	2,661	1,423
Impairment Loss on Investment in Associate	-	4,020
Gain on Disposal of Property, Plant and Equipment	(83)	(64)
Losses on Disposal of Property, Plant and Equipment	387	-
Gain on Disposal of Development Property	(85)	(23,762)
Gain on Disposal of Subsidiary	(1,000)	-
Fair Value Loss/ (Gain) on Derivative Financial Instruments	301	(240)
Fair Value Gain on Other Financial Asset	(189)	-
Net Effect of Foreign Exchange Rate Changes in Consolidated Foreign Subsidiary	(7)	-
Operating Cash Flows Before Changes in Working Capital	13,660	12,339
Inventories	(6,302)	(4,813)
Trade and Other Receivables	(1,944)	(6,272)
Other Assets	1,202	(4,326)
Provision	41	52
Trade and Other Payables	3,473	2,139
Other Liabilities	234	(73)
Net Cash Flows From/ (Used in) Operations	10,364	(954)
Income Taxes Paid	(1,423)	(359)
Net Cash Flows From/ (Used in) Operating Activities	**8,941**	**(1,313)**
Cash Flows From Investing Activities		
Proceeds from Disposal of Property, Plant and Equipment	233	196
Payments for Development Property Costs	-	(8,539)
Progress Payments Received from Sale of Development Property	6,528	35,163
Purchase of Property, Plant and Equipment	(22,753)	(21,526)
Investment in an Associate	-	(2,819)
Investment in Joint Venture	-	(100)
Investment in Other Financial Asset	(1,058)	-
Proceeds from Disposal of Subsidiary	1,000	-
Loan to Associate	(1,269)	-
Dividend Income from Joint Venture	80	25
Interest Received	1	-
Net Cash Flows (Used in)/ From Investing Activities	**(17,238)**	**2,400**
Cash Flows From Financing Activities		
Dividends Paid to Equity Owners	(21,450)	(8,280)
Dividends Paid to Non-Controlling Interests	(172)	(180)
Cash Restricted in Use	82	-
(Decrease)/ Increase in Trust Receipts and Bills Payable	(6,573)	7,616
Repayment of Finance Lease Liabilities	(284)	(263)
Proceeds From New Bank Loans	51,817	22,655
Repayment of Bank Loans	(18,067)	(22,267)
Issue of Shares	-	5,759
Interest Expense Paid	(1,782)	(1,528)
Net Cash Flows From Financing Activities	**3,571**	**3,512**
Net (Decrease)/ Increase in Cash and Cash Equivalents	(4,726)	4,599
Cash and Cash Equivalents, Beginning Balance	9,583	4,984
Cash and Cash Equivalents, Ending Balance	**4,857**	**9,583**

Note:
During the year, plant and equipment with a total cost of S$235,000 (2013: S$276,000) were acquired by means of finance leases.

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 (Unaudited):					
Opening Balance at 1 July 2013	46,751	44,676	26,634	18,042	2,075
Total Comprehensive Income for the Year	8,720	8,048	-	8,048	672
Acquisition of a Non-Controlling Interest Without a Change in Control	-	(60)	-	(60)	60
Dividends Paid [(1)]	(15,015)	(15,015)	-	(15,015)	-
Dividends Paid to Non-Controlling Interests	(172)	-	-	-	(172)
Closing Balance at 30 June 2014	40,284	37,649	26,634	11,015	2,635
Previous Year (Audited):					
Opening Balance at 1 July 2012	33,005	31,304	20,875	10,429	1,701
Total Comprehensive Income for the Year	22,882	22,328	-	22,328	554
Dividends Paid [(1)]	(14,715)	(14,715)	-	(14,715)	-
Dividends Paid to Non-Controlling Interests	(180)	-	-	-	(180)
Issue of Shares	5,880	5,880	5,880	-	-
Share Issue Expenses	(121)	(121)	(121)	-	-
Closing Balance at 30 June 2013	46,751	44,676	26,634	18,042	2,075

COMPANY	Total Equity S$'000	Share Capital S$'000	Retained Earnings S$'000
Current Year (Unaudited):			
Opening Balance at 1 July 2013	37,773	26,634	11,139
Total Comprehensive Income for the Year	5,269	-	5,269
Dividends Paid [(1)]	(15,015)	-	(15,015)
Closing Balance at 30 June 2014	28,027	26,634	1,393
Previous Year (Audited):			
Opening Balance at 1 July 2012	24,019	20,875	3,144
Total Comprehensive Income for the Year	22,710	-	22,710
Dividends Paid [(1)]	(14,715)	-	(14,715)
Issue of Shares	5,880	5,880	-
Share Issue Expenses	(121)	(121)	-
Closing Balance at 30 June 2013	37,773	26,634	11,139

Note:

(1)

Dividends on Equity Shares	Unaudited 30 June 2014 S$'000	Audited 30 June 2013 S$'000
Final tax exempt (1-tier) dividend paid of:		
- 2.5 cent per share on total number of issued ordinary shares of 429,000,000	10,725	-
Interim tax exempt (1-tier) dividend paid of:		
- 1.0 cent per share on total number of issued ordinary shares of 429,000,000	4,290	-
Final tax exempt (1-tier) dividend paid of:		
- 1.5 cent per share on total number of issued ordinary shares of 194,500,000	-	2,918
Interim tax exempt (1-tier) dividend paid/ payable of:		
- 2.5 cent per share on total number of issued ordinary shares of 214,500,000	-	5,362
- 1.5 cent per share on total number of issued ordinary shares of 429,000,000	-	6,435
	15,015	14,715

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

	Company			
	Unaudited 30 June 2014		Audited 30 June 2013	
	No. of Shares	S$'000	No. of Shares	S$'000
Total number of shares at the beginning of the year	429,000,000	26,634	194,500,000	20,875
Issue of shares pursuant to share placement exercise	-	-	20,000,000	5,759
Additional shares arising from share split	-	-	214,500,000	-
Total number of shares at the end of the year	429,000,000	26,634	429,000,000	26,634

On 15 May 2013, the Company completed share split of every one ordinary share in the share capital of the Company into two ordinary shares. Following the completion of the share split, the Company has an issued and paid-up share capital comprising 429,000,000 ordinary shares.

On 27 February 2013, the Company issued 20,000,000 new ordinary shares of no par value at an issue price of S$0.294 for each ordinary share in a share placement exercise. Net proceeds (gross proceeds of S$5,880,000 less costs directly attributable to the share issue of S$121,000) amounting to S$5,759,000 was raised in this share placement exercise.

The Company has no outstanding convertibles or treasury shares as at 30 June 2014 and 30 June 2013.

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

Company	
Unaudited 30 June 2014	Audited 30 June 2013
429,000,000	429,000,000

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

The Company has no treasury shares as at 30 June 2014 and there were no sales transfers, disposal, cancellation and/ or use of treasury shares during FY2014.

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

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

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

Not applicable.

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

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

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

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

Same as above.

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

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

	Group	
	Unaudited 30 June 2014	Audited 30 June 2013 (1) (2)
Earnings per ordinary share		
(a) Basic	1.88 cents	5.55 cents
Weighted average number of ordinary shares	429,000,000	402,479,452
(b) On a fully diluted basis	1.88 cents	5.55 cents
Weighted average number of ordinary shares	429,000,000	402,479,452

Notes:

(1) EPS for 30 June 2013 have been computed based on weighted average number of pre-share placement share capital of 194,500,000 ordinary shares and 20,000,000 new ordinary shares arising from the share placement exercise.

(2) For computation of EPS for the financial year ended 30 June 2013, the number of ordinary shares outstanding was retroactively adjusted for the effect of share split of every one ordinary share in the share capital of the Company into two ordinary shares completed on 15 May 2013. The number of shares outstanding is adjusted as if the share split was completed on 1 July 2012. For new ordinary shares issued on 27 February 2013, the share split was assumed to have been completed on the date of issuance of the new shares.

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

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

	Group		**Company**	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Net asset value per ordinary share based on the total number of share in issue	8.8 cents	10.4 cents	6.5 cents	8.8 cents

Note:

Net asset value per ordinary share is calculated based on 429,000,000 ordinary shares as at 30 June 2014 and 30 June 2013.

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

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

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

8(a) Material factors that affected turnover, costs and earnings

Revenue

Revenue increased by S$9.4 million or 11.3% from S$83.3 million during FY2013 to S$92.7 million during FY2014.

Revenue from the general segment (where customers include home-owners, architecture, interior design and renovation firms) increased by S$2.7 million or 5.7% from S$47.7 million during FY2013 to S$50.4 million during FY2014. Demand of surfacing materials from the general segment is closely correlated to the volume of residential unit resale transactions. During FY2014, there was a discernible decrease in residential unit resale transactions after a series of property market cooling measures. This resulted in general sales volume to only increase slightly in FY2014.

Revenue from the project segment (where customers include architecture firms, property developers and construction companies) increased by S$5.8 million or 16.5% from S$35.4 million during FY2013 to S$41.3 million during FY2014. The Group supplied tiles and building materials for several development projects during FY2014, for example Hedges Park @ Flora Drive and Parkland Residences. The increase in project sales is largely driven by the higher volume of deliveries of tiles for use in Housing Development Board ("HDB") residential estate development projects.

During FY2014, the Group also derived other income, majority of which relates to rental income from leasing of excess space commencing during 2Q FY2014 at 105 Eunos Avenue 3 Singapore 409836, of S$0.7 million.

Interest Income

Interest income is mainly derived from loan to associate, Viet Ceramics International Joint Stock Company, to finance its expansion in Vietnam.

Other Credits

Other credits decreased by S$23.4 million from S$24.1 million during FY2013 to S$0.7 million during FY2014.

The decrease was mainly due to the following:

a) During FY2013, the Group recognised a one-time gain on disposal of development property at 82 Lorong 23 Geylang Singapore 388409 (Former address: 79 Aljunied Road Singapore 389822) amounting to S$23.8 million after risks and rewards of ownership of the development property was transferred to the purchasers. During FY2014, a further S$0.1 million gain (due to overprovision of development costs) was recognised.; and
b) Fair value losses on foreign currency forward contracts, contrary to the fair value gains of S$0.2 million in FY2013.

The above decrease was slightly offset by:

a) Foreign exchange adjustment gains amounting to S$0.1 million during FY2014 (FY2013: Losses of S$0.3 million classified under 'Other charges");
b) Fair value gain on investment in shares of SMJ International Holdings Limited, listed on Catalist of the Singapore Exchange, amounting to S$0.2 million (FY2013: NIL); and
c) Special employment credit and government-paid maternity leave amounting to S$0.1 million received during FY2014 (FY2013: Classified under 'Employee benefits expense'); and
d) Sponsorship income amounting to S$0.1 million (FY2013:NIL).

8(a) Material factors that affected turnover, costs and earnings (Continued)

Cost of Sales

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

Cost of sales increased by S$7.9 million or 15.9% from S$49.6 million during FY2013 to S$57.5 million during FY2014.

The gross profit margin (based on purchase cost of materials and related costs, without taking into account labour costs and overheads) of 37.3% for FY2014 was lower than 40.3% for FY2013. The decrease was due to the higher proportion of project sales, where margins are more competitive, undertaken during FY2014.

Employee Benefits Expenses

Employee benefits expenses decreased by S$0.2 million or 1.3% from S$13.1 million during FY2013 to S$12.9 million during FY2014.

The annual salary increment with effect from July 2013 and overtime expenses incurred to cope with the increased business of the Group did not result in higher employee benefits expenses as a lower allowance for directors' performance bonus was made for FY2014. Directors' performance bonus for FY2013 was higher due to a better financial performance which was mainly attributable to a one-time gain on sale of development property at 82 Lorong 23 Geylang.

As at 30 June 2014, the Group had 242 employees (including directors) (30 June 2013: 240).

Depreciation Expense

Depreciation expense increased by S$1.2 million or 87.0% from S$1.4 million during FY2013 to S$2.6 million during FY2014.

The increase was mainly attributable to:

a) Major additions during FY2013 such as refurbishment of marble processing facility at 18C Sungei Kadut Street 4 Singapore 729066. Depreciation for these additions, which commenced during FY2013, were recognised for the full year of FY2014.
b) Major additions during FY2014 such as renovation of main showroom and corporate headquarters at 105 Eunos Avenue 3 Singapore 409836 and acquisition of motor vehicles, furniture and fittings and machinery to cope with the increased business of the Group.
c) Commencement of depreciation of leasehold properties at 3 Changi North Street 1 Singapore 498824 (Main warehouse) with effect from March 2013 and 105 Eunos Avenue 3 (Corporate headquarters and main showroom) with effect from July 2013 after the premises were fully constructed and put in use.

Impairment Losses

Impairment losses decreased by S$4.4 million from S$4.7 million during FY2013 to S$0.3 million during FY2014.

During FY2013, the Group made an impairment allowance on investment in an associate, Hunan Cappuccino Construction Materials Co., Limited, amounting to S$4.0 million, as there were significant doubt on the associate's ability to continue as a going concern. The investment was disposed in February 2014. There were no impairment allowance on investment during FY2014.

The decrease was also due to lower allowance for impairment made for:

a) Inventories by S$0.2 million; and
b) Trade receivables by S$0.2 million.

8(a) Material factors that affected turnover, costs and earnings (Continued)

Other Charges

Other charges incurred during FY2014 comprised of losses on disposal of plant and equipment amounting to S$0.4 million and losses on derivative financial instruments amounting to S$0.3 million. Other charges incurred in FY2013 was in relation to net foreign exchange adjustment losses.

Finance Costs

Finance costs increased by S$0.6 million or 47.8% from S$1.2 million in FY2013 to S$1.8 million in FY2014.

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

Other Expenses

Other expenses increased by S$1.4 million or 19.4% from S$7.3 million during FY2013 to S$8.7 million during FY2014.

The increase in other expenses were mainly attributable to:

a) Increase in hire of motor vehicles and machinery, upkeep, repair and maintenance costs, casual labour, utilities and travelling expenses by S$0.5 million due to the increased business of the Group;
b) Increase in inventorised assets (Equipment which are not capitalized due to its low value) for new premises at 105 Eunos Avenue 3 and 3 Changi North Street 1 by S$0.3 million;
c) Increase in advertising and promotions, entertainment and other selling expenses by S$0.4 million due to increased efforts to widen the business networks and increase market share;
d) Increase in land rental by S$0.2 million. The increase is mainly attributable to leasehold properties at 3 Changi North Street 1. Before TOP was issued for this premise, land rental was treated as cost of qualifying assets and capitalised in property, plant and equipment.;
e) Increase in property tax relating to leasehold properties at 3 Changi North Street 1 and 105 Eunos Avenue 3 by S$0.2 million. Before TOP were issued for these premises in December 2013 and May 2013 respectively, property tax were treated as cost of qualifying assets and capitalised in property, plant and equipment.; and
f) Net accumulative increase in other expense items by S$0.2 million.

The above increases were partially offset by decrease in rental expenses by S$0.4 million as the Group ceased the rental of the previous corporate headquarters and main showroom at 15 Defu Ave 3 from an external landlord.

Share of Profit from Equity-Accounted Associate (FY2013: Share of Net Loss from Equity-Accounted Associates)

For FY2014, share of profit from associate, Viet Ceramics International Joint Stock Company ("VCI"), amounted to S$0.6 million (FY2013: S$42,000). The increase in share of profit is due to improved financial performance of VCI on the back of a better economic climate in Vietnam during FY2014 compared to FY2013. VCI is also reaping rewards from its new outdoor sales department which was formed in February 2013 and targets homeowners, small renovation contractors and architectural firms.

Share of loss from associate, Hunan Cappuccino Construction Materials Co., Limited ("HCCM"), amounted to S$1.8 million during FY2013. Investment in HCCM was fully impaired during FY2013 in view of its continuing losses. Subsequent losses, after investment was fully impaired, are not recorded in the consolidated statement of comprehensive income. This accounting treatment is in accordance to the Singapore Financial Reporting Standards. The investment in HCCM was disposed in February 2014.

8(a) Material factors that affected turnover, costs and earnings (Continued)

Share of Profit from Equity-Accounted Joint Venture

Share of profit from joint venture, Melmer Stoneworks Pte. Ltd. ("MSPL"), amounted to S$0.2 million during FY2014 (FY2013: S$0.1 million). The above amounts include the Group's portion of interim dividends amounting to S$80,000 during FY2014 and S$30,000 during FY2013. MSPL commenced its operations (Fabrication, polishing and profiling of stone and marble slabs) in October 2012.

Profit Before Income Tax

Profit before income tax decreased by S$18.3 million or 65.2% from S$28.0 million during FY2013 to S$9.7 million during FY2014.

The high profit before income tax for FY2013 was contributed largely by recognition of a one-time gain on disposal of development property (net of impact on directors' performance bonus) amounting to S$22.7 million. The Group also recognised net share of losses from associates and joint venture company amounting to S$1.7 million (FY2014: Share of profit amounting to S$0.8 million) and impairment allowance on investment in HCCM amounting to S$4.0 million.

Excluding the effects of the above items and fair value gain on investment in listed shares, profit before income tax generated from recurring activities was S$8.7 million for FY2014 and S$11.0 million for FY2013. The decrease in profit before tax was mainly due to the lower gross profit margin dervied during FY2014 (as the Group was involved in a higher proportion of project deliveries) and commencement of depreciation of leasehold properties at 3 Changi North Street 1 Singapore 498824 (Main warehouse) with effect from March 2013 and 105 Eunos Avenue 3 (Corporate headquarters and main showroom) with effect from July 2013 after the premises were fully constructed and put in use.

Profit from Discontinued Operations

In February 2014, the Group sold its entire shareholding in wholly-owned subsidiary, Hafary China Pte. Ltd., which holds a 45% equity stake in HCCM, to Mr. Zhang Haobin (Legal Representative and substantial shareholder of HCCM) at a consideration of RMB5.0 million (equivalent to S$1.0 million). The investment in HCCM was fully impaired during FY2014. The sales of shares of Hafary China Pte. Ltd. at RMB5.0 million enable the Group to realise some returns during FY2014. Subsequent to the disposal, the company name of Hafary China Pte. Ltd. was changed to Nirvana Pacific International Pte. Ltd.

Income Tax Expense

The effective tax rate (excluding share of profit or loss from equity-accounted associates and joint venture company) for FY2014 was 22.7% (FY2013: 17.3%).

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

Non-Current Assets

Non-current assets increased by S$21.9 million or 39.7% from S$55.1 million as at 30 June 2013 to S$77.0 million as at 30 June 2014.

Property, plant and equipment increased by S$15.1 million or 29.0% from S$52.1 million as at 30 June 2013 to S$67.2 million as at 30 June 2014. The increase was mainly due to additions of the following assets:

a) Acquisition and set-up costs of a warehouse premise in Gaoming of Foshan, China amounting to S$5.3 million;
b) Acquisition costs of leasehold property at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 amounting to S$9.1 million;
c) Renovation and air-conditioners for new corporate headquarters and main showroom at 105 Eunos Avenue 3 and the refurbished showroom at Balestier amounting to S$1.7 million;
d) Construction of 2-storey auxiliary warehouse at 18C Sungei Kadut Street 4 amounting to S$1.4 million;
e) Motor vehicles and forklifts amounting to S$0.3 million to cope with the increased business; and
f) Plant and equipment amounting to S$0.3 million.

The above increase in property, plant and equipment was partially offset by depreciation expense amounting to S$2.6 million and plant and equipment written off amounting to S$0.4 million.

Other asset as at 30 June 2014 pertains to land use right (Gross land area of 440,000 square feet) in Gaoming of Foshan, China, where warehouse premise is located, acquired in April 2014

The increase in investments in associates amounting to S$0.6 million pertains to share of profit from VCI during FY2014, while the increase in investments in joint venture amounting to S$0.1 million pertains to share of profit from MSPL during FY2014.
In June 2014, the Company purchased 3,780,000 shares (representing 4.8% of total number of issued shares) of SMJ International Holdings Limited ("SMJ") at a total consideration of S$1.0 million during its initial public offering. As at 30 June 2014, the Group recognised a fair value gain amounting to S$0.2 million from this investment.

Current Assets

Current assets decreased by S$3.5 million or 4.4% from S$80.8 million as at 30 June 2013 to S$77.3 million as at 30 June 2014.

The decrease was mainly attributable to decrease in trade and other receivables by S$3.1 million, other assets by S$1.8 million, cash and cash equivalents by S$4.7 million and derivative financial instruments by S$0.2 million. The above decrease was partially offset by increase in inventories by S$6.3 million.

The decrease in trade and other receivables was mainly due to decrease in receivables from purchasers of development property at 82 Lorong 23 Geylang (30 June 2013: S$6.5 million). Receivables from these purchasers represent the final 10% progress payment of accumulated sales consideration of all units of the development property and were billed after the issuance of completion certificate by Building and Construction Authority in November 2013. As at 30 June 2014, the amount was fully received. The above decrease was partially offset by S$1.4 million increase in trade receivables and S$0.7 million increase in other receivables. The increase in trade receivables was in line with the revenue growth in FY2014. Trade receivables turnover of 93 days as at 30 June 2014 was comparable to 90 days as at 30 June 2013. In March 2014, the Group grant its associate, VCI, a loan amounting to US$1.0 million (equivalent to S$1.3 million) with interest of 4.5% per annum (FY2013: NIL).

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

Current Assets (Continued)

Other assets decreased by S$1.7 million from S$6.0 million as at 30 June 2013 to S$4.3 million as at 30 June 2014. This was mainly due to decrease in advance payment to suppliers by S$1.2 million, decrease in non-refundable deposits by S$0.5 million. Non-refundable deposits as at 30 June 2013 comprised deposits amounting to S$0.6 million paid for renovation of corporate headquarters and main showroom at 105 Eunos Avenue 3. These deposits were reversed to 'Property, Plant and Equipment' after the renovation services were completed as at 30 June 2014.

The increase of inventories was in response to the increase in sales volume during FY2014. Inventory turnover of 251 days as at 30 June 2014 is comparable to 248 days as at 30 June 2013.

Non-Current Liabilities

Non-current liabilities increased by S$19.8 million or 112.2% from S$17.6 million as at 30 June 2013 to S$37.4 million as at 30 June 2014.

Other financial liabilities (non-current) increased by S$19.5 million due to repayments and drawdowns of bank loans during FY2014. Major movements in other financial liabilities (non-current) included the following:

a) Bank loans relating to acquisition and development of leasehold property at 105 Eunos Avenue 3, which were due for repayment within one year from 30 June 2013, were re-financed by term loan. Non-current portion of the term loan amounted to S$13.3 million as at 30 June 2014;
b) Drawdown of bank loan relating to acquisition of leasehold land at 18 Sungei Kadut Street 2 amounting to S$7.3 million;
c) Repayments of bank loans relating to acquisition and development of 3 Changi North Street 1 amounting to S$0.8 million; and
d) Repayments of bank loans relating to acqusition of 18C Sungei Kadut Street 4 amounting to S$0.3 million.

Current Liabilities

Current liabilities increased by S$5.0 million or 7.0% from S$71.6 million as at 30 June 2013 to S$76.6 million as at 30 June 2014.

The increase was mainly attributable to increase in other financial liabilities by S$7.5 million, other liabilities by S$0.2 million, income tax payable by S$0.4 million and derivative financial instruments by S$0.1 million. The above increase was partially offset by decrease in trade and other payables by S$3.2 million.

The decrease in trade and other payables was mainly due to the payment of interim dividend (declared in May 2013) amounting to S$6.4 million in July 2013 and decrease in retention sums pertaining to development of 3 Changi North Street 1 and 105 Eunos Avenue 3 by S$0.8 million. These decreases were partially offset by:

a) Increase in trade and other payables (including accrued liabilities) by S$2.5 million;
b) Advances from substantial shareholders of the Company to subsidiary, World Furnishing Hub Pte. Ltd., amounting to S$1.3 million to finance the acquisition and development of 18 Sungei Kadut Street 2.
c) Rental deposits received from tenants of excess space in 105 Eunos Avenue 3 amounting to S$0.2 million (30 June 2013: NIL).

Total amount of trade payables and trust receipts and bills payable to banks was S$31.4 million (30 June 2013: S$36.2 million). The turnover of the aforesaid items (based on cost of sales) of 215 days as at 30 June 2014 is comparable to 228 days as at 30 June 2013.

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

Current Liabilities (Continued)

Other financial liabilities (current) increased by S$7.5 million due to repayments and drawdowns of bank loans during FY2014. Major movements in other financial liabilities (current) included the following:

a) Drawdown of short-term bank loans amounting to S$29.3 million. Of these, S$10.0 million were used to finance acquisition of warehouse premise in Gaoming of Foshan, China;
b) Bank loans relating to acquisition and development of leasehold property at 105 Eunos Avenue 3, amounting to S$15.5 million as at 30 June 2013, were re-financed by term loan. Current portion of the term loan amounted to S$1.2 million as at 30 June 2014;
c) Decrease in trust receipts and bills payable to banks by S$6.6 million; and
d) Repayments of bank loans relating to acquisition of 54/ 56 Sungei Kadut Loop amounting to S$0.9 million.

Other liabilities increased by S$0.2 million from S$0.6 million as at 30 June 2013 to S$0.8 million as at 30 June 2014. The increase was due to increase in advance payments received from project customers as the Group involved in more project deliveries compared to FY2013.

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

Cash Flows Review

Net cash flows from operating activities was S$8.9 million due to operating cash flows before working capital changes of S$13.6 million, net cash used in working capital of S$3.3 million, and income taxes paid of S$1.4 million. The net cash used in working capital of S$3.3 million was mainly attributable to an increase in inventories of S$6.3 million and increase in trade and other receivables of S$1.9 million and partially offset by decrease in other assets of S$1.2 million, increase in trade and other payables of S$3.5 million and increase in other liabilities of S$0.2 million.

Net cash flows used in investing activities amounted to S$17.2 million for FY2014 was mainly attributable to:

a) Cash outflows of S$22.7 million for purchase of property, plant and equipment such as warehouse premise at Foshan, China, leasehold property at 18 Sungei Kadut Street 2, construction of 2-storey and renovation of corporate headquarters and showrooms;
b) Investment in listed shares of SMJ International Holdings Limited amounting to S$1.0 million; and
c) Loan made to associate, Vietceramics International Joint Stock Company, amounting to S$1.3 million to support its expansion in Vietnam

The above cash outflows were offset by receipt of progress payments relating to disposal of the development property amounting to S$6.5 million, proceeds from disposal of subsidiary (Hafary China Pte. Ltd.) amounting to S$1.0 million, proceeds from disposal of plant and equipment amounting to S$0.2 million and dividend of S$0.1 million received from joint venture, Melmer Stoneworks Pte. Ltd.

Net cash flows generated from financing activities amounted to S$3.6 million for FY2014 was attributable to net increase in bank loans amounting to S$33.7 million in relation to acquisition of warehouse premise at Foshan, leasehold property at 18 Sungei Kadut Street 4 and working capital purpose and increase in cash restricted in use amounting to S$0.1 million.

The above increase in cash inflows were partially offset by:

a) Dividends paid of S$21.6 million;
Decrease in trust receipts and bills payable amounting to S$6.6 million;
b) Interest expenses paid of S$1.8 million; and
c) Repayment of finance lease liabilities of S$0.2 million.

As a result of the above, there was net decrease of S$4.7 million in cash and cash equivalents. Cash and cash equivalents as at 30 June 2013 was S$9.6 million.

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

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

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

Business in Singapore

Growth in sales in FY2014 was largely driven by the higher volume of deliveries of building materials by the Public Projects Department for use in Housing Development Board ("HDB") residential estate development projects, predominantly projects under the Build-To-Order (“BTO”) Scheme and Home Improvement Programme. This is on the backdrop of a ramped-up supply of flats from year 2011 to 2013 by HDB which saw more than 77,000 BTO flats launched. For year 2014, HDB shifted from the ramped-up building programme to a more sustainable phase with a target supply of 24,300 units of flats (2013: 25,139 units launched). Size of flats would also be reduced with less new 3-room and larger flats and more 2-room BTO flats to be launched. The impact of reduction in flat launches in year 2014 is expected on volume of building materials delivered for HDB projects in year 2015 and 2016 when flats are being completed. With the reduction of BTO launches, the Public Project Department would explore the possibilities of delivering building materials for use in other categories of public projects, for example executive condominium, public facilities and infrastructure and home improvement and other upgrading programmes.

During FY2014 (i.e. four quarters ended 30 June 2014), there was a discernible decrease in residential unit resale transactions after a series of property-cooling measures and Total Debt Servicing Ratio framework introduced by the Monetary Authority of Singapore ("MAS"). During FY2014, 16,700 HDB flat resale applications were registered (FY2013: 21,761 units). This represents a 23% decrease in FY2014. According to Urban Redevelopment Authority (“URA”) real estate statistics, the number of private residential resale transactions during FY2014 more than halved to 4,855 compared to 11,250 units during FY2013. These resulted in general sales volume to remain stagnant in FY2014 compared to FY2013. The Group will look into implementing various sales and marketing initiatives to enhance its branding and further penetrate the general segment.

The Group is making inroads in enhancing its market presence. During FY2014, our showrooms were improved to meet the increasing needs of our large variety of customers. In July 2013, the Balestier showroom at 560 Balestier Road doubled its retail floor space to approximately 4,000 square feet and was refurbished to serve our customers better. The Group's main showroom (and corporate headquarters) was shifted to 105 Eunos Avenue 3 in September 2013. This full-featured gallery, boosted a floor space of approximately 20,000 square feet, showcases the Group's wide and latest range of surfacing and building materials and accommodates more mock-ups of the different living spaces built using our products. The Tradehub 21 showroom, which is seeing more customer traffic, also had a facelift completed in July 2014. We will continue to rejuvenate the showroom designs and inject fresh perception to further enhance our market presence.

Joint venture, Melmer Stoneworks Pte. Ltd. (“MSPL”), which specializes in fabrication, polishing and profiling of stone and marble slabs for household and commercial purpose has grown from strength to strength since it commenced operations in October 2012. In addition to enabling the Group to go upstream in the supply of fabricated tiles and stones, MSPL also contributed profit of S$0.2 million (including the Group's share of interim dividends amounting to S$80,000) to the Group’s results for FY2014. The Group is engaging in alteration and additions works to further improve MSPL's operational capabilities.

10 Business in Singapore (Continued)

During FY2014, the Company's wholly-owned subsidiary, Hafary Pte Ltd, together with Mr. Low See Ching (Non-Executive Director and controlling shareholder) and Mr. Ching Chiat Kwong (Controlling shareholder) and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Catalist-listed Sitra Holdings (International) Limited ("Sitra") incorporated a special purpose vehicle, World Furnishing Hub Pte. Ltd., to acquire a leasehold land at 18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236 from Sitra. Lessor, Jurong Town Corporation ("JTC"), plans to redevelop part of the Sungei Kadut Industrial Estate into an International Furniture Park ("IFP") and position it as Southeast Asia's international furniture hub, a global marketplace for furniture and furniture-related industries. The leasehold land sits on the epicentre of the IFP. The acquisition was completed in April 2014 and additional lease term of 18 years and 6 months (expiring August 2043) was granted by JTC subject to terms and conditions. The Group plans to use commercial space of approximately 50,000 square feet to house amenities that would contribute to the life and vibrancy of the epicentre of the IFP. As the IFP targets global players, a prominent presence in the IFP is expected to open doors to overseas customers and overseas expansion opportunities. The cooperation between the Group and Sitra via World Furnishing Hub Pte. Ltd. is a synergistic partnership that could extend to their operations. The Group's offerings of stone, marble slabs and engineered wood is expected to complement Sitra's offerings of outdoor wooden furniture and timber decking. Both parties may leverage on each other's strengths and business networks to respectively expand and/ or strengthen their markets and presence in the furnishing industry and to add value to each other's business operations.

In June 2014, the Company took a 4.8% equity interest (comprising 3,780,000 ordinary shares) in Catalist-listed SMJ International Holdings Limited ("SMJ"), a leading premier carpet supplier with a global network of more than 260 distributors over 20 countries, via its Initial Public Offering exercise. The Group sees the growth potential of SMJ's business. There are opportunities to tap on each other's network to widen the market coverage of our products and to share knowledge and resources which could lead to competitive advantages and more efficient use of resources.

The Group continues to focus on costs control and enhancement of operational efficiency to improve financial performance. The development of 105 Eunos Avenue 3 into the Group's corporate headquarters is completed in August 2013. Unutilised floor space in 105 Eunos Avenue 3 are being leased to generate rental income. During FY2014, S$0.7 million of rental income was derived from unutilised floor space which are leased out.

Overseas Operations

During FY2014, the Group derived share of profits amounting to S$0.3 million from associate, Viet Ceramics International Joint Stock Company ("VCI"), a reputable tile retailing company in Vietnam. Share of profits from this associate for FY2013 is modest due to Vietnam's lackluster economic conditions. The economic climate of Vietnam had since improved and this has boded well for VCI's business performance. VCI is also reaping rewards from the Outdoor Sales Department which was just formed in February 2013 to tap into the markets of homeowners and small renovation and architectural firms and reduce VCI's reliance on the project market. During FY2014, 11% of VCI's sales were generated from the Outdoor Sales Department. During FY2014, VCI also strengthened its market presence by opening a second showroom in Hanoi (Fourth showroom in Vietnam) to serve the increasing number of middle-high income earners in the province. Main showroom at Ho Chi Minh was also refurbished to display more variety of tiles and has more mock-up display of living spaces built using VCI's products.

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

10 Overseas Operations (Continued)

In May 2014, FHT acquired a leasehold property, comprising warehousing space of approximately 24,000 square metres, open space of approximately 16,000 square metres and a 5-storey dormitory with gross floor area of approximately 1,920 square metres, at Gaoming of Foshan, Guangzhou. Lease of the property is granted by the Gaoming District Government for a term of 37 years expiring in December 2050. The warehouse premise is used by the Group to store certain inventory items, especially tiles to be delivered for use in major property development projects. These inventories purchased from China suppliers can be stored in China, where storage costs are lower, before being transported to Singapore. In this way, scarce warehousing resources (space and manpower) in Singapore can be better utilised. Location of the warehouse is also ideal for its proximity to Gaoming Port which facilitate the shipping of inventories to Singapore and other locations in the Asia region within short notice. There are plans by the Gaoming District Government to relocate Xingang Port, Foshan's busiest port, to the shoreline about 1 kilometre from the warehouse premise. Unutilised space in warehouse premise will be leased for rental income.

The Group would continue to explore opportunities to expand our business through acquisitions, joint ventures or strategic alliances with parties who create synergistic values with our existing business and expand into new businesses complementary to our current business in the Singapore and overseas markets.

Economic and Market Trends

In January 2013, the Singapore Government announced its seventh package of property cooling measures (which includes heftier additional buyers’ stamp duties) in over three years. The Total Debt Servicing Ratio framework introduced by the Monetary Authority of Singapore ("MAS") in June 2013 further dampened the buying sentiment and sales of public and private housing. While the raft of cooling measures has kept a tight rein on the property market, MAS maintained that it is still early days to tweak any of the cooling measures.

However, the Building and Construction Authority of Singapore projected a construction demand of between S$31 billion and S$38 billion for year 2014 (Construction deals recorded in year 2013: S$35.8 billion). Most of the total construction demand will come from public sector projects, which includes the Thomson MRT Line and Sengkang General Hospital and Sengkang Community Hospital.

The Group shall remain vigilant to market changes and alert to take on any opportunities that may arise from the markets that the Group operates in.

11 Dividend

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

	30 June 2014	
	Paid	Proposed
Name of Dividend	Interim Exempt (1-tier)	Final Exempt (1-tier)
Type of Dividend	Cash	Cash
Total number of issued ordinary shares ('000)	429,000	429,000
Dividend per share	1.0 cent	0.3 cent

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

	30 June 2013	
Name of Dividend	Interim Exempt (1-tier)	Interim Exempt (1-tier)
Type of Dividend	Cash	Cash
Total number of issued ordinary shares ('000)	214,500	429,000
Dividend per share	2.5 cent	1.5 cent

	30 June 2013
Name of Dividend	Final Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	429,000
Dividend per share	2.5 cent

(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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000)	
	Not conducted under shareholders' mandate pursuant to Rule 920	Conducted under shareholders' mandate pursuant to Rule 920
	S$'000	S$'000
Sales to:-		
Oxley Construction Pte. Ltd.	-	1,181
Mr. Low See Ching (Non-Executive Director & controlling shareholder)	766	-
Total	766	1,181

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 2014

	General	Project	Others [1]	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue by segment					
Total revenue by segment	67,699	59,804	3,315	169	130,987
Inter-segment sales	(17,311)	(18,521)	(2,410)	-	(38,242)
Total revenue	50,388	41,283	905	169	92,745
Recurring EBITDA*	6,782	5,824	1,490	263	14,359
Non-recurring EBITDA	-	-	(1,085)	-	(1,085)
Gain on disposal of development property	-	-	85	-	85
Profit from Discontinued Operations, Net of Tax	-	-	1,000	-	1,000
Finance costs	(1,482)	(302)	-	-	(1,784)
Depreciation expense	(1,790)	(871)	-	-	(2,661)
Share of profit from equity-accounted associate	-	-	635	-	635
Share of profit from equity-accounted joint venture	-	-	198	-	198
ORBIT**	3,510	4,651	2,323	263	10,747
Income tax expense					(2,027)
Profit, net of tax					8,720
Assets and Reconciliations					
Segment assets	109,981	40,577	3,776	-	154,334
Liabilities and Reconciliations					
Segment liabilities	80,617	27,268	-	-	107,885
Deferred tax liabilities					449
Income tax payable					5,716
Total liabilities					114,050
Other Material Items and Reconciliations					
Impairment of assets, net - reversal/ (made)	(346)	2	-	-	(344)
Non-current expenditure	19,333	3,810	-	-	23,143

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

Note:
(1) The operating segment 'Others' relates to investing activities including property development.

14 (a) By Business Segments (Continued)

For year ended 30 June 2013

	General	Project	Others (1)	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue by segment					
Total revenue by segment	49,279	49,256	-	227	98,762
Inter-segment sales	(1,615)	(13,810)	-	-	(15,425)
Total revenue	47,664	35,446	-	227	83,337
Recurring EBITDA*	8,320	5,190	(25)	227	13,712
Non-recurring EBITDA	-	-	(5,089)	-	(5,089)
Gain on disposal of development property	-	-	23,762	-	23,762
Finance costs	(1,121)	(86)	-	-	(1,207)
Depreciation expense	(1,014)	(409)	-	-	(1,423)
Share of loss from equity-accounted associates	-	-	(1,833)	-	(1,833)
Share of profit from equity-accounted joint ventur	-	-	90	-	90
ORBIT**	6,185	4,695	16,905	227	28,012
Income tax expense					(5,130)
Profit, net of tax					22,882
Assets and Reconciliations					
Segment assets	95,637	37,329	3,021	-	135,987
Liabilities and Reconciliations					
Segment liabilities	61,070	14,971	1,193	6,435	83,669
Deferred tax liabilities					239
Income tax payable					5,328
Total liabilities					89,236
Other Material Items and Reconciliations					
Impairment of assets, net - reversal/ (made)	(586)	(122)	(4,020)	-	(4,728)
Non-current expenditure	13,851	8,258	9,250	-	31,359

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

Note:
(1) The operating segment 'Others' relates to investing activities including property development.

14 (b) By Geographical Segments

	Revenue		Non-current assets	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Group				
Singapore	91,296	83,001	63,509	52,284
People's Republic of China	1,063	-	10,026	-
Vietnam	238	-	3,496	2,861
Rest of Southeast Asia	148	336	-	-
Total	92,745	83,337	77,031	55,145

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.

15 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.

16 Breakdown of sales and profit after tax as follows:

		Group		
		30 June 2014 S$'000	30 June 2013 S$'000	Increase/ (decrease) %
(a)	Sales reported for first half year	48,913	42,452	15.2
(b)	Operating profit after tax before deducting non-controlling interests reported for first half year	4,823	24,304	(80.2)
(c)	Sales reported for second half year	43,832	40,885	7.2
(d)	Operating profit after tax before deducting non-controlling interests reported for second half year	3,897	(1,422)	N.M

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

	Unaudited 30 June 2014 S$'000	Audited 30 June 2013 S$'000
Ordinary	15,015	14,715
Preference	-	-
Total	15,015	14,715

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) of the Listing Manual.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Low Kok Ann	66	Father of Low See Ching and Dr Low Bee Lan Audrey, a substantial shareholder	Executive Chairman (since 2009) and Chief Executive Officer ("CEO") (since 2014)	Appointed as CEO with effect from 1 February 2014
Low See Ching	39	Son of Low Kok Ann and brother of Dr Low Bee Lan Audrey	Non-Executive Director (since 2014)	Relinquished the role of CEO on 31 January 2014/ Re-designated as Non-Executive Director with effect from 1 February 2014

19 Use of proceeds from share placement

The Company refers to the net proceeds raised in February 2013 from the placement of 20,000,000 new ordinary shares in the share capital of the Company at an issue price of S$0.294 per ordinary share.

As at the date of this announcement, the Group has utilised net proceeds from the share placement of approximately S$5.8 million (after deducting expenses of approximately S$0.1 million incurred by the Company in connection with the share placement) as follows:-

Use of net proceeds	Revised allocation of net proceeds as announced on 23 September 2013	Net proceeds utilised as at date of this announcement	Balance of net proceeds as at date of this announcement
	S$'000	S$'000	S$'000
Redevelopment of the property at 18C Sungei Kadut Street 4	1,500	1,458	42
For general working capital purposes - Purchasing and holding of inventories	4,300	4,300	-
	5,800	5,758	42

By Order of the Board

Low Kok Ann
Executive Chairman and Chief Executive Officer
27 August 2014

合發利控股有限公司
HAFARY HOLDINGS LIMITED

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

MEDIA RELEASE

HAFARY'S FY2014 REVENUE INCREASES TO S$92 MILLION

- ***Hafary reports creditable profit before tax from recurring activities of S$9.7 million, comparable to S$11.0 million achieved in FY2013***

- ***Proposes final dividend of 0.3 cent per ordinary share***

- ***Continues to broaden and deepen its market foothold locally and in the region through its associates in China and Vietnam***

Singapore, 27 August 2014 – Mainboard-listed **Hafary Holdings Limited** ("Hafary" or "the Group" or "合发利控股有限公司"), a leading supplier of premium tiles, stone, wood flooring and sanitary ware in Singapore, is pleased to announce its unaudited financial results for the financial year ended 30 June 2014 ("FY2014").

Higher Revenue

The Group's revenue increased by S$9.4 million or 11.3% from S$83.3 million in FY2013 to S$92.7 million in FY2014. The revenue improvement was driven by an across-the-board increase in sales contributed by its two business segments– ***General*** (comprising customers who are home-owners as well as architecture, interior design and renovation firms) and

Project (comprising customers who are architecture firms, property developers and construction companies).

Segmental Performance

Revenue from the ***General*** segment increased by S$2.7 million or 5.7% from S$47.7 million during FY2013 to S$50.4 million in FY2014. The Group's strategy to ramp-up sales and marketing efforts and widen its customer base, coupled with increased customer loyalty, have contributed to the increased revenue for this segment.

Revenue from the ***Project*** segment increased by S$5.8 million or 16.5% from S$35.4 million in FY2013 to S$41.3 million in FY2014. In FY2014, the Group supplied tiles and building materials for several notable development projects, including Hedges Park @ Flora Drive and Parkland Residences. The increase in project sales is largely driven by the higher volume of deliveries of tiles for use in Housing Development Board ("HDB") residential estate developments under the Build-To-Order Scheme and Home Improvement Programme.

During FY2014, the Group also derived other income, most of which is rental income of S$0.7 million from leasing of excess space which commenced during the second quarter of FY2014 at 105 Eunos Avenue 3.

Lower Net Profit

Profit before income tax decreased by $18.3 million or 65.2% from $28.0 million during FY2013 to S$9.7 million for FY2014. The high profit before income tax for FY2013 was contributed largely by the recognition of a one-time gain on disposal of development property amounting to $22.7 million.

Excluding the one-time extraordinary gain, profit or loss arising from associates and joint venture and fair value gain on investment in listed shares, profit before income tax generated from recurring activities would be $8.7 million for FY2014, compared to the $11.0 million reported in FY2013. Accordingly, net profit attributable to owners of the parent decreased from S$22.3 million in FY2013 to $8.0 million in FY2014.

Hafary's Executive Chairman, Mr Low Kok Ann, commented, "We are pleased that the Group continued to put up a creditable performance for the year despite the more challenging business environment. Excluding the one-time extraordinary gain in FY2013, we have delivered a creditable performance in FY2014 comparable to that in FY2013. During FY2014, Hafary continued to enhance its market presence by rejuvenating its showroom designs and enlarging the space to meet the increasing needs of its large and diverse base of customers. Apart from shifting our main showroom to our Headquarters building at 105 Eunos Avenue 3, we have doubled the Balestier showroom space and refurbished it to serve our customers better. The Tradehub 21 showroom, which is seeing more customer traffic, also completed its facelift in July 2014."

He added, "Moving forward, the Group will continue to broaden and deepen our foothold in China and Vietnam, as these are markets with high-growth potential. Apart from working on both the domestic and external growth drivers for the Group, we shall remain vigilant to market changes, and will continue to explore opportunities to expand our business through acquisitions, joint ventures or strategic alliances with synergistic partners. "

Final Dividend

In view of its profitable results, the Board of Directors is proposing ***a final dividend of 0.3 cent per ordinary share*** for approval at the upcoming Annual General Meeting. The Group had declared an interim dividend of 1.0 cent per ordinary share in January 2014.

Business Strategies & Growth Prospects

Singapore Market

The Group will continue to strengthen its market position as a leading supplier of building materials for its public project customers. For the year 2014, the HDB's ramped-up building programme shifted to a more sustainable phase with a target supply of 24,300 units of flats

(2013: 25,139 units launched). With the reduction in the number of BTO launches, the Group's Public Project Department would explore the possibilities of delivering building materials for use in other categories of public projects, such as executive condominiums, public facilities and infrastructure, as well as home improvement and other upgrading programmes.

Hafary's joint venture, Melmer Stoneworks Pte Ltd ("MSPL"), which specialises in fabrication, polishing and profiling of stone and marble slabs for household and commercial purposes, has grown from strength to strength. MSPL, in which the Group owns a 50% share, contributed profit of S$0.2 million to the Group's FY2014 results. The Group is currently engaged in alteration and additions works at 18C Sungei Kadut Street 4, where MSPL operates, to further improve MSPL's operational capabilities.

During FY2014, World Furnishing Hub Pte. Ltd. ("WFHPL"), a special-purpose vehicle incorporated by the Company's wholly-owned subsidiary, Hafary Pte Ltd, two controlling shareholders, and Sitra Agencies Pte Ltd, a wholly-owned subsidiary of Sitra Holdings (International) Limited ("Sitra"), successfully secured the extension of our lease on a piece of land at Sungei Kadut Industrial Estate and obtained approval to house amenities in this commercial space. This leasehold land is located at the epicenter of the International Furniture Park, which Jurong Town Corporation has positioned as Southeast Asia's international furniture hub, a global marketplace for furniture and furniture-related industries. The collaboration between the Group and Sitra via World Furnishing Hub Pte Ltd is a synergistic partnership, as both parties can leverage on each other's strengths and business networks to expand their markets and presence, thus adding value to their business operations.

<u>Overseas Investments</u>

Since 2012, the Group has progressively ventured into the region, namely, markets such as Vietnam and People's Republic of China ("PRC"). During FY2014, the Group derived share of profits amounting to S$0.6 million from associate Viet Ceramics International Joint Stock Company (VCI), a tile retailing company in Vietnam. The improved contribution from VCI is attributable to the improved economic climate of Vietnam since year 2013 and rewards reaped from its Outdoor Sales Department which was able to tap into the markets of homeowners and small renovation and architectural firms. During FY2014, VCI also strengthened its market presence by opening a second showroom in Hanoi (fourth showroom in Vietnam) to serve the increasing number of middle and high income earners in the province. The main showroom at Ho Chi Minh was also refurbished to display more variety of tiles and mocked up spaces to meet the needs of its general and project customers.

The Company's wholly owned subsidiary, Hafary International Pte Ltd incorporated a wholly owned export agency, Foshan Hafary Trading Co., Limited ("FHT"), in China. FHT, which commenced trading activities in December 2013, is expected to provide opportunities to widen the Group's procurement and business networks, develop the Hafary brand overseas and provide a new revenue stream for the Group.

In May 2014, FHT acquired a leasehold property at Gaoming of Foshan, Guangzhou with the aim of storing certain inventory items, especially tiles to be delivered for use in major property development projects. The Group plans to house its project inventories purchased in China, before delivery to Singapore and other markets, where storage costs are lower so that the scarce warehousing resources in Singapore can be better utilised. The warehouse location is also ideal in view of its proximity to Gaoming Port which facilitates the shipping of inventories to Singapore and other Asian locations within short notice. Also, the Gaoming District Government has plans to relocate Xingang Port, Foshan's busiest port, to the shoreline about 1 kilometre from the warehouse premise. Unutilised space in the warehouse premise will be leased for rental income.

Industry Trends

Singapore's property market sentiment remains soft, reflecting the impact of the Government's series of property cooling measures and Total Debt Servicing Ratio framework introduced by the Monetary Authority of Singapore ("MAS"). The MAS maintained that it is still early days to tweak any of the cooling measures which have kept a tight rein on the market.

The Singapore Building and Construction Authority has projected construction demand of between S$31 billion and S$38 billion for calendar year 2014. Most of the construction demand will come from public sector projects, which include the Thomson MRT Line and some public hospitals.

~ End ~

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