MISCELLANEOUS

** 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	07-Aug-2011 18:22:23
Announcement No.	00003

>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

Announcement Title *	CLARIFICATION ON THE UNAUDITED HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2010 ("HY2011")
Description	Please see attached.
Attachments	Clarification_Ann.pdf Total size = **466K** (2048K size limit recommended)

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

CLARIFICATION ON THE UNAUDITED HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2010 ("HY2011")

The Board of Directors of the Company refers to the announcement made by the Company on 14 February 2011 in relation to the unaudited half year financial statements for HY2011 (the "**Half Year Announcement**").

Overstatement of Closing Inventories

During the audit of the Company's consolidated financial statements for the financial year ended 30 June 2011, the Company's auditors, RSM Chio Lim LLP (the "**Auditors**"), noted that the carrying value of certain inventory items of the Company's wholly-owned subsidiary, Hafary Pte Ltd ("**HPL**"), were overstated.

Certain unintentional and human errors resulted in the unit cost of five inventory items being erroneously recorded as S$29 per inventory item, instead of their respective actual unit costs. These inventories were purchased from certain local suppliers in Singapore. Specifically, it was discovered that these errors arose due to the usage of a default template to expedite the input of the quantities of these inventory items.

Upon further checks, the Company's management identified an additional costing error with an overstatement of about S$14,000 to the unaudited inventories of HPL as at 31 December 2010. This was discovered pursuant to the additional checks carried out on the unit costs of 120 and 40 high value inventory items, acquired from local and overseas suppliers respectively, as at 31 December 2010. The checks focused more on purchases from local suppliers as the errors arose from such purchases.

As a result of the above, the profit before income tax stated in the Half Year Announcement amounting to S$7,742,000 is incorrect.

Additional Procedures by the Auditors

Upon discovery of these errors, the Company immediately engaged the Auditors to perform additional procedures to understand the nature of the misstatement and to be satisfied with the quantification of the overstatement of S$1,936,000 by the management of the Company.

Based on the additional procedures performed (which included the review of the 160 high value inventory items in the Company's accounting system mentioned above, interviews with the relevant members of HPL's staff to ascertain whether there was any inappropriate or unusual activity and understanding the process and procedures for the input of inventory unit costs in HPL's accounting system), the Auditors findings suggest that the nature of the errors contributing to the overstatement of S$1,936,000 were isolated events caused by inadvertent human error and were not intentional.

For additional information on the outcome of the Auditors' review, please refer to the 'Executive Summary on Factual Findings' issued by the Auditors, which is attached to this announcement as Annex A.

Financial Impact

As a result of these errors, the unaudited financial statements set out in the Half Year Announcement would need to be restated. The profit before income tax for the Company and its subsidiaries (collectively referred to as the "**Group**") stated in the Half Year Announcement amounting to S$7,742,000 is incorrect and should amount to S$5,806,000. The Group's profit, net of tax, should be S$4,818,000 as compared to the previously reported amount of S$6,425,000.

Financial Impact (cont.)

Please refer to the attached Annex B for the financial effect of the misstatement on the respective account balances and the revised Statement of Financial Position of the Group as at 31 December 2010, the Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the Group for the six months ended 31 December 2010, together with the financial effect of the misstatements on the Group's Earnings Per Ordinary Share and Net Assets Per Share.

Improvements

To prevent, as far as possible, similar errors from occurring in the future, the Company has instituted an additional level of checks by designated personnel within HPL on the unit costs of inventory items in HPL's accounting system with immediate effect.

The Company will continue to ensure that its internal controls are in place, adhered to and relevant to the current business and operational needs of the Group. In addition, the Company will also be seeking advice from its internal auditors to ascertain whether further improvements need to be implemented for other internal processes undertaken by the Group. The findings and sufficiency of such further improvements will be presented to the Company's audit committee for their review at an appropriate juncture.

Conclusion

Based on the assessment of the Company's management, the misstatement is caused by inadvertent human error and is an isolated event and not intentional. This is supported by the findings of the Auditors. The findings of the Auditors support the management's view that there is no inappropriate or unusual activity apart from these human related errors.

The Company's management will continue to provide full support to the Auditors for the audit of its full year accounts for financial year 2011 ("**FY2011 Accounts**"), which is currently in progress, so that the FY2011 Accounts can be announced on or around the end of August 2011.

By Order of the Board

Tay Eng Kiat Jackson
Financial Controller

Date: 7 August 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.

Annex A

RSM Chio Lim

STRICTLY PRIVATE AND CONFIDENTIAL

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Our Ref: AUD/C2/5886/CWK/TBH

6 August 2011

The Audit Committee
Hafary Holdings Limited
No 15 Defu Ave 1
Singapore 539538

Dear Sirs,

Hafary Holdings Limited (the "Company")
Executive Summary on Factual Findings

We have performed the procedures outlined in our letter of engagement dated 3 August 2011, with respect to understanding of the nature of the overstatement of the carrying value of inventories in Hafary Pte Ltd ("HPL"), a wholly-owned subsidiary of the Company, as at 31 December 2010 and, the quantification of the overstatement by management of the Company.

Our engagement was undertaken in accordance with the Singapore Standard on Related Services SSRS 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information. The procedures were performed solely to assist the directors of the Company to understand the nature of the misstatement and to be satisfied with the quantification of the overstatement of $1,936,000 by the management of the Company.

Our findings from our agreed-upon procedures suggest that the nature of errors contributing to the overstatement of $1,936,000 were isolated events caused by inadvertent human error, and were not intentional.

These errors were attributable to a wrong unit cost of $29 used for five inventory items in place of the actual unit cost prices. This wrong $29 unit cost arose from a default input template used by the staff of HPL to expedite the inputs on the quantities of new inventory items for local purchases in the inventory ledger.

These five errors resulted in an overstatement of $1,922,000 in aggregate and they occurred as the staff of HPL had initiated the inventory inputs using the default template but did not "zerorise" the incorrect default unit cost of $29. There was no independent check on the inputs of unit costs for local purchases as the staff designated to perform such checks had recently joined HPL and was not aware that this procedure was within her job scope. As a result, these errors were not detected until our audit of HPL for the financial year ended 30 June 2011.

Audit Fax +65 6594 7811 info@rsmchiolim.com.sg Tax Fax +65 6594 7822 tax@rsmchiolim.com.sg

The input of the quantities and unit costs of the inventories acquired from local and overseas suppliers are performed by two different teams in HPL. Management has established that the misstatements are related to HPL's purchases from local suppliers. Therefore, the review by management focused on the inventories as at 31 December 2010 that were acquired from these local suppliers. Additionally, management has also checked the unit cost of significant inventories as at 31 December 2010 that were purchased from overseas suppliers.

Management had further identified an additional costing error with an overstatement of about $14,000 to the 31 December 2010 inventories from additional checks on the unit costs of 120 and 40 high value inventory items acquired from local and overseas suppliers respectively at 31 December 2010.

The above key findings were noted from the following key agreed-upon procedures performed by us:

a) Re-performed management's additional checks on the unit costs and similar findings of a costing error with an overstatement of $14,000 to the 31 December 2010 inventories were noted;

b) Performed an understanding of the process and procedures for updating of inventory unit costs in the inventory ledger to establish an understanding on the nature of errors; and

c) Interviewed relevant staff of HPL with oversight on the inputs of purchases to the inventory ledger to ascertain whether there had been any inappropriate or unusual activity.

Because the above procedures do not constitute either an audit or a review made in accordance with the Singapore Standards on Auditing or Singapore Standards on Review Engagements, we do not express any assurance on any financial statements of the Company or HPL, taken as a whole.

Had we performed additional procedures or had we performed an audit or a review of the financial statements in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph this report and for the private information of the board of directors of the Company. It should not be quoted or referred to, in whole or in part, without our prior written consent, for any other purposes. We do not assume any responsibility or liability for losses to any other parties for the content of our report as a result of circulation, publication, reproduction or use of the report contrary to the provisions of this paragraph. This report relates only to the items specified above and does not extend to any financial statements of the Company or HPL, taken as a whole.

Yours faithfully,

RSM Chio Lim LLP

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants

Singapore

Annex B

HAFARY HOLDINGS LIMITED
(Company Registration No.: 200918637C)
(Incorporated in the Republic of Singapore)

Amendments to Half Year Announcement

1. Statement of Comprehensive Income

	Group				
	Unaudited – 6-month ended				
	Per previously reported 31-Dec-10 S$'000	Misstatement S$'000	Restated 31-Dec-10 S$'000	31-Dec-09 S$'000	Percentage Increase/ (Decrease)
Revenue	30,987	-	30,987	18,890	64%
Other Items of Income					
Other Credits	470	-	470	287	64%
Items of Expense					
Changes in Inventories of Finished Goods	7,367	(1,936)	5,431	2,646	105%
Purchases and Related Expenses	(23,937)	-	(23,937)	(14,074)	70%
Employee Benefits Expenses	(3,041)	-	(3,041)	(1,988)	53%
Depreciation	(347)	-	(347)	(208)	67%
Impairment Losses	(544)	-	(544)	(75)	625%
Finance Costs	(402)	-	(402)	(220)	83%
Other Expenses	(2,574)	-	(2,574)	(1,619)	59%
Other Charges	(237)	-	(237)	(1,088)	(78%)
Profit Before Income Tax	**7,742**	**(1,936)**	**5,806**	**2,551**	**128%**
Income Tax Expense	(1,317)	329	(988)	(652)	52%
Profit Net of Tax and Total Comprehensive Income for the Period	**6,425**	**(1,607)**	**4,818**	**1,899**	**154%**
Profit Net of Tax and Total Comprehensive Income Attributable to:					
- Owners of the Parent	6,139	(1,607)	4,532	1,800	152%
- Non-Controlling Interests	286	-	286	99	189%
	6,425	**(1,607)**	**4,818**	**1,899**	**154%**

HAFARY HOLDINGS LIMITED
Amendments to Half Year Announcement (Continued)

2. Statement of Financial Position

	Group			
	Unaudited			Audited
	Per previously reported 31-Dec-10 S$'000	Misstatement S$'000	Restated 31-Dec-10 S$'000	30-Jun-10 S$'000
ASSETS				
Non Current Assets:				
Investment in Subsidiaries	-	-	-	-
Property, Plant and Equipment	26,640	-	26,640	4,193
Total Non-Current Assets	**26,640**	**-**	**26,640**	**4,193**
Current Assets:				
Inventories	24,056	(1,936)	22,120	16,902
Trade and Other Receivables	14,794	-	14,794	10,347
Other Assets	2,582	-	2,582	1,159
Cash and Cash Equivalents	1,970	-	1,970	5,473
Total Current Assets	**43,402**	**(1,936)**	**41,466**	**33,881**
Total Assets	**70,042**	**(1,936)**	**68,106**	**38,074**
EQUITY AND LIABILITIES				
Equity Attributable to Owners of the Parent				
Share Capital	14,508	-	14,508	14,508
Retained Earnings	8,930	(1,607)	7,323	3,061
Equity, Attributable to Owners of the Parent	23,438	(1,607)	21,831	17,569
Non-Controlling Interests	1,422	-	1,422	866
Total Equity	**24,860**	**(1,607)**	**23,253**	**18,435**
Non-Current Liabilities:				
Deferred Tax Liabilities	96	-	96	96
Other Financial Liabilities	19,012	-	19,012	2,244
Total Non-Current Liabilities	**19,108**	**-**	**19,108**	**2,340**
Current Liabilities:				
Provision	318	-	318	255
Income Tax Payable	1,719	(329)	1,390	957
Trade and Other Payables	7,338	-	7,338	4,938
Derivative Financial Instruments	189	-	189	460
Other Financial Liabilities	16,510	-	16,510	10,689
Total Current Liabilities	**26,074**	**(329)**	**25,745**	**17,299**
Total Equity and Liabilities	**70,042**	**(1,936)**	**68,106**	**38,074**

HAFARY HOLDINGS LIMITED
Amendments to Half Year Announcement (Continued)

3. Statement of Cash Flows

	Group			
	(Unaudited - 6-month ended)			
	Per previously reported 31-Dec-10 S$'000	Misstatement S$'000	Restated 31-Dec-10 S$'000	31-Dec-09 S$'000
Cash Flows From Operating Activities:				
Profit Before Income Tax	7,742	(1,936)	5,806	2,551
Adjustments for:			-	
Depreciation Expense	347	-	347	208
Interest Expense	402	-	402	220
Fair Value Loss on Derivative Financial Instruments	189	-	189	-
Gain on Disposal of Property, Plant and Equipment	-	-	-	(33)
Operating Cash Flows Before Working Capital Changes	8,680	(1,936)	6,744	2,946
Cash Restricted in Use Over 3 months	32	-	32	-
Increase in Other Assets	(1,423)	-	(1,423)	(553)
Increase in Trade and Other Receivables	(4,448)	-	(4,448)	(2,257)
Increase in Inventories	(7,154)	1,936	(5,218)	(2,646)
Increase in Trade and Other Payables	2,400	-	2,400	1,610
Decrease in Derivative Financial Instrument	(460)	-	(460)	-
Increase in Provision	64	-	64	-
Net Cash Flows Used in Operations Before Interest and Tax	(2,309)	-	(2,309)	(900)
Income Taxes Paid	(555)	-	(555)	(491)
Net Cash Flows Used in Operating Activities	**(2,864)**	**-**	**(2,864)**	**(1,391)**
Cash Flows From Investing Activities:				
Proceeds from Disposal of Property, Plant and Equipment	-	-	-	75
Purchase of Property, Plant and Equipment	(22,796)	-	(22,796)	(2,783)
Net Cash Flows Used in Investing Activities	**(22,796)**	**-**	**(22,796)**	**(2,708)**
Cash Flows From Financing Activities:				
Increase / (Decrease) in Bills payables and Trust Receipts	6,623	-	6,623	(195)
Interest Paid	(402)	-	(402)	(220)
Issue of Shares	-	-	-	6,279
Dividends Paid to Non-Controlling Interests	-	-	-	(150)
Decrease in Other Financial Liabilities	(1,341)	-	(1,341)	(151)
Increase in New Bank Loans	17,200	-	17,200	2,272
Net Cash Flows From Financing Activities	**22,080**	**-**	**22,080**	**7,835**
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,580)	-	(3,580)	3,736
Cash and Cash Equivalents at Beginning of Year[1]	5,229	-	5,229	1,806
Cash and Cash Equivalents at End of Year[1]	**1,649**	**-**	**1,649**	**5,542**

4. Statements of Changes in Equity

GROUP	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP				
	Share Capital S$'000	Retained Earnings/ (Accumulated Losses) S$'000	Total S$'000	Non-Controlling Interests S$'000	Total Equity S$'000
Current Period (Unaudited):					
Opening Balance at 1 July 2010	14,508	3,061	17,569	866	18,435
Issuance of Bonus Shares to Non-Controlling Interests of a Subsidiary	-	(270)	(270)	270	-
Total Comprehensive Income for the Period					
As previously stated	-	6,139	6,139	286	6,425
Misstatement		(1,607)	(1,607)	-	(1,607)
Restated	-	4,532	4,532	286	4,818
Balance at 31 December 2010	**14,508**	**7,323**	**21,831**	**1,422**	**23,253**
Previous Year (Unaudited):					
Balance at 1 July 2009	500	7,729	8,229	799	9,028
Effect from Restructuring Exercise	(500)	(7,729)	(8,229)	-	(8,229)
Issue of Share on Incorporation Date	* -	-	* -	-	* -
Issue of Shares for Acquisition of Subsidiaries	8,230	-	8,230	-	8,230
Initial Public Offering					
Issue of Shares	6,500	-	6,500	-	6,500
Share Issue Expenses	(222)	-	(222)	-	(222)
	6,278	-	6,278	-	6,278
Total Comprehensive Income for the Period	-	1,800	1,800	99	1,899
Dividends Paid to Non-Controlling Interests	-	-	-	(150)	(150)
Balance at 31 December 2009	**14,508**	**1,800**	**16,308**	**748**	**17,056**

5. Earnings Per Ordinary Share

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

	Group		
	(Unaudited - 6-month ended)		
	As previously stated 31-Dec-10	Restated 31-Dec-10	31-Dec-09
Earnings per ordinary share			
(a) Based on the weighted average number of ordinary shares in issue; and	3.78 cents	2.79 cents	1.33 cents
Weighted average number of ordinary shares	162,500,000	162,500,000	135,417,000
(b) On a fully diluted basis	3.78 cents	2.79 cents	1.33 cents
Weighted average number of ordinary shares	162,500,000	162,500,000	135,417,000

* For comparative purposes, EPS for 31 December 2009 have been computed based on weighted average number of pre-placement share capital of 130,000,000 shares and 32,500,000 new ordinary shares arising from its Initial Public Offering exercise.

6. Net Asset Value

	Group		
	Unaudited		Audited
	As previously stated 31-Dec-10	Restated 31-Dec-10	30-Jun-10
Net asset value per ordinary share based on the total number of share in issue	14.42 cents	13.43 cents	10.81 cents

Net asset value per ordinary share is calculated based on 162,500,000 shares in issue as at 31 December 2010 and 30 June 2010.